

ANTI-POVERTY PROGRAMS THAT WORK FOR WORKERS: EARNED INCOME TAX CREDIT (EITC) FACT SHEET

What Is the EITC and Who Qualifies In 2012?

The Earned Income Tax Credit (EITC) is a refundable tax credit American citizens or permanent residents can receive if they have earned any income in a fiscal year. The IRS limits the amount of investment money a person can have (for 2012, \$3,200 or less), and the filer must be either a head of household or married filing jointly, between the ages of 25 and 65, and not having been claimed as a dependent on another return.

The purpose of the EITC is to redress poverty by transferring income to the lowest-earning workers. Rather than provide welfare and encourage dependence, the EITC encourages employment and fosters independence and self-reliance.

While this program is designed to help low-earnings workers, the IRS takes into account headcount/income to poverty ratios. As a result a larger family may earn more income and still qualify for the EITC. The thresholds change every year.

For 2012, the income thresholds to receive the EITC are:

- \$45,060 (\$50,270 for married filing jointly) for a family or household with 3 or more children.
- \$41,952 (\$47,162 for married filing jointly) for a family or household with 2 children.
- \$36,920 (\$42,130 for married filing jointly) for a family or household with one child.
- \$13,980 (\$19,190 for married filing jointly) for workers or household with no children.

Is the EITC Working?

The EITC has the potential for helping a large number of people, but not all who qualify claim it. Data are scant, but the IRS calculates that about 25% of those who qualify do not claim it. The most recent year for which data on EITC claims are available is 2010. As a result, data from 2010 are used in this analysis.

The Department of Social Work at the University of Memphis compiled data from the IRS through the Brookings Institution and the American Community Survey (5-year estimates) to estimate the number of qualifying households who fail to claim the EITC. Tennessee, Shelby County, and the City of Memphis were analyzed.

2010 Data: Some Basic Information:

In 2010, the income thresholds to receive the EITC were:

- \$43,352 (\$48,362 married filing jointly) for a family or household with 3 or more children.
- \$40,363 (\$45,373 married filing jointly) for a family or household with 2 children.
- \$35,535 (\$40,545 married filing jointly) for a family or household with one child.
- \$13,460 (\$18,470 married filing jointly) for workers or household with no children.

The amount of money people can receive depends on family size. In 2010 the maximum credit amounts were:

- \$5,666 for a family or household with 3 or more children.
- \$5,036 for a family or household with 2 children.
- \$3,050 for a family or household with one child.
- \$457 for workers or household with no children.

Are families receiving the EITC under the poverty line? Although most people who qualify are either below the poverty line, this is not necessarily true in every case. Furthermore, not all people who qualify are defined as “low income.” Calculating the headcounts to income ratios results in the following table. Note that the more dependent children per working adult, the larger the household income can be:

Family or Household Type	Maximum % of the Poverty Threshold that Earns EITC
One single adult	1.19%
One adult and one child	2.36%
One adult and two children	2.30%
One adult and three children	1.95%
Two adults	1.26%
Two adults and one child	2.20%
Two adults and two children	2.05%
Two adults and Three children	1.86%

Non-Claims: A Lost Opportunity:

The EITC has the potential to remedy poverty while rewarding work and self-reliance. It is an effective transfer that imposes few conditions on the recipients, and allows them to spend their money as they see fit. Additionally, increasing the amount of money the poor or low-income have has stimulating effects on the economy, as the poor and low-income tend to spend the money they receive immediately, thus creating demand and fostering multiplying effects.

Unfortunately, not all people who qualify for the EITC claim it. This is a missed opportunity for poverty remediation. At this time, the number of qualifying households not claiming the EITC is not known, but this information is a crucial first step in addressing this issue. The Department of Social Work at the

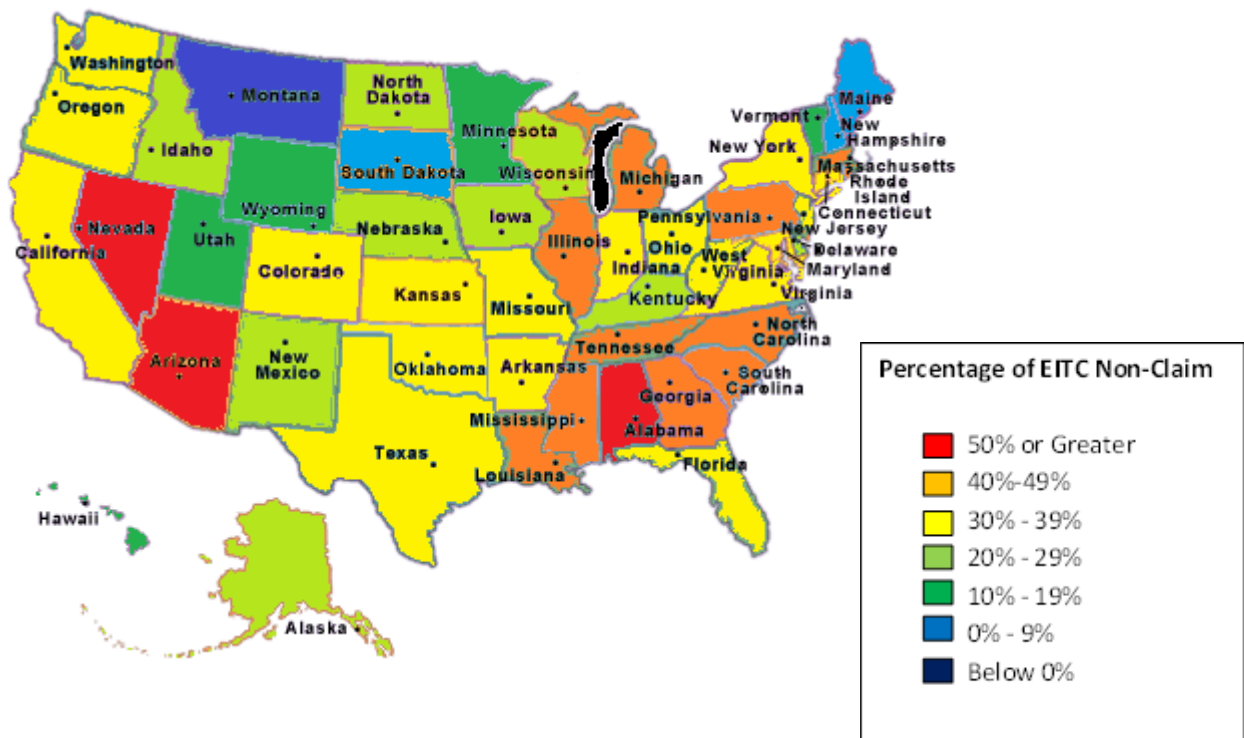
University of Memphis calculated the ratio of IRS reported EITC claims at various income levels to households with earnings at the same income levels. The result is an estimate of the number of households who are potentially able to receive the EITC are not claiming it (rate of non-claims). This is particularly useful information at lower income levels, since potentially all households earning incomes below \$13,460 qualify for the EITC even if there are no children present in the household. Estimates of non-claim rates are provided for the states for income levels below \$5,000; \$5,000 to \$9,999; \$10,000 to \$14,999; \$15,000 to \$19,999; and \$20,000 to \$24,999. Estimates of non-claim rates are provided for Shelby County, the City of Memphis, and zip codes for income levels below \$10,000; \$10,000 to \$14,999; and \$15,000 to \$24,999.

NOTE: Households vary in size (from one individual to several non-related individuals who file taxes separately). Thus an absolute estimate is not possible given the information available. However, the EITC claims at certain income levels should equal or exceed the number of households.

State Rankings:

Among the poorest households, those with earnings below \$5000 a year, the proportion of EITC claims to households is very low. Many households are not claiming the EITC, with a percentage of non-claims as high as 61% in the District of Columbia. Montana, with a negative percentage (-0.03%), suggests that it is possible to reduce the rate of non-claims dramatically. Tennessee ranks 10th worst among the states, with a percentage of non-claims of 42%. This is troubling, suggesting that many of the poorest citizens in Tennessee are not claiming the federal tax credits to which they have a right. Note the high concentration of states with high percentages of non-claims in the South.

Households with Incomes below \$5,000



Households with Incomes below \$5,000

Rank	State	Percentage of non-claims among households in income bracket
1	District of Columbia	0.61
2	Alabama	0.57
3	Nevada	0.55
4	Arizona	0.52
5	Mississippi	0.48
6	North Carolina, Georgia	0.46
8	South Carolina	0.44
9	Rhode Island	0.43
10	Tennessee	0.42
10	Massachusetts	0.42
12	Pennsylvania, Michigan, Illinois	0.41
15	New Jersey, Louisiana	0.40
17	Florida	0.39
18	Connecticut, Colorado, Arkansas, Oregon	0.38
22	Texas, Kansas	0.37
24	Missouri, New York	0.36
26	Indiana, West Virginia	0.35
28	Ohio, Washington	0.34
30	Oklahoma, Maryland	0.33
32	Virginia	0.31
33	California	0.30
34	Kentucky, Wisconsin	0.29
36	Delaware, North Dakota	0.28
38	Nebraska, Iowa	0.26
40	Alaska	0.23
41	Idaho	0.22
42	New Mexico	0.21
43	Minnesota	0.13
44	Vermont	0.12
45	Utah, Hawaii, Wyoming	0.11
48	New Hampshire	0.09
49	Maine	0.07
50	South Dakota	0.05
51	Montana	-0.03

Households with Incomes between \$5,000 and \$9,999

At this income level, Tennessee ranks much better. In general, the states have outcomes more consistent with the expected results, although the rate of non-claims is extremely high in North Dakota, West Virginia, South Dakota. Note the states ranked at the lowest end (in this case, a high ranking is more negative than a low ranking). Alaska, Florida, Hawaii, and California have the highest potential reach. The results suggest that these states have more EITC claims than households, suggesting that more of those who qualify are claiming the EITC. The average percentage of non-claims to households at this income level is 11%. Tennessee is performing better than the national average at this income level, but troubling disparities among the poorest people emerge in more detailed analysis, as will be seen later in this report.

Rank	State	Percentage of non-claims among households in income bracket
1	North Dakota	0.51
2	West Virginia	0.41
3	South Dakota	0.38
4	Massachusetts	0.34
5	Kentucky	0.33
6	Vermont	0.32
7	Iowa, Maine	0.31
9	Oregon, Washington, Idaho	0.28
12	Rhode Island	0.27
13	Pennsylvania	0.24
14	Nebraska, Oklahoma, Missouri	0.23
17	Wisconsin	0.22
18	Arkansas, Alabama	0.21
20	Minnesota	0.20
21	Ohio, North Carolina, Kansas, Connecticut	0.19
25	Wyoming	0.17
26	Colorado, New Mexico	0.16
28	Montana	0.15
29	South Carolina, District of Columbia	0.14
30	District of Col	0.14
31	Michigan, Arizona	0.12
32	Arizona	0.12
33	Indiana	0.07
34	Louisiana	0.06
35	Tennessee	0.05
36	New Jersey, Mississippi	0.04
37	Mississippi	0.04
38	Illinois	0.01
39	New Hampshire	-0.02
40	Utah	-0.03
41	Maryland	-0.05
42	New York	-0.05
43	Nevada	-0.05
44	Virginia	-0.08
45	Texas	-0.09
46	Georgia	-0.19
47	Delaware	-0.23
48	Alaska	-0.27
49	Florida	-0.29
50	Hawaii	-0.34
51	California	-0.40

Households with Incomes between \$10,000 and \$14,999

At this income level, some households are naturally excluded, therefore it is not surprising to see that percentages of non-claims increase. However, given that some states have negative percentages of non-claims, it is at least theoretically assume that a large number of qualifying households are not participating in this program. The national average of the percentage of non-claims to households at this income level is 28%. Tennessee is performing better than the national average at this income level, but worse than the state's performance at the lower income level.

Rank	State	Percentage of non-claims among households in income bracket
1	North Dakota	0.62
2	Maine, Vermont, Iowa	0.53
5	Nebraska	0.52
6	South Dakota	0.51
7	West Virginia, Wyoming	0.49
9	Massachusetts	0.48
10	Montana	0.47
11	Minnesota	0.46
12	Wisconsin, Oregon, Kansas	0.45
15	Pennsylvania	0.44
16	Idaho, Kentucky	0.41
18	Colorado	0.40
19	Connecticut	0.39
20	Alaska	0.38
21	Washington	0.37
22	Oklahoma	0.36
23	Missouri, New Hampshire	0.35
25	Rhode Island	0.31
26	District of Columbia, Ohio	0.30
28	North Carolina, Arizona	0.28
30	Indiana, Arkansas	0.27
32	Michigan	0.24
33	Tennessee	0.20
33	Utah, New Mexico,	0.20
36	Delaware	0.18
37	New Jersey	0.17
38	South Carolina, Virginia	0.15
40	California	0.14
41	Nevada	0.11
42	Illinois	0.09
43	New York	0.07
44	Alabama	0.06
45	Maryland, Louisiana	0.04
47	Florida	0.00
48	Mississippi	-0.03
49	Texas	-0.05
50	Hawaii	-0.05
51	Georgia	-0.19

Households with Incomes between \$15,000 and 19,999

At this income level, single parents and households with one dependent child qualify for the EITC. It is therefore troubling that the rates of non-claim are very high. Tennessee ranks 34th worst among the states, but its percentage of non-claim is a very high 44%.

Rank	State	Percentage of non-claims among households in income bracket
1	North Dakota	0.73
2	Vermont	0.71
3	Iowa	0.69
4	Montana, West Virginia	0.67
6	Minnesota	0.66
7	Maine, Wyoming	0.65
9	Wisconsin	0.64
10	South Dakota, New Hampshire	0.63
12	Nebraska, Oregon, Connecticut	0.62
15	Massachusetts, Kansas, Pennsylvania	0.61
18	Ohio, Washington, Colorado	0.59
21	Kentucky	0.58
22	Michigan, Indiana	0.57
24	Missouri	0.54
25	Rhode Island, Alaska	0.52
27	Idaho	0.51
28	Oklahoma	0.50
29	Illinois	0.48
30	Utah	0.47
31	Arkansas	0.46
32	New Mexico, Delaware	0.45
34	Tennessee	0.44
35	District of Col	0.43
36	North Carolina, New Jersey, Virginia, Arizona	0.42
40	New York	0.41
41	Nevada	0.40
42	South Carolina	0.38
43	California	0.36
44	Florida	0.32
45	Alabama	0.31
46	Maryland	0.30
47	Hawaii	0.28
48	Louisiana	0.27
49	Georgia	0.23
50	Texas	0.22
51	Mississippi	0.18



Households with Incomes between \$20,000 and 24,999

At this income level, single parents and households with one dependent child qualify for the EITC. It is therefore troubling that the rates of non-claim are very high. Tennessee ranks 33rd worst among the states, but its percentage of non-claim is a very high 55%.

Rank	State	Percentage of non-claims among households in income bracket
1	Vermont, North Dakota	0.78
3	West Virginia	0.74
4	Iowa, Maine, Montana, Wisconsin	0.73
8	Oregon, Nebraska, Wyoming	0.70
11	South Dakota, Minnesota	0.68
13	Pennsylvania, Michigan, New Hampshire	0.67
16	Ohio, Colorado, Washington	0.66
19	Kentucky, Kansas	0.65
21	Indiana	0.64
22	Missouri, Massachusetts	0.63
24	Connecticut, Idaho	0.61
26	Rhode Island, Oklahoma, Alaska	0.60
29	Illinois	0.59
30	Arizona	0.57
31	Utah, Arkansas	0.56
33	Tennessee	0.55
33	Nevada, New York	0.55
36	North Carolina	0.54
37	Virginia	0.53
38	New Mexico, South Carolina	0.52
40	Florida, New Jersey	0.51
42	Delaware	0.50
43	Alabama, District of Columbia, California	0.49
46	Hawaii	0.46
47	Maryland	0.44
48	Louisiana	0.43
49	Georgia	0.40
51	Texas, Mississippi	0.39

SHELBY COUNTY AND THE CITY OF MEMPHIS

The rate of EITC non-claims in Shelby County and Memphis is surprisingly low. However, an examination at the zip code level reveals a very different picture.

County and City Level

	Percentage of non-claims among households in income bracket Income less than \$10,000	Percentage of non-claims among households in income bracket \$10,000 to \$14,999	Percentage of non-claims among households in income bracket \$15,000 to \$24,999
Shelby County	0.07	-0.75	0.02
Memphis City	0.13	-0.69	0.00

Zip Code Level Data

Households with Income Less than \$10,000

Zip Code	Poverty Ranking (Out of 33 Zip Codes)	Percentage below Poverty (Poorest Zip Codes Highlighted)	Percentage of non-claims among households in income bracket	Non-Claim Rank
38126	1	64.44%	0.67	1
38120	22	8.96%	0.66	2
38105	2	51.46%	0.51	3
38104	14	26.06%	0.49	4
38108	4	40.22%	0.37	5
38114	6	35.87%	0.29	6
38112	8	31.65%	0.28	7
38107	7	32.26%	0.25	8
38111	13	26.60%	0.18	9
38128	11	26.93%	0.11	10
38139	33	2.69%	0.09	11
38106	3	44.08%	0.06	12
38117	19	11.19%	0.04	13
38053	17	17.73%	0.02	14
38133	24	8.19%	0.00	15
38127	5	40.20%	-0.03	16
38109	10	28.05%	-0.05	17
38118	9	28.46%	-0.09	18
38115	16	21.29%	-0.10	19
38116	15	23.21%	-0.10	20
38134	21	10.02%	-0.21	21
38122	12	26.92%	-0.30	22
38103	18	12.55%	-0.37	23
38018	27	6.44%	-0.41	24
38138	31	3.80%	-0.61	25
38135	28	4.43%	-0.69	26
38017	29	4.34%	-0.80	27
38016	26	6.55%	-0.97	28
38002	32	3.26%	-1.02	29
38141	20	10.25%	-1.27	30
38119	30	3.90%	-1.86	31
38125	25	6.59%	-2.13	32
38028	23	8.34%	-4.10	33

Households with Incomes between \$10,000 and \$14,999

Zip Code	Poverty Ranking (Out of 33 Zip Codes)	Percentage below Poverty (Poorest Zip Codes Highlighted)	Percentage of non-claims among households in income bracket	Non-Claim Rank
38120	22	8.96%	0.76	1
38138	31	3.80%	0.45	2
38104	14	26.06%	0.39	3
38139	33	2.69%	0.28	4
38053	17	17.73%	-0.10	5
38133	24	8.19%	-0.12	6
38108	4	40.22%	-0.16	7
38017	29	4.34%	-0.32	8
38103	18	12.55%	-0.32	9
38117	19	11.19%	-0.34	10
38122	12	26.92%	-0.42	11
38126	1	64.44%	-0.43	12
38115	16	21.29%	-0.46	13
38134	21	10.02%	-0.49	14
38135	28	4.43%	-0.55	15
38114	6	35.87%	-0.56	16
38111	13	26.60%	-0.68	17
38112	8	31.65%	-0.77	18
38109	10	28.05%	-0.79	19
38106	3	44.08%	-0.80	20
38105	2	51.46%	-1.01	21
38107	7	32.26%	-1.14	22
38002	32	3.26%	-1.18	23
38127	5	40.20%	-1.24	24
38016	26	6.55%	-1.33	25
38018	27	6.44%	-1.33	26
38128	11	26.93%	-1.41	27
38118	9	28.46%	-1.44	28
38141	20	10.25%	-1.79	29
38028	23	8.34%	-1.83	30
38119	30	3.90%	-1.85	31
38116	15	23.21%	-1.96	32
38125	25	6.59%	-2.32	33

Households with Incomes between \$15,000 and \$24,999

Zip Code	Poverty Ranking (Out of 33 Zip Codes)	Percentage below Poverty (Poorest Zip Codes Highlighted)	Percentage of non-claims among households in income bracket	Non-Claim Rank
38139	33	2.69%	0.79	1
38120	22	8.96%	0.77	2
38117	19	11.19%	0.66	3
38104	14	26.06%	0.63	4
38138	31	3.80%	0.42	5
38103	18	12.55%	0.42	6
38112	8	31.65%	0.36	7
38017	29	4.34%	0.35	8
38111	13	26.60%	0.35	9
38122	12	26.92%	0.33	10
38053	17	17.73%	0.32	11
38114	6	35.87%	0.30	12
38108	4	40.22%	0.26	13
38028	23	8.34%	0.20	14
38134	21	10.02%	0.19	15
38119	30	3.90%	0.15	16
38106	3	44.08%	0.14	17
38002	32	3.26%	0.11	18
38105	2	51.46%	0.09	19
38115	16	21.29%	0.04	20
38109	10	28.05%	-0.01	21
38127	5	40.20%	-0.06	22
38118	9	28.46%	-0.10	23
38107	7	32.26%	-0.13	24
38135	28	4.43%	-0.19	25
38016	26	6.55%	-0.23	26
38128	11	26.93%	-0.24	27
38126	1	64.44%	-0.25	28
38018	27	6.44%	-0.31	29
38133	24	8.19%	-0.34	30
38116	15	23.21%	-0.37	31
38125	25	6.59%	-1.37	32
38141	20	10.25%	-1.45	33

The Poorest Zip Codes and Non-Claim % at Various Income Levels

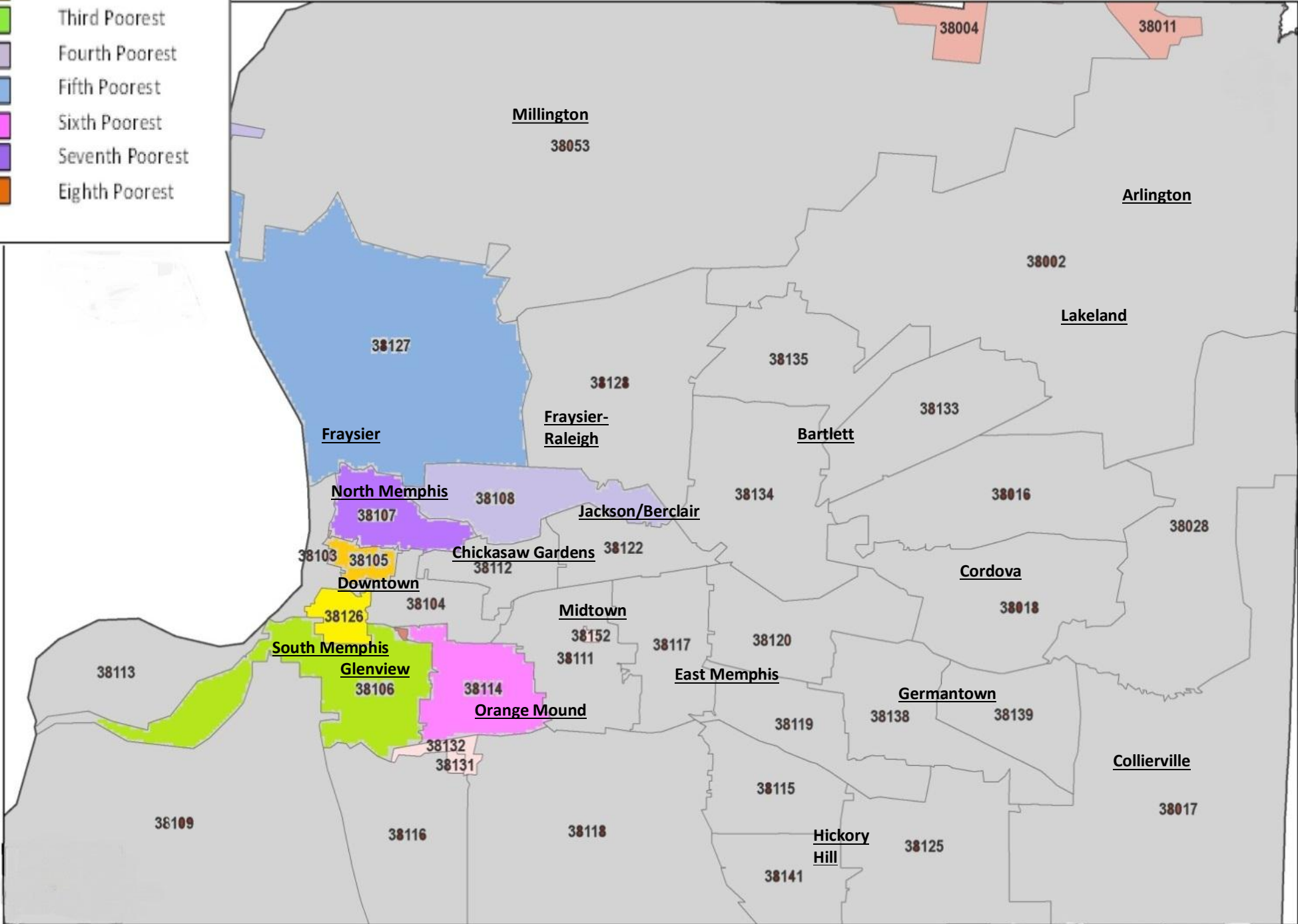
Memphis or Shelby County	Zip Code	Poverty Ranking (Out of 33 Zip Codes)	Percentage below Poverty (Poorest Zip Codes - Green, Wealthiest, Pink)	Percentage of non-claims among households in income bracket		
				Less than \$10,000	\$10,000 and \$14,999	\$15,000 and \$24,999
Memphis	38126	1	64.44%	0.67	-0.43	-0.25
Memphis	38105	2	51.46%	0.51	-1.01	0.09
Memphis	38106	3	44.08%	0.06	-0.80	0.14
Memphis	38108	4	40.22%	0.37	-0.16	0.26
Memphis	38127	5	40.20%	-0.03	-1.24	-0.06
Memphis	38114	6	35.87%	0.29	-0.56	0.30
Memphis	38107	7	32.26%	0.25	-1.14	-0.13
Memphis	38112	8	31.65%	0.28	-0.77	0.36
Memphis	38118	9	28.46%	-0.09	-1.44	-0.10
Memphis	38109	10	28.05%	-0.05	-0.79	-0.01
Memphis	38128	11	26.93%	0.11	-1.41	-0.24
Memphis	38122	12	26.92%	-0.30	-0.42	0.33
Memphis	38111	13	26.60%	0.18	-0.68	0.35
Memphis	38104	14	26.06%	0.49	0.39	0.63
Memphis	38116	15	23.21%	-0.10	-1.96	-0.37
Memphis	38115	16	21.29%	-0.10	-0.46	0.04
Shelby County	38053	17	17.73%	0.02	-0.10	0.32
Memphis	38103	18	12.55%	-0.37	-0.32	0.42
Memphis	38117	19	11.19%	0.04	-0.34	0.66
Memphis	38141	20	10.25%	-1.27	-1.79	-1.45
Memphis	38134	21	10.02%	-0.21	-0.49	0.19
Memphis	38120	22	8.96%	0.66	0.76	0.77
Shelby County	38028	23	8.34%	-4.10	-1.83	0.20
Shelby County	38133	24	8.19%	0.00	-0.12	-0.34
Shelby County	38125	25	6.59%	-2.13	-2.32	-1.37
Shelby County	38016	26	6.55%	-0.97	-1.33	-0.23
Memphis	38018	27	6.44%	-0.41	-1.33	-0.31
Shelby County	38135	28	4.43%	-0.69	-0.55	-0.19
Shelby County	38017	29	4.34%	-0.80	-0.32	0.35
Memphis	38119	30	3.90%	-1.86	-1.85	0.15
Shelby County	38138	31	3.80%	-0.61	0.45	0.42
Shelby County	38002	32	3.26%	-1.02	-1.18	0.11
Shelby County	38139	33	2.69%	0.09	0.28	0.79

Where are the Poorest Zip Codes?

MEMPHIS AND SHELBY COUNTY ZIP CODES
HIGHEST PERCENTAGE OF HOUSEHOLDS BELOW POVERTY

DATA: 2010 AMERICAN COMMUNITY SURVEY, 5-YEAR ESTIMATES,
US BUREAU OF THE CENSUS

- Poorest
- Second Poorest
- Third Poorest
- Fourth Poorest
- Fifth Poorest
- Sixth Poorest
- Seventh Poorest
- Eighth Poorest

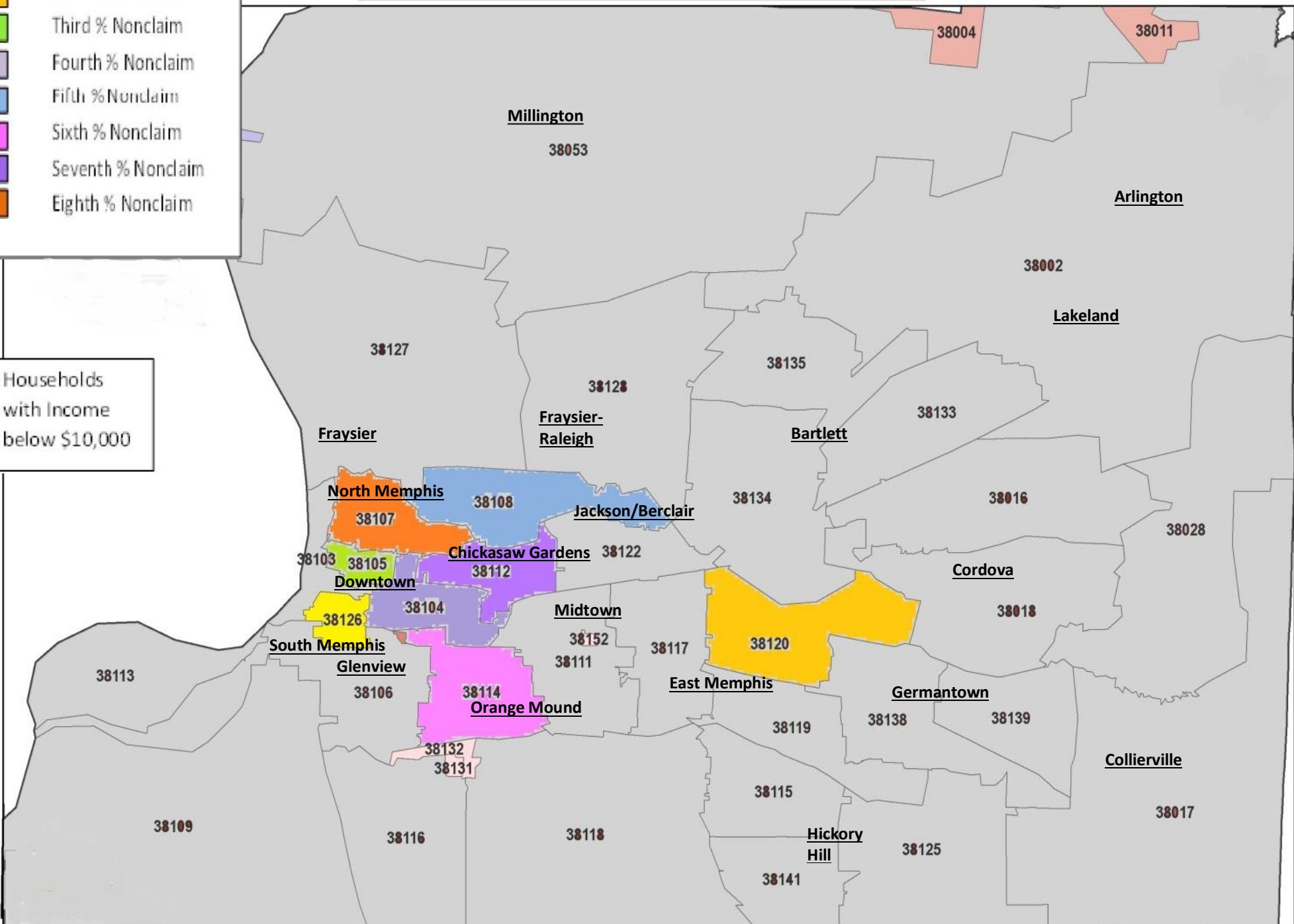


MEMPHIS AND SHELBY COUNTY ZIP CODES
 PERCENTAGE OF EITC NON-CLAIMS AMONG HOUSEHOLDS IN INCOME BRACKET

DATA: 2010 BROOKINGS INSTITUTE, 2010 AMERICAN COMMUNITY SURVEY, 5-YEAR ESTIMATES, US BUREAU OF THE CENSUS

- Highest % Nonclaim
- Second % Nonclaim
- Third % Nonclaim
- Fourth % Nonclaim
- Fifth % Nonclaim
- Sixth % Nonclaim
- Seventh % Nonclaim
- Eighth % Nonclaim

Households with Income below \$10,000

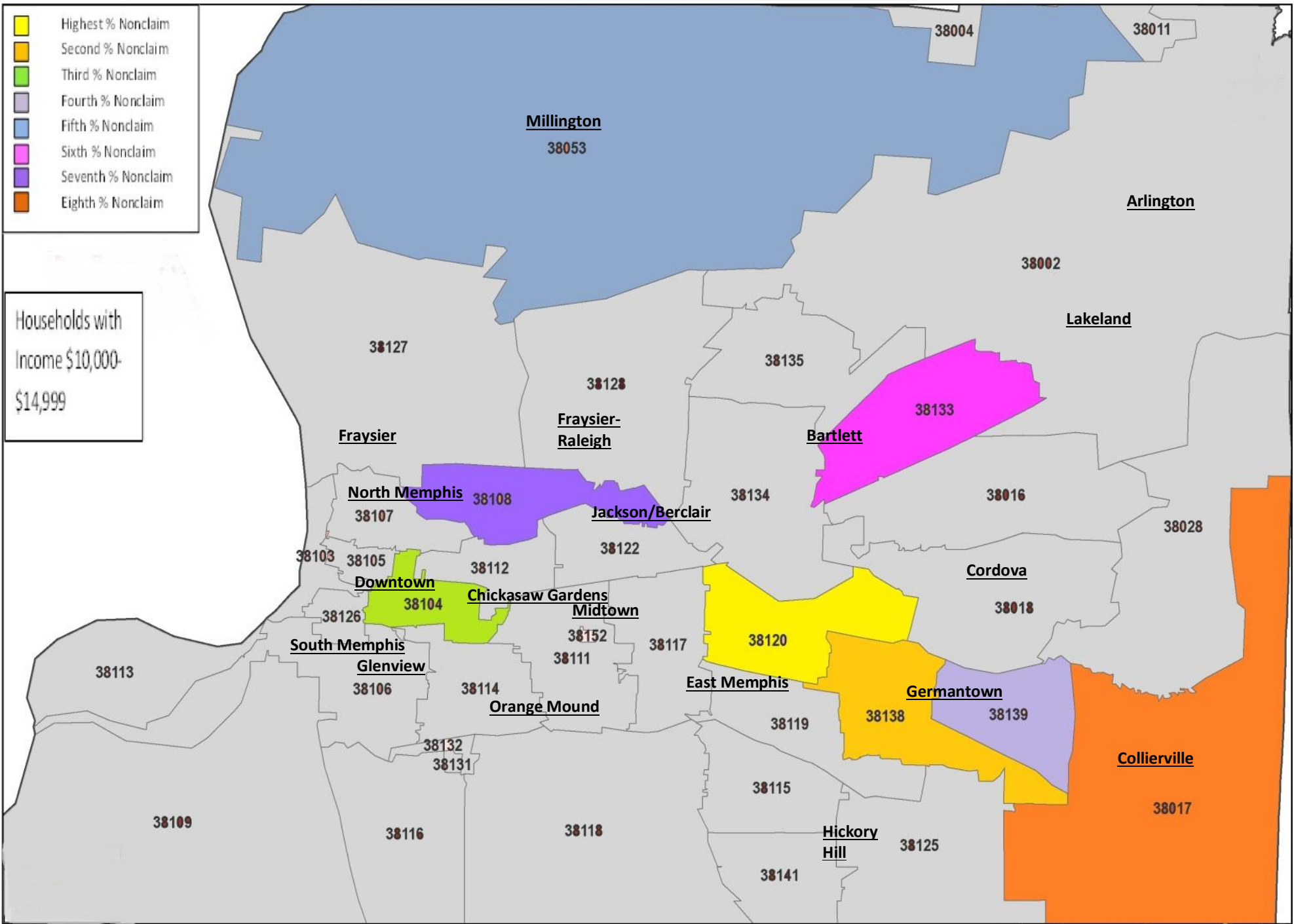


MEMPHIS AND SHELBY COUNTY ZIP CODES
 PERCENTAGE OF EITC NON-CLAIMS AMONG HOUSEHOLDS IN INCOME BRACKET

DATA: 2010 BROOKINGS INSTITUTE, 2010 AMERICAN COMMUNITY SURVEY, 5-YEAR ESTIMATES, US BUREAU OF THE CENSUS



Households with
 Income \$10,000-
 \$14,999



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