

TAX FILERS RECEIVING THE FEDERAL EARNED INCOME TAX CREDIT

DEFINITION: Number and percentage of tax returns that resulted in the receipt of the federal Earned Income Tax Credit.

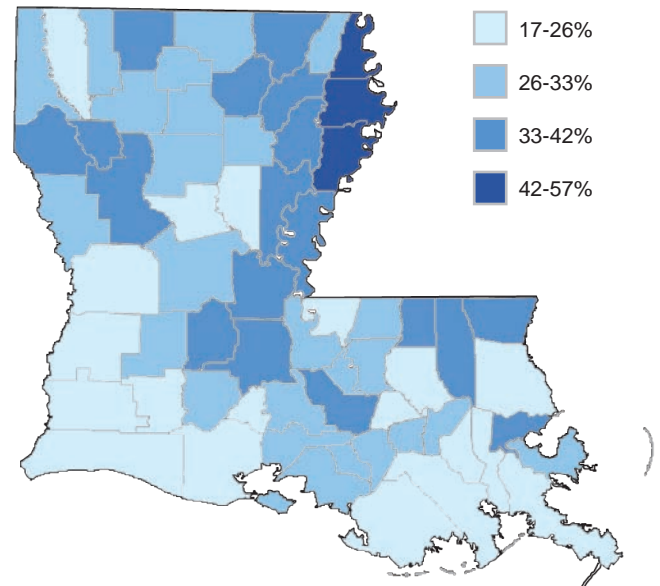
SIGNIFICANCE

The federal Earned Income Tax Credit is widely hailed as one of the most successful anti-poverty programs in the United States. According to the Center for Budget and Policy Priorities, the federal Earned Income Tax Credit lifted 4.1 million people nationwide out of poverty in 2005, including 2.2 million children.¹

The EITC is a refundable tax credit that rewards work by boosting the wages of working low- and moderate-income families, as well as very-low income childless individuals. Eligible families have incomes below about \$34,000 and \$41,000; the exact cut-off amount varies depending on the householder's marital status and number of children. Low-wage workers who don't have children are also eligible for the credit if they have incomes below about \$13,000 (or \$16,000 for a married couple.)² The EITC functions as a wage supplement for low-income workers by reducing the amount of taxes they pay, as well as providing them with extra money to pay for basic needs, such as transportation or home repairs. It is also designed to incentivize work for the lowest-wage workers, meaning that the value of the credit increases as one's wages increase, up to a certain point. Research has shown that the EITC has increased labor force participation, especially among single mothers.³

The Earned Income Tax Credit does not simply help working families and their children; it also provides an infusion of dollars into local and state economies. In 2006, 496,072 Louisiana tax filers received the EITC, accounting for 28% of all tax returns filed by Louisiana residents. The average credit claimed by Louisiana filers was \$2,296; the total value of all Earned Income Tax Credits claimed by Louisianans was over \$1.1 billion in 2006. This represents a substantial boon to local economies because most EITC recipients use their credits to fulfill short and medium-term needs, such as purchasing clothing for children, repairing a vehicle or paying overdue bills.⁴

Louisiana tax filers are much more likely to claim the EITC than their counterparts nationwide. While 17% of all individual income taxpayers nationwide receive the credit, the same is true for 28% of Louisiana filers.⁵ Not surprisingly, parishes with relatively low rates of child poverty also have relatively low EITC reciprocity rates, while those parishes with the highest rates of child poverty tend to have correspondingly high rates of EITC reciprocity. Ascension and St. Tammany are the only parishes in which less than one out of every five tax filers receives the EITC.



FEDERAL EARNED INCOME TAX CREDIT (EITC) (PERCENT) — 2006

They are also two of just four Louisiana parishes in which the child poverty rate was below the national average in 2007. The four parishes with the highest child poverty rates in 2007—Morehouse, Tensas, Madison, and East Carroll—also had the state's highest rates of EITC reciprocity.

DATA SOURCE

Agenda for Children's analysis of data provided by the Brookings Institution's EITC Interactive data system, available at <http://www.brookings.edu>

DATA NOTE

This indicator reflects the number of tax returns receiving the EITC, not the number of households receiving the EITC. A single household can have multiple tax filers (such as when several unmarried adults share a house). Additionally, some households do not include any tax filers.

RATE CALCULATION

$100 * (\text{number of tax returns that resulted in the receipt of the federal EITC} \div \text{total number of tax returns})$

¹ Center for Budget and Policy Priorities, "Policy Basics: The Earned Income Tax Credit," Center for Budget and Policy Priorities, December 17, 2008, retrieved from <http://www.cbpp.org/files/policybasics-eitc.pdf> on 7/30/2009.

² *ibid.*

³ *ibid.*

⁴ Alan Berube, "Using the Earned Income Tax Credit to Stimulate Local Economies," Brookings Institution Metropolitan Policy Program, 2006, retrieved from <http://www.brookings.edu/> on 7/30/2009.

⁵ Brookings Institution, Metropolitan Policy Program, "EITC Interactive: User Guide and Data Dictionary," Brookings Institution Metropolitan Policy Program, retrieved from www.brookings.org on 7/1/2009.

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NUMBER AND PERCENT OF ALL FILERS

	2000		2006		CHANGE 2000-2006	
	#	%	#	%	#	% change in rate*
LOUISIANA	47,4583	26	496,072	28	21,489	7.7
Acadia	6,219	28	6,750	29	531	4.7
Allen	2,395	28	2,616	30	221	5.4
Ascension	6,247	19	7,877	19	1,630	0.6
Assumption	2,534	28	2,764	29	230	4.4
Avoyelles	4,784	31	5,392	34	608	8.4
Beauregard	2,389	21	2,888	23	499	9.9
Bienville	1,907	33	1,900	33	-7	0.3
Bossier	8,921	21	10,902	23	1,981	10.3
Caddo	31,055	29	34,996	32	3,941	10.0
Calcasieu	16,641	22	19,011	24	2,370	10.5
Caldwell	1,112	28	1,127	28	15	0.5
Cameron	763	19	640	23	-123	18.0
Catahoula	1,499	34	1,415	35	-84	2.6
Claiborne	1,965	33	2,036	35	71	7.4
Concordia	2,625	36	2,748	38	123	4.7
De Soto	3,493	33	3,842	34	349	1.6
East Baton Rouge	39,656	23	51,790	28	12,134	21.4
East Carroll	1,597	53	1,517	57	-80	7.8
East Feliciana	2,207	30	2,420	31	213	4.3
Evangeline	3,605	30	4,228	34	623	11.7
Franklin	2,940	36	2,948	37	8	1.8
Grant	1,764	25	1,997	26	233	3.4
Iberia	8,669	29	9,571	31	902	8.4
Iberville	3,953	31	4,335	34	382	9.8
Jackson	1,582	26	1,715	28	133	8.3
Jefferson	42,695	21	45,049	24	2,354	14.2
Jefferson Davis	3,089	25	3,257	25	168	2.0
Lafayette	17,228	21	20,638	22	3,410	6.1
Lafourche	7,244	20	8,414	22	1,170	9.7
La Salle	1,161	23	1,164	23	3	0.7
Lincoln	3,857	25	4,389	27	532	6.2
Livingston	7,590	20	9,803	21	2,213	6.7
Madison	2,250	49	2,211	53	-39	9.0
Morehouse	4,620	38	4,887	42	267	11.7
Natchitoches	4,401	32	4,969	34	568	6.4
Orleans	69,435	36	35,655	34	-33,780	-5.9
Ouachita	17,819	29	20,476	33	2,657	12.2
Plaquemines	2,756	25	2,224	24	-532	-2.7
Pointe Coupee	2,576	27	2,710	29	134	7.6
Rapides	14,462	28	16,118	29	1,656	5.4
Red River	1,278	38	1,303	39	25	1.7
Richland	3,050	37	3,139	38	89	2.7
Sabine	2,231	26	2,464	28	233	8.0
St. Bernard	5,661	20	2,687	30	-2,974	50.8
St. Charles	4,331	21	5,320	23	989	9.8
St. Helena	1,722	40	1,918	40	196	-0.2
St. James	2,683	29	2,922	28	239	-4.2
St. John the Baptist	5,262	29	6,826	31	1,564	5.4
St. Landry	9,975	32	11,663	34	1,688	7.3
St. Martin	6,136	31	6,805	31	669	0.1
St. Mary	6,475	29	7,408	32	933	9.4
St. Tammany	13,363	16	15,719	17	2,356	7.7
Tangipahoa	11,646	31	14,717	33	3,071	7.1
Tensas	1,112	44	1,009	45	-103	2.3
Terrebonne	9,858	23	11,048	24	1,190	4.6
Union	2,524	28	2,779	31	255	9.2
Vermilion	4,850	23	5,481	25	631	10.8
Vernon	4,086	20	5,252	26	1,166	31.5
Washington	5,302	34	5,844	37	542	9.1
Webster	4,601	28	5,119	30	518	7.1
West Baton Rouge	2,336	26	2,919	28	583	9.6
West Carroll	1,458	31	1,421	32	-37	2.2
West Feliciana	1,204	26	1,200	25	-4	-4.7
Winn	1,734	30	1,720	32	-14	5.0

*Percentage change reflects the percentage change in the rate (percentage of filers receiving the EITC), not the percentage change in absolute numbers. Thus, while St. Bernard saw a major decline in the absolute number of tax filers claiming the EITC between 2000 and 2006, the percentage of St. Bernard filers claiming the EITC actually rose by 50.8% (from 20% to 30%) during that same time period.