

The Missing Piece in Memphis' Economy

In Memphis, up to 50% of very-low income people (incomes below \$10,000) do not claim the Earned Income Tax Credit (EITC). The EITC can help poor people escape poverty by bringing their incomes above the poverty threshold. Poorer neighborhoods tend to have higher non-claim rates, but this varies widely. Vance Avenue has a non-claim rate of 53% among those earning less than \$10,000, while other neighborhoods with more diverse income levels may mask the degree to which the most vulnerable citizens are failing to claim their money.

Although on average Memphis and Shelby County have EITC claim rates greater than 100% households (more than one person per household may be eligible to claim the tax credit), Tennessee ranks 10th in the nation among states with a non-claim rate of 42% among its poorest citizens. The IRS estimates that non-claim rates are between 15% and 20%.

The very high non-claim rates represent an estimated loss of \$30 to \$70 million dollars for Memphis. If that amount of money that we now lose were in the hands of our citizens, the impact would stimulate our local economy and help our community generate \$100 to \$350 million in shared revenue. Memphis cannot afford to forgo this money.

Table 1 – Poverty Rates, Return Ratios, & EITC Non-Claim Rates in Memphis' Zip Codes

Zip Code	2011 Poverty Rate	VITA Returns as a Percent of Total Returns	VITA EITC Returns as a Percent of Total EITC Returns	Average Rate of Non-Claims at Incomes Below \$10,000	EITC Returns Below \$10,000 as a Percent of Total Returns Below \$10,000
38126	61.6	2.5	1.1	53.3	70.90
38105	51.9	3.0	2.5	33.9	59.35
38108	48.7	2.2	1.2	14.5	57.85
38106	41.7	3.8	1.8	6.6	64.44
38127	41.4	1.8	1.0	36.6	58.72
38114	41.3	3.1	1.3	24.2	63.98
38107	37.6	2.8	1.8	22.2	60.66
38112	36.1	2.8	2.4	34.8	54.37
38109	28.5	5.0	2.5	13.4	57.32
38111	28.4	2.2	1.7	40.5	48.30
38118	28.3	2.6	1.4	6.2	56.64
38122	25.9	1.5	1.1	16.7	51.45
38128	25.9	1.8	1.1	26.3	52.10
38115	25.5	2.3	1.4	11.3	54.91
38116	23.6	3.7	2.1	5.9	58.90
38104	19.9	1.9	2.0	52.2	48.08
38103	15.1	0.5	0.0	75.7	32.66
38141	13.3	2.4	1.2	-36.3	44.15
38134	12.4	1.5	1.1	32.9	37.82
38117	8.7	0.9	1.2	-4.3	26.32
38120	7.2	0.5	0.0	72.4	15.76
38018	7.0	0.8	0.7	16.0	28.52

Table by Elena Delavega from 2011 data (latest available) from the Census Bureau (ACS 2011 5Y) and the Brookings Institution.