

CRS Report for Congress

Received through the CRS Web

The Earned Income Tax Credit (EITC): Percentage of Total Tax Returns and Credit Amount By State

Christine Scott
Specialist in Tax Economics
Domestic Social Policy Division

Summary

The earned income tax credit (EITC), established in the tax code in 1975, provides cash assistance to lower income working parents and individuals through the tax system. In tax year 2003, total EITC (EITC applied against tax liability and refunded EITC) was \$39.2 billion, with 22.1 million tax returns claiming the EITC. Geographically, the four largest states in terms of population — California, Texas, Florida, and New York — had 35.1% of all federal tax returns claiming an EITC and 35.9% of the total EITC amount. States with a higher percentage of federal tax returns claiming the EITC were located in the South, with Mississippi (31.87%) and Louisiana (28.45%) having the highest percentage of federal tax returns claiming the EITC. This report will be updated when new data become available.

The Earned Income Tax Credit (EITC)¹

The earned income tax credit (EITC) is a refundable tax credit available to eligible workers earning relatively low wages. Under current law, two categories of EITC recipients exist: childless adults and families with children. Because the credit is refundable, an EITC recipient need not owe taxes to receive the benefits. Eligibility for, and the size of, the EITC is based on income, age (25 or older but less than 65 years of age), residence (U.S. resident unless military stationed overseas), and the presence of qualifying children.

The distribution of federal tax returns claiming the EITC by state can be shown in two simple ways. First, the largest four states in terms of population — California, Texas, Florida, and New York — had the largest number of federal tax returns and EITC amount, accounting for 35.1% of all federal tax returns claiming the EITC and 35.9% of the total EITC amount in tax year 2003. Alternatively, the distribution can be shown using the

¹ A more detailed description of EITC eligibility and the calculation of the credit are in CRS Report RL31768, *The Earned Income Tax Credit (EITC): An Overview*, by Christine Scott.

percentage of federal total tax returns filed from a state claiming the EITC. In tax year 2003, for the United States (the sum of all states and the District of Columbia, not including outlying areas), 17.01% of tax returns claimed an EITC, with an average EITC of \$1,772.48.

The Percentage of Tax Returns Claiming the EITC

The percentage of federal tax returns filed from a state claiming the EITC is an indicator of the dependence of state residents on the EITC. It can also be viewed as an indicator of the relative income of states. States with a higher proportion of lower income working residents (particularly those with children) will have a higher percentage of federal tax returns filed from the state claiming the EITC. For tax year 2003, the District of Columbia and 19 states had a share of federal tax returns claiming the EITC that was greater than or equal to the U.S. average (for all states and the District of Columbia) of 17.01%. Thirty-two (32) states had a percentage of federal tax returns with an EITC that was lower than the U.S. average.²

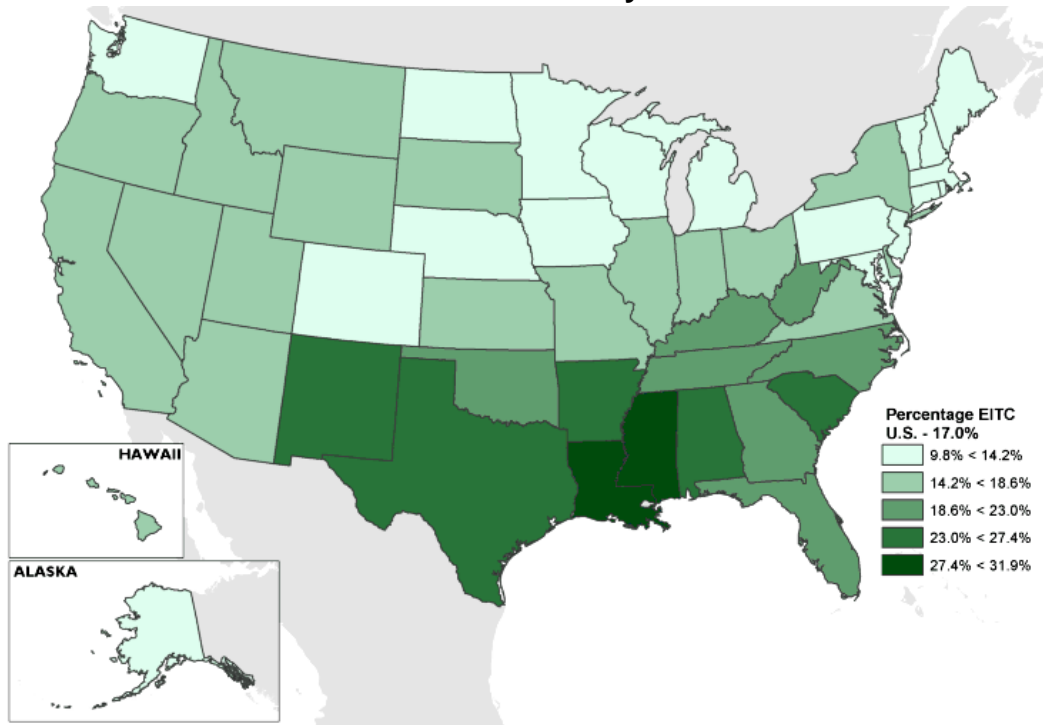
The percentage of federal tax returns claiming an EITC ranged from a low of 9.78% in New Hampshire to a high of 31.87% in Mississippi. **Map 1** shows a graphical presentation of the percentage of federal tax returns claiming the EITC by state. **Table 1** provides data on the number of federal tax returns filed by state and the percentage of federal tax returns claiming an EITC by state in tax year 2003.

The Average Amount of the EITC

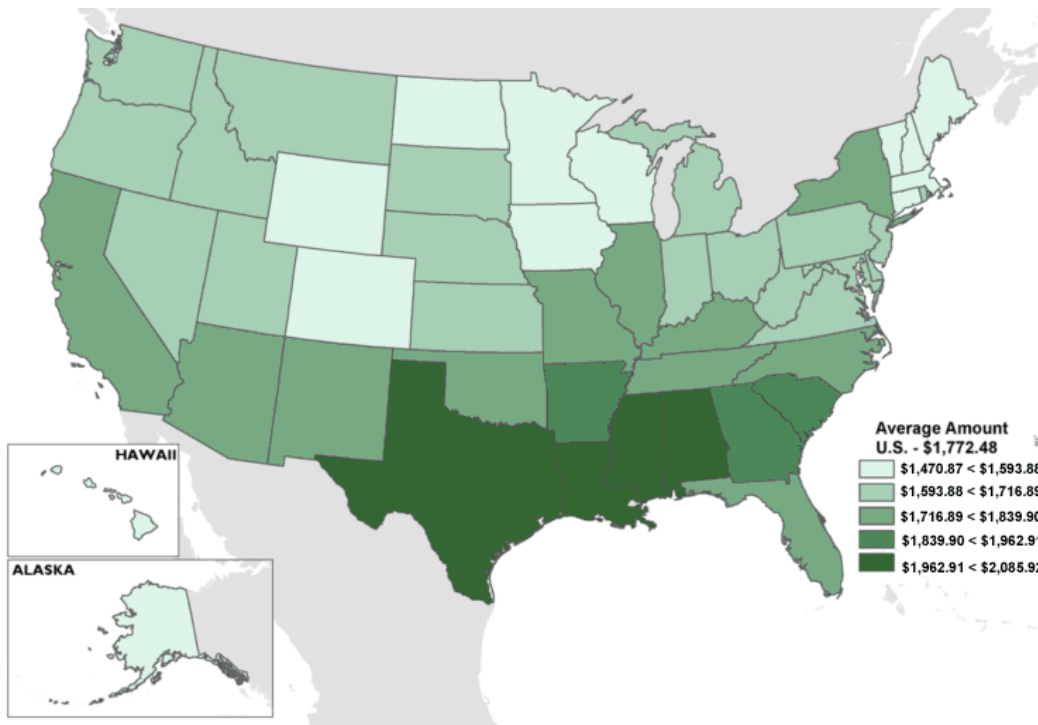
The amount of the EITC depends upon income and the number of qualifying children. For tax year 2003, the maximum EITC for individuals and married couples was \$382 with no qualifying children, \$2,547 with one qualified child, and \$4,204 for two or more qualifying children. However, these maximum credit amounts are only for individuals and couples with incomes below the levels at which the credit begins to phase out. For tax year 2003, the income level at which the EITC began to phase out was \$6,240 if the tax filer had no qualifying children and \$13,730 if the tax filer had one or more qualifying children. For married tax filers filing a joint return, the income levels were \$1,000 higher. Tax filers received no EITC in tax year 2003 if they had an adjusted gross income of more than \$11,230 with no children, \$29,670 (\$30,670 if married), and \$33,690 (\$34,690 if married). Public IRS data show that tax returns with an adjusted gross income below \$30,000 had a larger EITC (\$1,832) than tax returns with an adjusted gross income of \$30,000 or more (\$443) in tax year 2003. **Map 2** shows a graphical presentation of the average EITC amount by state.

² All percentages and dollar amounts in this report were prepared by the Congressional Research Service using Internal Revenue Service's Historical table 2 (Statistics of Income Bulletin) for all states and the United States, available at [<http://www.irs.gov/pub/irs-soi/03in54cm.xls>] and [<http://www.irs.gov/pub/irs-soi/03in53us.xls>]. EITC includes the EITC applied against tax liability and the excess (refunded) EITC.

Map 1. Percentage of Tax Year 2003 Tax Return with an Earned Income Tax Credit by State



Map 2. The Average Earned Income Tax Credit Amount by State for Tax Year 2003



Source: Maps computed by the Congressional Research Service from IRS, Historical Table 2 (Statistics of Income Bulletin), available at [<http://www.irs.gov/taxstats/indtaxstats/article/0,,id=103106,00.html>]

Table 1. Total Number of Tax Returns, Percentage of Federal Tax Returns Claiming an Earned Income Tax Credit (EITC), and Average EITC by State, Tax Year 2003

	Number of Federal Tax Returns	Percentage of Federal Tax Returns Claiming the EITC	Average EITC^a
Total — All States	129,810,122	17.01%	\$1,772.48
Alabama	1,883,765	25.73	2,023.52
Alaska	343,032	11.29	1,494.50
Arizona	2,285,323	17.49	1,776.14
Arkansas	1,121,518	24.81	1,899.58
California	15,171,832	16.54	1,745.90
Colorado	2,079,044	12.85	1,593.07
Connecticut	1,653,789	10.15	1,564.88
Delaware	388,288	14.66	1,703.60
District of Columbia	275,645	18.77	1,681.55
Florida	7,849,542	20.08	1,781.61
Georgia	3,709,312	22.79	1,944.01
Hawaii	591,084	14.48	1,552.74
Idaho	577,926	17.52	1,694.88
Illinois	5,722,755	14.94	1,754.98
Indiana	2,816,535	15.12	1,686.71
Iowa	1,324,876	13.01	1,571.09
Kansas	1,218,580	14.56	1,664.30
Kentucky	1,740,856	19.68	1,718.03
Louisiana	1,879,651	28.45	2,085.93
Maine	615,092	14.13	1,556.39
Maryland	2,601,859	13.44	1,676.38
Massachusetts	3,051,697	10.09	1,521.31
Michigan	4,546,347	14.18	1,708.15
Minnesota	2,383,813	10.85	1,534.55
Mississippi	1,169,646	31.87	2,084.70
Missouri	2,563,895	17.01	1,720.42
Montana	433,522	17.18	1,624.16
Nebraska	802,709	13.75	1,641.20
Nevada	1,044,025	15.33	1,653.64
New Hampshire	634,654	9.78	1,498.11
New Jersey	4,082,108	12.14	1,691.43
New Mexico	813,731	24.40	1,795.38
New York	8,589,932	17.42	1,738.15
North Carolina	3,680,813	20.40	1,829.85
North Dakota	302,426	13.18	1,584.97
Ohio	5,444,137	14.45	1,708.71
Oklahoma	1,460,943	21.47	1,809.32
Oregon	1,571,871	14.32	1,601.93
Pennsylvania	5,771,764	13.40	1,622.54
Rhode Island	498,063	13.13	1,645.88
South Carolina	1,804,803	23.47	1,864.24
South Dakota	357,449	15.51	1,627.85
Tennessee	2,565,045	21.31	1,806.61
Texas	9,298,799	23.25	1,967.75

	Number of Federal Tax Returns	Percentage of Federal Tax Returns Claiming the EITC	Average EITC^a
Utah	969,812	14.41	1,701.32
Vermont	302,209	12.68	1,470.87
Virginia	3,431,766	14.58	1,712.23
Washington	2,808,556	12.63	1,614.43
West Virginia	744,440	19.60	1,666.90
Wisconsin	2,589,845	11.33	1,585.01
Wyoming	240,998	14.31	1,593.23

Source: Table Prepared by the Congressional Research Service from Internal Revenue Service, Historical table 2 (Statistics of Income Bulletin), available at [<http://www.irs.gov/pub/irs-soi/03in54cm.xls>].

- a. Earned income tax credit is total EITC and reflects both the portion applied against tax liability and any excess refunded to tax filers.