



METROPOLITAN POLICY PROGRAM

THE BROOKINGS INSTITUTION

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Economic Recovery and the Earned Income Tax Credit

National Community Tax Coalition
Day of Action
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October 21, 2009



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Background



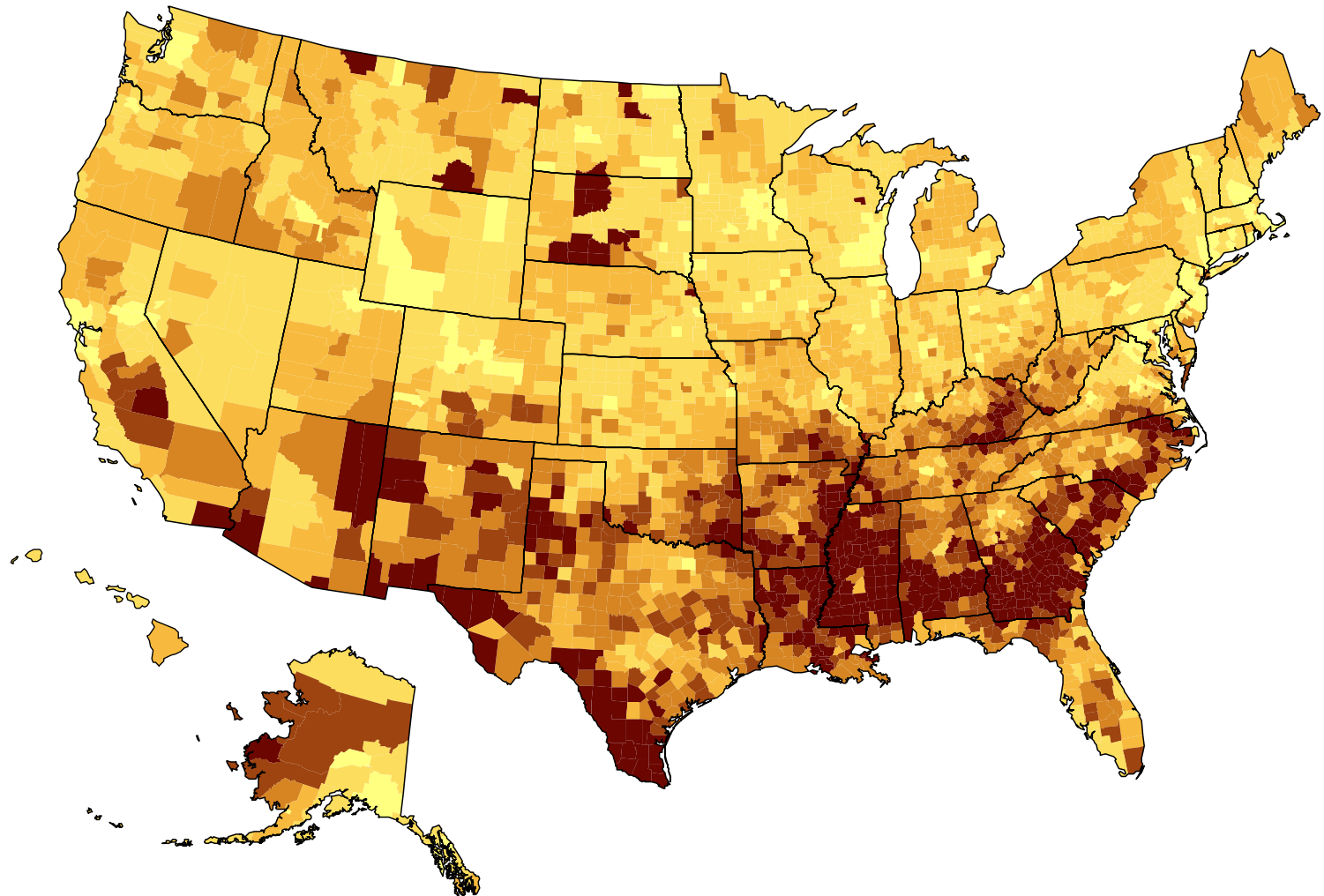
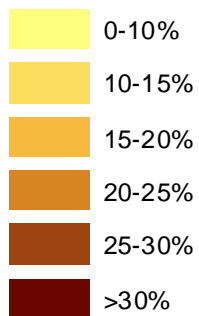
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In 2007, 17 percent of all tax filers claimed the EITC for a total of \$43.7 billion

Share of all tax returns receiving the EITC by county, tax year 2006

Source: Brookings Institution analysis of IRS data

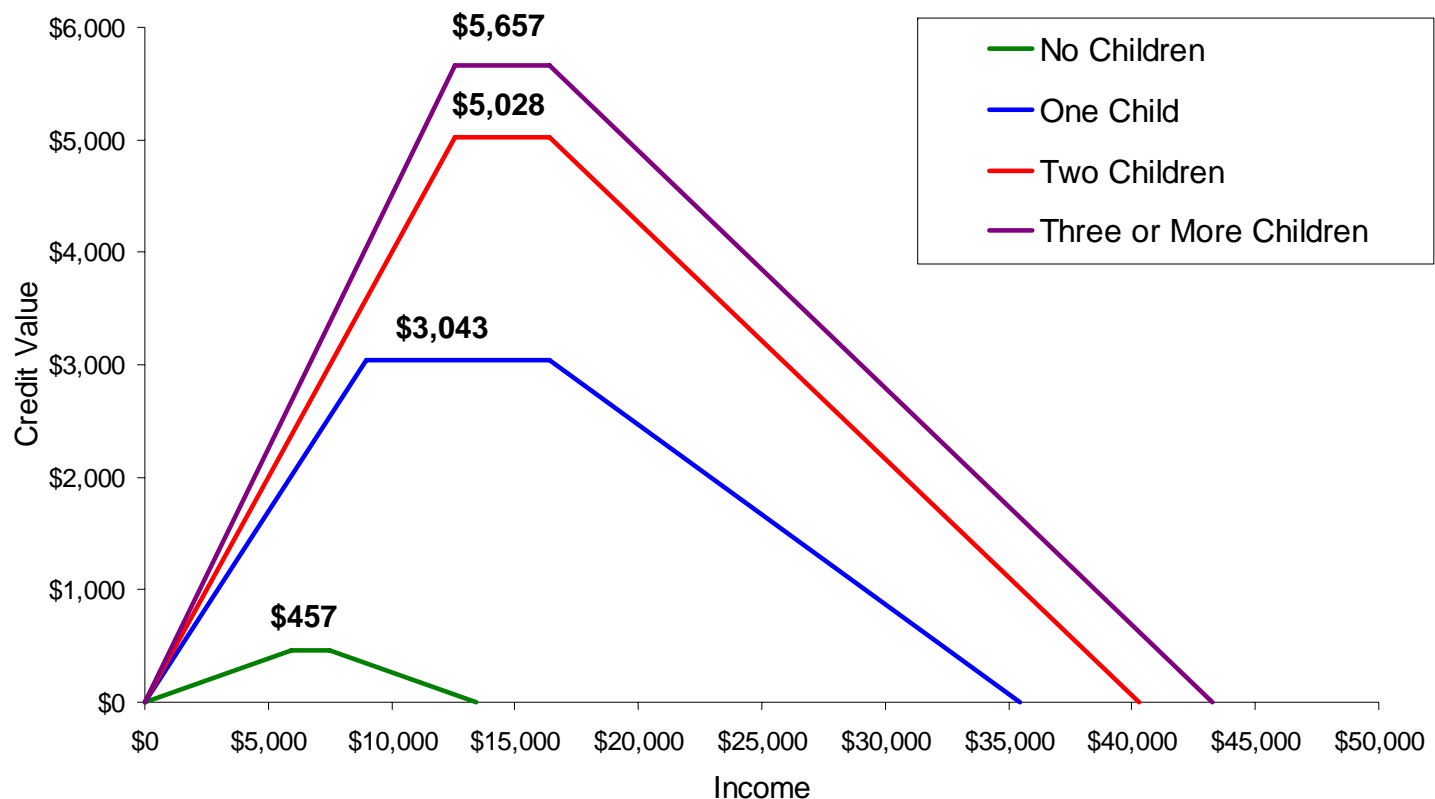
% Receiving EITC



ARRA expanded the EITC for two key groups: (1) families with three or more children and (2) married couples filing jointly

Expanded EITC eligibility parameters under ARRA, TY 2009

Source: IRS



*Married couples filing jointly now begin phase-out and reach maximum income limits \$5,000 above unmarried filers.

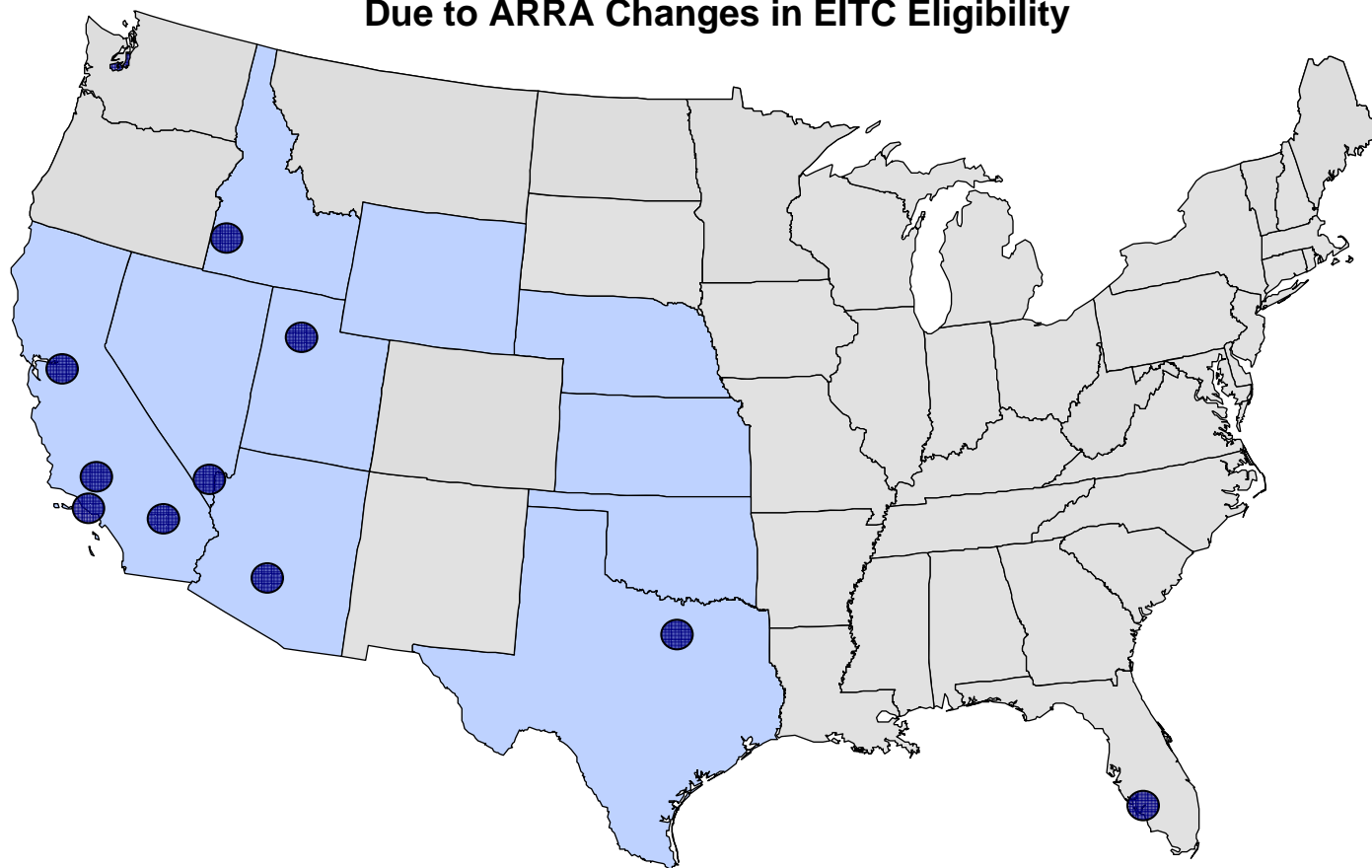


Under ARRA, the EITC-eligible population sees a boost in the average credit of \$140, while married families with 3 or more kids see an average gain of \$1,075

Together, the
ARRA EITC
expansions:

- ❖ Benefit* **7.3 million** tax filers in the U.S.
- ❖ Extend eligibility to **887,000** filers
- ❖ Provide an additional **\$3.8 billion**
- ❖ Increase total EITC dollars by **8.9%**

Top 10 States and Metro Areas for Increases in EITC Dollars
Due to ARRA Changes in EITC Eligibility



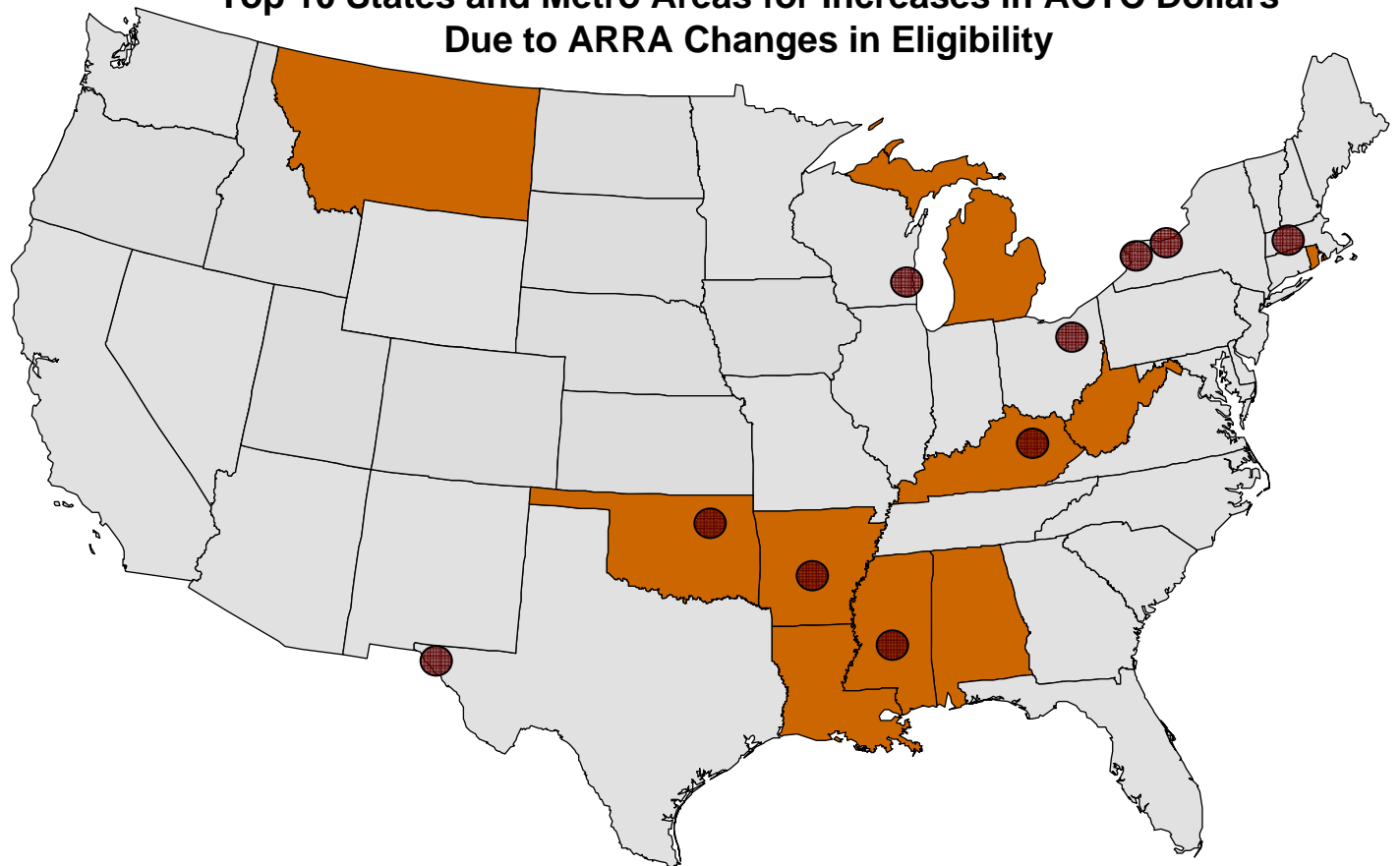
*Filers that experience an increase of \$1 or more in the EITC for which they qualify or become newly eligible

By dropping the earnings floor from \$8,500 to \$3,000, ARRA increases the average credit for ACTC filers by \$260, while filers who weren't eligible before now qualify for an average credit of \$418

ARRA changes to the CTC:

- ❖ Benefit* 7.1 million tax filers in the U.S.
- ❖ Extend eligibility to 1.8 million filers
- ❖ Provide an additional \$4.1 billion
- ❖ Increase total ACTC dollars by 30.2%

Top 10 States and Metro Areas for Increases in ACTC Dollars Due to ARRA Changes in Eligibility



*Filers that experience an increase of \$1 or more in the EITC for which they qualify or become newly eligible



EITC filers with children often receive an added boost to their refunds through the refundable Child Tax Credit. ARRA's expansion of the ACTC broadens the benefit of this credit even further.

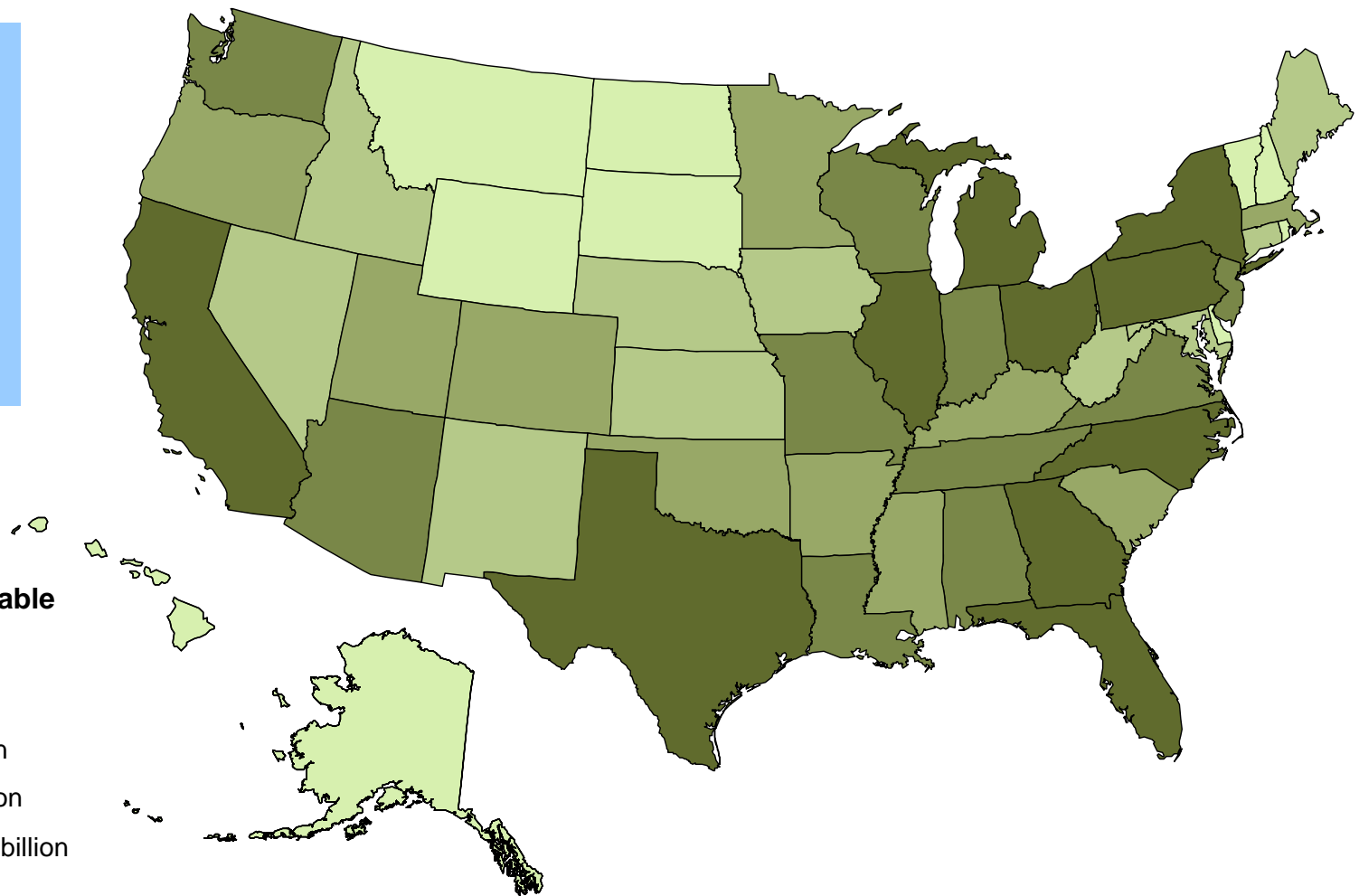
- The benefits of the ACTC expansion disproportionately help EITC filers with kids:
 - Of the 7.1 million filers who benefit from this expansion
 - **5.9 million of them are EITC filers**
 - Of the \$4.1 billion newly available to eligible working families
 - **EITC filers are eligible for \$3.9 billion**

Together, these expanded refundable tax credits mean a significant increase in support for low-income working families and their communities

Increases in refundable tax credit dollars going to EITC filers due to ARRA expansions, by state

Source: Brookings MetroTax model, using 2007 ACS microdata

Additional Dollars Available



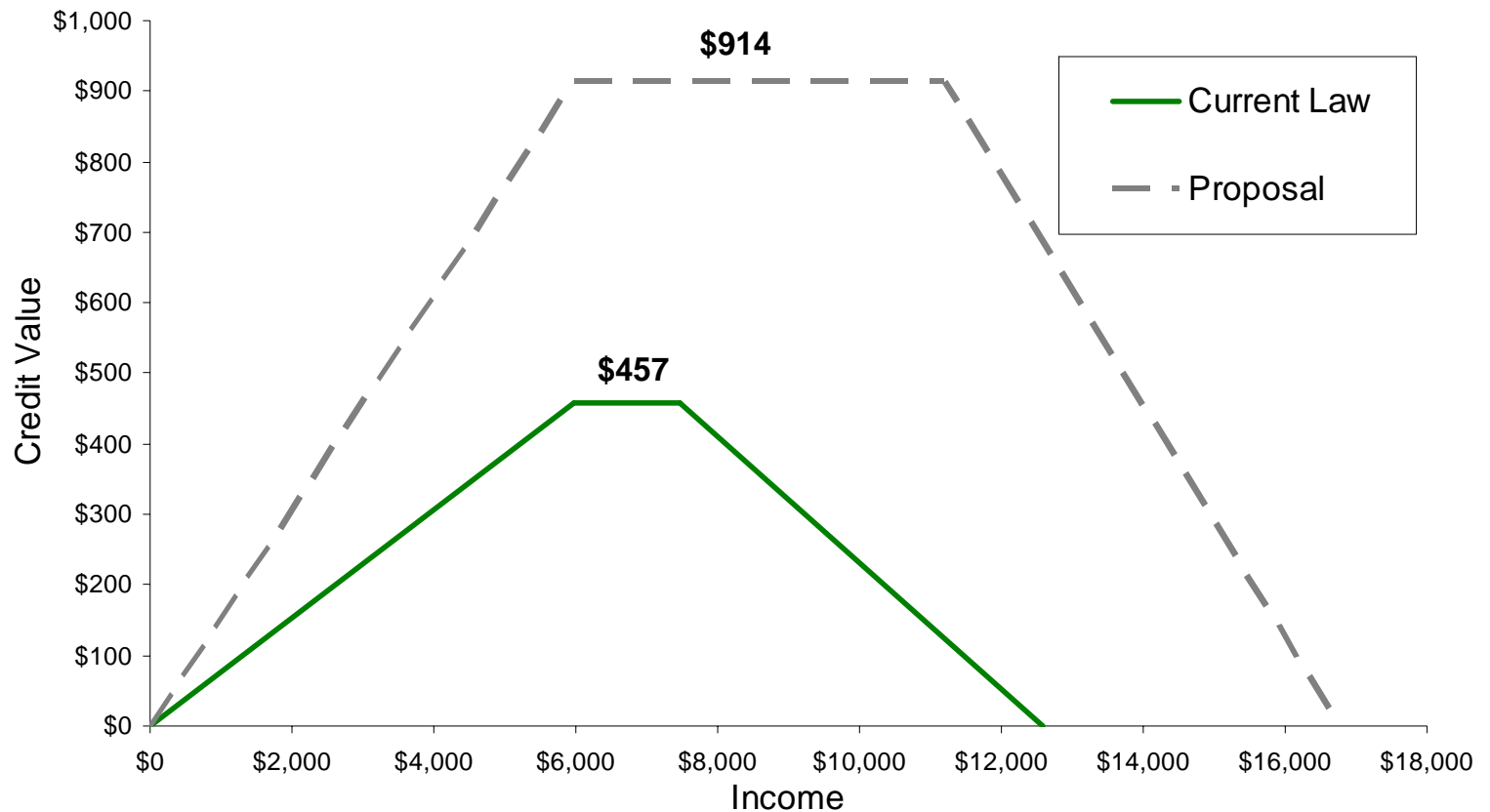
Expanding the EITC



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ARRA strengthens the EITC for working families, but more can be done to make the EITC for workers without qualifying children more effective

Childless worker EITC expansion proposal compared to actual, TY 2009



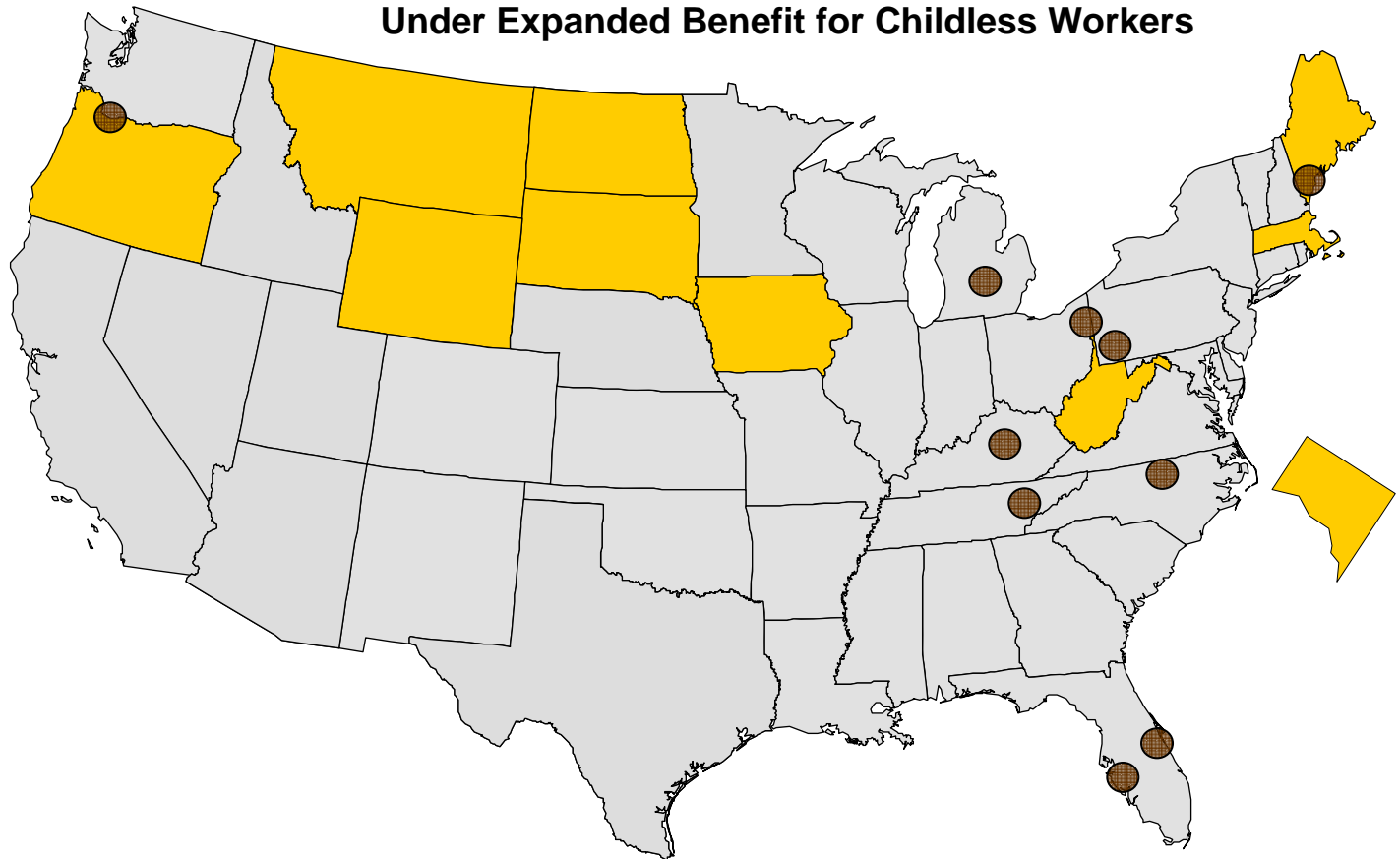
*Married couples filing jointly begin phase-out and reach maximum income limits \$5,000 above unmarried filers.

This proposal would boost the average benefit for existing EITC-eligible workers from \$257 to \$659, and newly-eligible workers would see an average benefit of \$360

Enacting the proposed expansion would:

- ❖ Benefit **8.2 million** tax filers in the U.S.
- ❖ Extend eligibility to **2.2 million** filers
- ❖ Provide an additional **\$3.3 billion**
- ❖ Increase total EITC dollars by **7.2%**

Top 10 States and Metro Areas for Increases in EITC Dollars Under Expanded Benefit for Childless Workers



**Filers that experience an increase of \$1 or more in the EITC for which they qualify or become newly eligible*

Who would benefit from this proposal?


Benefitting Filers:

<i>With incomes under \$15,000</i>	84.0%
<i>Over age 45</i>	52.1%
<i>With HS diploma or less</i>	57.7%
<i>Enrolled in school</i>	9.4%
<i>Most common industries</i>	Retail Accommodation/Food Service Health Care Construction Manufacturing

For More Information: our website provides a range of additional resources on the EITC and other tax policies for low-income workers

www.brookings.edu/metro/EITC/EITC-Homepage.aspx

Tax year 2006 data on the Brookings site



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Earned Income Tax Credit Series

Expanding the Earned Income Tax Credit to Benefit Families and Places Economic recovery proposals before Congress include tax relief for lower-income working families, including targeted expansions in the Earned Income Tax Credit (EITC). A new Metropolitan Policy Program analysis shows how proposed expansions to the EITC would benefit taxpayers in individual states, metropolitan areas and selected cities around the nation.

REPORTS

Metro Raise: Boosting the Earned Income Tax Credit to Help Metropolitan Workers and Families

Slowed economic growth and rising prices for necessities like food, transportation, and child care threaten to exacerbate the challenges already facing America's low-income workers and their families. The federal Earned Income Tax Credit (EITC) could do more to help close the growing gap between stagnant wages and rising prices. "Metro Raise" demonstrates how an expanded and modernized EITC would benefit families and communities in the nation's major metropolitan areas.

Bridging the Gap: Refundable Tax Credits in Metropolitan and Rural America

This report examines the changing distribution of Earned Income Tax Credit (EITC) recipients across large cities and suburbs, smaller metro areas, and rural communities throughout the country. While taxpayers in large cities and rural areas were the most likely to claim the EITC in 2005, more than one-third of EITC filers lived in the suburbs of the nation's largest metropolitan areas.

INTERACTIVE DATA

Display and download ZIP code-level tax return information for states, metro areas, counties, cities, and state legislative and congressional districts for tax years 1997 through 2006.

- Create a Report
- User Guide

OTHER EITC RESOURCES

- EITC-Eligible Profiles
- EITC State Zip Code Maps
- EITC Data by State Legislative District

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