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"...working families live throughout the St. Louis metropolitan area, and the EITC is an important source of income for these families and their jurisdictions."

CENTER ON URBAN & METROPOLITAN POLICY

Rewarding Work: The Impact of the Earned Income Tax Credit in Greater St. Louis

Findings

This year the federal Earned Income Tax Credit (EITC) will provide over $30 billion to 18.4 million low-income taxpayers across the U.S., making it the largest federal aid program for working poor families. This study is the first to describe the spatial distribution of the EITC in 27 metropolitan areas across the country.[1] An analysis of the St. Louis region shows that:[2]

- **In 1997, 165,000 residents of the St. Louis region earned over $252 million in federal EITC refunds.** Residents of the city of St. Louis alone received over $70 million in EITC refunds, a share of the region's EITC dollars that was roughly double the city's share of the region's population.
- **The region's low-income working families were concentrated in the city of St. Louis and a few surrounding communities.** Jennings, Wellston and Pagedale in Missouri, and East St. Louis, Sauget and Cahokia in Illinois all had high percentages of taxpayers file for the credit.
- **The city of St. Louis had the sixth highest percentage of families earn the EITC (30 percent) among the 27 cities studied.** The rate of EITC receipt in the St. Louis region as a whole (13.5 percent) was close to the median rate for all 27 regions.
- **Creating refundable Missouri and Illinois state EITCs would contribute an additional $46 million to the budgets of low-income working families in the St. Louis region.** A Missouri state EITC set at 20 percent of the federal credit would help make work pay for over 120,000 low-income families in the region. A similar Illinois credit would benefit nearly 40,000 of the region's low-income workers.

I. Introduction

Despite a great deal of public and policy interest in the working poor and working families, particularly in the aftermath of welfare reform, there is little understanding of who the working poor are and where they live. Families may claim an Earned Income Tax Credit (EITC) if they are working but not earning more than roughly 200 percent of the federal poverty level. Therefore, this survey uses EITC receipt as a measure of the number and location of low-income working residents in a metropolitan area. This St. Louis survey is one of a series looking at the EITC and its value to 27 regions around the country. Using IRS data, this survey mapped the geographic distribution of the EITC to help these regions better understand where working poor families in their areas live. This survey confirms that working families live throughout the St. Louis metropolitan area, and that the EITC is an important source of income for these families and their jurisdictions.

II. What Is the EITC?

The EITC is a refundable income tax credit designed to make work pay for low-income families. Congress enacted the credit in 1975 in response to high unemployment and the burden that social security taxes imposed on low-wage workers. Substantial increases in the EITC were approved by Congress several times during the late 1980s and early 1990s. Between 1984 and 1996, the amount of dollars transferred to working families through the credit increased more than 10 times (Figure 1). In 1997, over 19 million families claimed more than $30 billion in EITCs—an average of $1,567 per family. The EITC is now the largest federal aid program targeted to the working poor.

A. How Does the EITC Work?

Eligibility

The EITC is available to families whose incomes range from below the federal poverty line to roughly double the poverty line (see Figure 2). Families with two children could earn up to $3,888 in EITC in 2000; families with one child are eligible for a credit of up to $2,353. Very low-income workers with no children are eligible for a small EITC.

The size of the credit increases as earnings increase, up to a point, and then remains constant at a maximum level (based on the number of dependents) before declining with each additional dollar of income (see Figure 2). For example, a household with two children and earnings between $9,700 and $12,700 was eligible for a $3,888 refund for tax year 2000.

Figure 1: Earned Income Tax Credit Number of Families and Amount of Credit 1975 – 2001

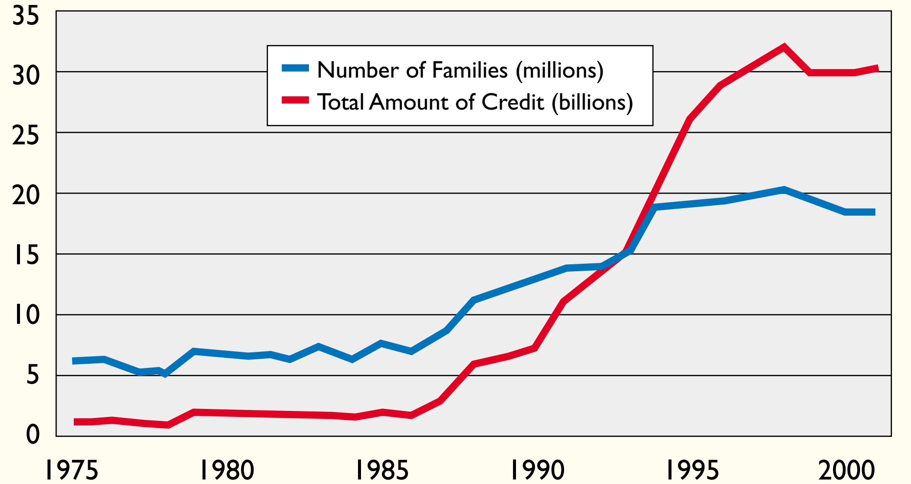
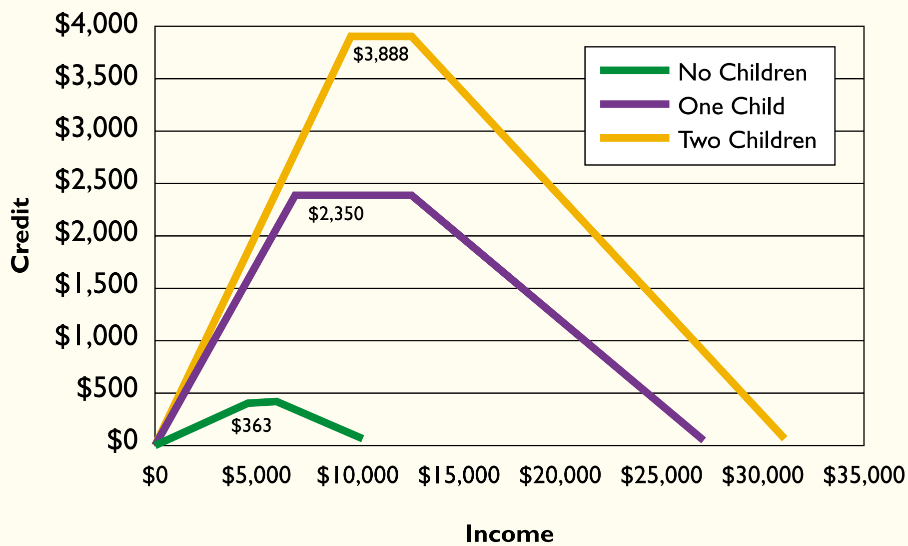


Figure 2: Size of the Credit Relative to Earned Income and Number of Dependents, 2000



The data analyzed in this survey are for tax years 1997 and 1998. In these years, the maximum credit available to families with two children was about $3,700, and the maximum credit for families with one child was about $2,250.

Applying

Workers must file a tax return and complete Schedule EIC in order to claim the credit. Taxpayers whom the IRS believes are eligible for the EITC are sent notices if they do not complete Schedule EIC. These taxpayers may file amended returns, but low-income workers who are otherwise exempt from filing will not receive any notice unless they complete a tax return. Employers can also make the Advance EITC available to their employees, allowing eligible workers to earn a portion of their credit with each paycheck. Nearly all families, however, receive the credit in their tax refund check at the end of the year.

Table 1: Who Can Get the Credit?

Occupation	Avg. Annual Salary in the St. Louis Region
Tellers	$16,800
Bakers	$17,930
Security Guards	$18,480
Medical Assistants	$19,110
Telephone Operators	$24,590

Source: Bureau of Labor Statistics

B. Who Actually Claims the EITC?

In tax year 1998, half of all EITC dollars went to families who earned less than $12,000.[3] The remainder went to families earning up to $29,000.

Larger percentages of eligible families claim the EITC compared to traditional social welfare programs (TANF, Food Stamps, Medicaid). Nevertheless, studies have found that many eligible households, particularly families with very low incomes, former welfare recipients, and those with language barriers, are not filing for the EITC.[4] Additional research also shows that many of those who are eligible have, at best, a vague understanding of how the EITC works. A recent study showed that minorities, particularly low-income Hispanic households, are less likely to know about the EITC than low-income non-Hispanic parents of any race.[5]

C. Why Is the EITC Important?

A series of recent studies have provided strong evidence that the EITC significantly reduces poverty and income inequality while encouraging work and helping low-income families build assets for the future.

Lifts Families Out of Poverty

The EITC's success in moving families out of poverty is largely attributable to recent increases in the size of the credit and the number of working families eligible for the credit.[6] In 1993, the EITC helped lift 2.1 million people above the poverty line. By 1999, that figure had more than doubled to 4.7 million people. In just that one year, the credit lifted 2.5 million children out of poverty—more than any other federal aid program.[7]

Increases Work

By restricting eligibility to families with earnings, the EITC promotes work. In 1984, prior to large increases in the EITC and changes in other federal transfer programs, 73 percent of single mothers with children worked at some point during the year. By 1996, 81 percent of single mothers were working at some point during the year. One study found that three-fifths of this increase in workforce participation by single mothers was attributable to increases in the EITC.[8] Researchers have also shown that the EITC increases work for those who previously received welfare.[9]

Supplements Wages

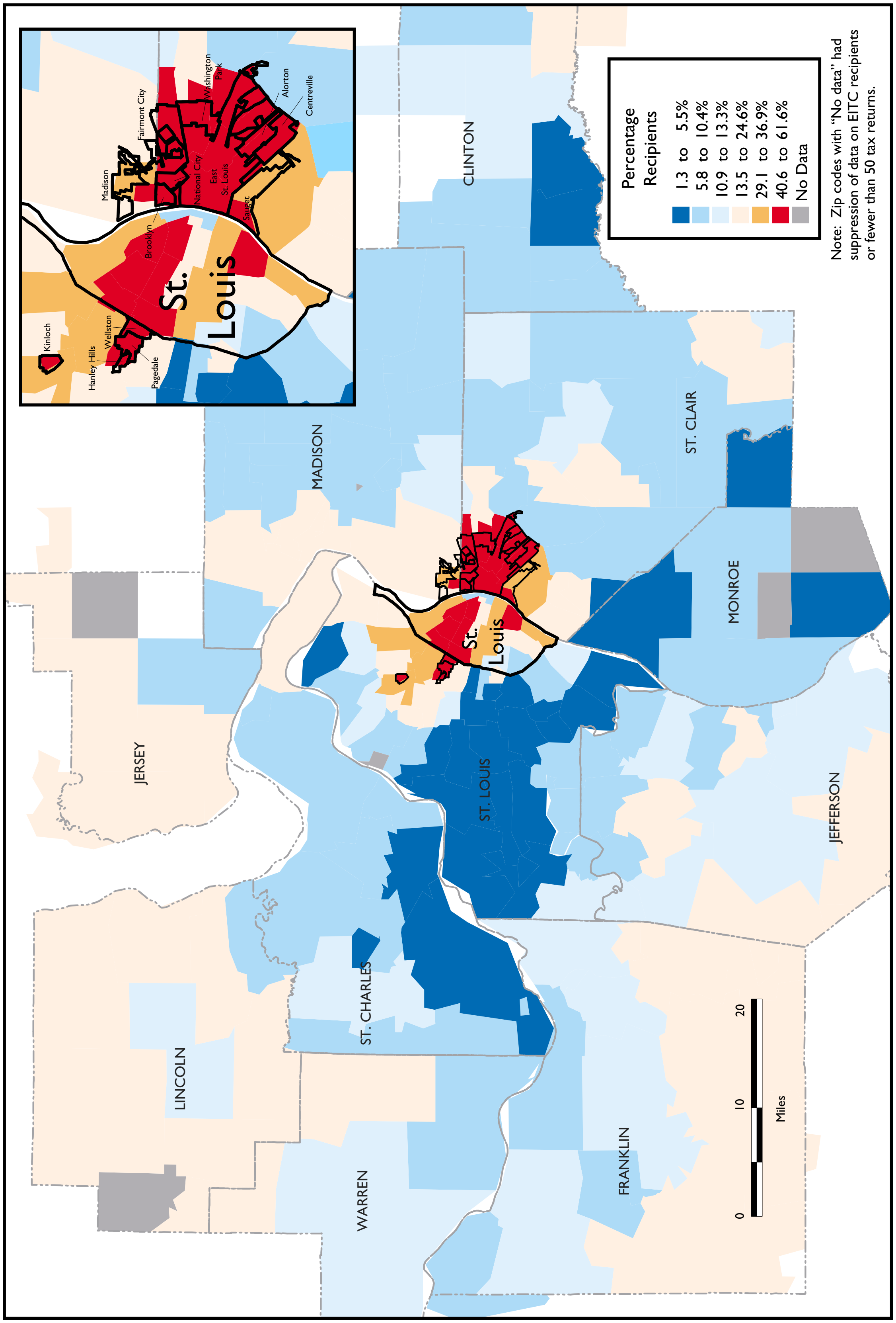
The wages and salaries of the working poor have not kept pace over the last 20 years with those earning larger incomes. Despite strong economic growth over the last decade, the income gap between rich and poor has widened.

In Missouri, during the late 1990s, the average before-tax income of a family in the bottom fifth of the income distribution was around $14,000. Adjusted for inflation, these families were earning only 2 percent more than they were during the late 1970s. In Illinois, real income for families at the bottom of the income distribution actually declined over the same time period. At the same time, families in the top fifth of the distribution in Missouri had average before-tax income of nearly $128,000, 32 percent more than during the late 1970s.[10] Research suggests that the EITC, by supplementing the wages of low-income working families, has curbed growth in national after-tax income inequality.[11]

Builds Wealth and Purchasing Power

EITC dollars represent additional income coming into the community, increasing families' purchasing power and helping them build assets for the future. The one study to investigate how families use the EITC found that over half of recipients planned to spend their refunds on investments like paying for tuition or other educational expenses, increasing their access to jobs through car repairs and other transportation improvements, moving to a new neighborhood, or putting money into a savings account. The study also found that the EITC helped the lowest-income families meet immediate needs such as utilities and rent.[12]

St. Louis MSA:
EITC Recipients as a Percentage of
Total Tax Returns by Zip Code, 1998



Data Source: U.S. Internal Revenue Service.

III. Findings: The Value of the EITC in Greater St. Louis

This study examines the spatial distribution of the EITC in the St. Louis region, which is defined as the St. Louis Metropolitan Statistical Area (MSA). This area includes roughly 2.6 million people living in six Missouri counties (Franklin, Jefferson, Lincoln, Saint Charles, St. Louis and Warren), the independent city of St. Louis, and five Illinois counties (Clinton, Jersey, Madison, Monroe, and Saint Clair). The EITC data used for this study, which are publicly available through the Internal Revenue Service, reflect actual credits claimed by taxpayers for the tax years 1997 and 1998 (see Appendix D for further information on the data).[13]

A. In 1997, 165,000 residents of the St. Louis region earned over $252 million in federal EITC refunds.

Of the $252 million in EITC refunds flowing into the St. Louis region in 1997, $78 million was earned by working families in St. Louis County, and $70 million was earned by residents of St. Louis City (see Appendix A). Large refunds were also earned by families living in Jefferson and Saint Charles counties; approximately $13 million in EITC refunds flowed to each of those counties in 1997.

Families living in the Illinois counties in the St. Louis region benefited from over $62 million in EITC refunds. Low-income workers in Saint Clair County and Madison County earned $34 million and $23 million, respectively, in EITC refunds in 1997.

EITC dollars also boosted the incomes of working families living in small cities bordering St. Louis to the west. Workers in University City earned credits totaling $4.2 million, those in Ferguson earned $3.4 million, and those in Spanish Lake earned over $3 million. The EITC provided similarly significant benefits to families in cities east of St. Louis in Illinois. Working poor residents of East St. Louis earned approximately $7 million, and families living in the village of Cahokia earned almost $4 million.

The average EITC for families in the St. Louis region in 1997 was $1,523. Families in the city of St. Louis claiming the EITC earned an average credit of $1,634, while those in St. Louis's suburbs earned, on average, $1,484 in credits.

The city of St. Louis was home to 28 percent of the region's EITC dollars in 1997, more than double its share of the region's population. However, EITC dollars were still more dispersed than money redistributed by other federal assistance programs that benefit residents of greater St. Louis. For instance, in 1997 families in the city of St. Louis received over 37 percent of the region's TANF payments, and almost 40 percent of the region's Food Stamp funds.[14]

B. The region's low-income working families were concentrated in the city of St. Louis and a few surrounding communities.

In 1998, nearly one-third of all taxpayers (29.6 percent) in St. Louis earned an EITC refund. This rate was much higher than the rate for the entire St. Louis region. Neighborhoods in the northern areas of the city had the highest concentrations of working poor families. For instance, in and around the Fairground neighborhood, more than 61 percent of taxpayers earned the EITC. In several other northern neighborhoods, including Kingsway, Penrose, and Mark Twain, close to half of families earned the credit.

There were also a number of communities just outside of the city of St. Louis with large shares of workers earning the EITC. For example, to the west of the city, in Jennings, more than one-third of all taxpayers earned an EITC, and over 40 percent of families in Pagedale earned the credit. Cities east of St. Louis, in the Illinois portion of the region, had even higher concentrations of low-income workers. In Venice and Cahokia, for example, 44 percent and 31 percent, respectively, of taxpayers earned the credit. The working poor were also highly concentrated in the city of East St. Louis, where the EITC boosted earnings for 40 to 50 percent of all families.

Working poverty was not, however, confined to St. Louis and its adjacent communities. Counties throughout the region saw substantial shares of their families earn the EITC. In Lincoln County, Missouri, three counties away from the city of St. Louis, about 15 percent of all workers earned the credit. In the southern reaches of Franklin County, Missouri, the EITC boosted earnings for 15 to 25 percent of all families.

C. The city of St. Louis had the sixth highest percentage of families earn the EITC (30 percent) among the 27 cities studied.

With 29.6 percent of all tax filers claiming the EITC, the city of St. Louis had a higher percentage of families earn the EITC than all but five of the 27 cities studied (see Appendix C). The percentage of taxpayers who earned the credit in St. Louis was comparable to that in cities such as Baltimore (28 percent) and Hartford (31.6 percent).

The percentage of families in the St. Louis region that benefited from the EITC (13.5 percent) was close to the median percentage for the 27 regions studied (12.6 percent). Like the Detroit region, where 11.8 percent of taxpayers filed for the EITC, the St. Louis region had higher concentrations of working poor families in the inner city than most other regions. Still, among all regions studied, St. Louis had the fifth highest share of its region's EITC dollars (72 percent) flow to communities outside the city of St. Louis, highlighting the importance of the investment for communities throughout the area.

D. Creating refundable Missouri and Illinois state EITCs would contribute an additional $46 million to the budgets of low-income working families in the St. Louis region.
The states of Missouri and Illinois could create refundable state EITCs that match the federal EITC at a fixed percentage. Such credits would not only help to make work pay for low-income residents of the St. Louis region, but also they would relieve the burdens of state income taxes on poor families.[15] At 20 percent of the federal credit, a Missouri state EITC could add at least $35 million to the incomes of the region's working poor in 2001, lifting many of them out of poverty. Low-income families in the city of St. Louis could earn an additional $12 million. A similar credit in the state of Illinois would provide over $11 million to working families in the region's Illinois counties.[16] By creating refundable state EITCs, Missouri and Illinois would join ten states that have already made similar commitments to their working families.

IV. What St. Louis Can Do To Leverage the EITC Locally

This study confirms that low-income working families live throughout the St. Louis region, and that the EITC is a significant federal support for these families and their communities. Policymakers in the St. Louis region can leverage this investment by partnering with community institutions to preserve the value of the EITC, and by building on the federal credit at the state level. There are five things that St. Louis's communities can do right now to maximize the use and value of the EITC.

1. Help low-income taxpayers learn about and file for the EITC
In 1997, the average EITC for St. Louis families claiming the credit was $1,459. Still, evidence suggests that many working families eligible for the credit fail to claim it. In 2000, the City of Chicago launched an education and outreach campaign to increase awareness of the EITC among low-wage workers and their employers, and to make free tax preparation available to eligible families through volunteer organizations. The campaign also alerted employers that their lower-wage workers could qualify for the Advance EITC which, by adding a portion of the value of a worker's anticipated EITC to each paycheck, serves to boost the take-home pay of eligible families throughout the year.

2. Support community organizations that preserve the value of the EITC
According to researchers, over half of all families who receive the federal EITC file their taxes through a tax preparation service.[17] Unfortunately, many of these services charge an exorbitant fee and even offer "refund anticipation loans": high-interest loans that—often for $100 and more—give taxpayers their money only a few days sooner than the Treasury would. The Center for Law and Human Service's Tax Counseling Project and the Tax Assistance Project in Chicago, as well as the Community Action Project of Tulsa County in Oklahoma, are examples of organizations that are helping EITC recipients who need assistance in filing their returns to receive the full value of the credit. States and localities can also help recruit volunteers for the IRS Volunteer Income Tax Assistance (VITA) program, which provides free individual tax preparation for taxpayers claiming the EITC.

3. Help families use the EITC as a gateway to financial services
According to the Federal Reserve, 22 percent of families with less than $25,000 in income (the majority of the EITC-eligible population) lack a bank account of any kind.[18] By not having this most basic access to mainstream financial services, these families must often rely on high-cost check cashing or other alternative financial services that consume large portions of their small incomes, and make it even more difficult for them to put aside small amounts of savings for the future. The average federal EITC refund in St. Louis of $1,459 represents a large initial deposit that, with cooperation from local banks and credit unions, could help many lower-income families open an account and begin to build modest amounts of savings.

The state of Missouri Department of Human Services has performed groundbreaking work with banks to make low-cost accounts available to families making the transition from welfare to work. Cities and towns in the St. Louis region, as well as the states of Missouri and Illinois, could make similar efforts on behalf of "unbanked" low-income working families, making it possible for them to receive their tax refunds via Direct Deposit.

4. Enact refundable Missouri and Illinois state EITCs
With over 160,000 families in the St. Louis region receiving an EITC in 1998, Missouri and Illinois state refundable EITCs set at 20 percent of the federal credit could provide $46 million or more to the area's working families. Illinois makes a small non-refundable EITC available to low-income workers, but because the credit can only be used to offset tax, many working poor families do not receive the full value of the credit. Ten states currently make a refundable EITC available to their low-income working families through their state income tax. Because refundable state EITCs support families moving from welfare to work, these states could finance such a credit with unspent federal TANF dollars, or count state expenditures on a refundable credit toward their "maintenance of effort" required under TANF. In addition to supporting welfare-to-work efforts,

state earned income credits help to reduce poverty among working families with children while allowing these lower-income families to share in the benefits of state income tax cuts.

Importantly, with state EITCs set at 20 percent of the federal credit, Missouri and Illinois would join 26 other states that have exempted their working poor families from state income taxes.[19]

5. Use local data to identify eligible families who are not claiming the EITC

While significant percentages of working families are aware of and file for

Appendix A: Value of Claimed EITCs for the St. Louis Region, 1997

County	Value of EITCs Claimed	Share of Regional Total Value of EITCs Claimed	Share of Regional Population
Franklin, MO	$8,067,000	3.2%	3.5%
Jefferson, MO	$13,876,000	5.5%	7.5%
Lincoln, MO	$3,293,000	1.3%	1.4%
Saint Charles, MO	$13,098,000	5.2%	10.3%
Saint Louis, MO	$78,816,000	31.2%	39.2%
Saint Louis City[21], MO	$70,892,000	28.1%	13.5%
Warren, MO	$1,963,000	0.8%	0.9%
Clinton, IL	$1,853,000	0.7%	1.4%
Jersey, IL	$2,066,000	0.8%	0.8%
Madison, IL	$23,110,000	9.2%	10.1%
Monroe, IL	$916,000	0.4%	1.0%
Saint Clair, IL	$34,310,000	13.6%	10.3%
Regional Total	**$252,260,000**	**100%**	**100%**

Source: Internal Revenue Service, 1997 ZIP Code files.

Appendix B: Profile of EITCs Received for the St. Louis Region, 1998

County	Avg. Adjusted Gross Income	Total Number of Returns	Total Number of EITCs Claimed	% of Taxpayers Filing for EITC
Franklin, MO	$48,278	44,646	5,475	12.3%
Jefferson, MO	$34,820	77,211	9,194	11.9%
Lincoln, MO	$31,966	15,346	2,268	14.8%
Saint Charles, MO	$46,189	126,815	9,181	7.2%
Saint Louis, MO	$60,634	514,012	52,409	10.2%
Saint Louis City, MO	$39,168	145,521	42,747	29.4%
Warren, MO	$34,813	10,368	1,293	12.5%
Clinton, IL	$33,309	14,593	1,218	8.3%
Jersey, IL	$32,150	11,176	1,397	12.5%
Madison, IL	$34,835	120,588	15,601	12.9%
Monroe, IL	$38,435	12,624	701	5.6%
Saint Clair, IL	$32,291	113,584	21,237	18.7%
Regional Total	**-**	**1,206,484**	**162,721**	**13.5%**

Source: Internal Revenue Service, E-File Demographics.

the EITC, new entrants into the labor force—especially individuals making the transition from welfare to work—may not be aware of the credit. Data from the IRS and the Missouri and Illinois Departments of Revenue could make it possible for researchers to identify neighborhoods where EITC participation rates are unexpectedly low and target these areas for outreach. Using this type of data from the Wisconsin Department of Revenue, researchers at the University of Wisconsin's Employment and Training Institute were able to identify neighborhoods in Milwaukee where low percentages of the low-income families filed for the EITC.[20]

Appendix C: Estimates for 27 Regions and Cities

	Region		Central City			
	% of Taxpayers Filing for EITC	Value of EITCs Claimed (Millions of Dollars)	% of Taxpayers Filing for EITC	Value of EITCs Claimed (Millions of Dollars)	City Share of Regional EITC Value	City Share of Regional Population
Akron	11.2	54.3	20.3	27.7	51.1	31.4
Atlanta	15.8	423.2	25.4	67.0	15.8	11.0
Baltimore	13.9	242.1	28.0	123.0	50.8	26.6
Boston	8.9	321.8	15.1	53.4	16.6	9.5
Denver	10.7	147.0	16.9	52.0	35.4	26.3
Des Moines	9.8	29.2	13.6	14.0	47.9	44.4
Detroit	11.8	348.2	32.3	161.3	46.3	21.8
Gary	13.2	57.3	33.6	19.0	33.1	17.8
*Grand Forks	11.6	7.0	11.7	4.2	60.1	48.7
Hartford	8.8	65.1	31.6	20.6	31.6	11.7
Indianapolis	12.9	146.0	16.4	88.6	60.7	49.4
Los Angeles	21.2	1238.1	24.6	509.0	41.1	39.1
Louisville	14.7	105.8	24.0	41.1	38.8	25.8
Macon	22.6	54.6	35.2	20.7	38.0	35.9
Miami	27.2	393.1	32.3	61.5	15.6	17.4
Milwaukee	10.7	116.7	21.9	78.7	67.4	40.0
New Orleans	25.4	253.8	36.0	125.2	49.3	35.9
Oakland	9.5	130.7	15.9	35.5	27.2	16.1
Philadelphia-Camden	12.2	403.4	24.1	209.3	51.9	29.4
Providence	12.6	74.3	23.6	26.5	35.6	16.7
Saint Louis	**13.5**	**252.4**	**29.6**	**70.7**	**28.0**	**13.5**
San Antonio	23.0	264.9	24.9	195.9	74.0	73.9
San Diego	14.3	253.3	14.4	113.8	44.9	44.0
San Jose	7.9	85.6	11.1	47.4	55.4	52.5
*Savannah	21.6	44.0	24.2	35.7	81.3	48.7
*Seattle	8.2	119.1	8.7	36.3	30.5	23.5
Washington D.C.	10.8	362.5	18.9	76.9	21.2	11.5
Median for all 27 Regions:	**12.6%**	**$146.0**	**24.0%**	**$53.4**	**41.6%**	**26.6%**

Source: Internal Revenue Service

**Denotes a central city where a large percentage of zip codes extend beyond the municipal boundaries. See Appendix D.*

Appendix D: Methodology

The data for this study were derived from two IRS files (described below). This study uses a 1998 file to map the percentage of taxpayers who received the EITC. In order to determine the actual amount of EITC dollars that went into each jurisdiction, we needed to use a more detailed data file. The 1997 IRS zipcode file is the most recent year for which these detailed data are available.

The 1997 file contains information by zip code on the total number of individual income tax filers, the number of filers with certain tax items (salaries and wages, interest, Schedule C, Schedule F) and total amounts for those items for tax year 1997 returns. Among these are the number of filers who claimed the Earned Income Credit, and the total amount of Earned Income Credit claimed. We used these data to calculate the amount of Earned Income Credit that flowed into each county in 1997, as well as the average EITC amount per county. The data are available online at **http://www.irs.gov/tax_stats/soi/zip-codes.html**.

The 1998 file contains similar information by zip code, including the total number of filers and the number of filers claiming the EITC, but does not provide the total amount of EITC claimed per zip code. Since these data were for a more recent tax year, we used them to calculate the percentage of filers receiving the EITC in a given zip code, and throughout a given county. These data are based on returns received by the IRS between January 1, 1999 and December 31, 1999; nearly all of these returns were for tax year 1998. The data are available online at **http://www.irs.gov/elec_svs/demogrfx.html**.

Although the raw data are reported at the zip code level, most of the data in the study are characterized at the county or city level. To calculate the county totals we simply aggregated zip codes based on the county names provided in the IRS file. Estimating accurate totals for smaller levels of geography, i.e. cities, was more difficult. Because zip codes are determined by the United States Postal Service and are designed to facilitate the delivery of mail, their borders very often do not coincide with municipal boundaries. In some cities, zip codes more or less match the actual jurisdictional lines; in others, zip codes that cover large parts of a city extend well into neighboring cities and towns. We used GIS (Geographic Information System) to determine which zip codes fit well enough within a given city's boundaries to associate with that city. If a zip code's center was inside the city's boundaries, then the zipcode was included. In a few cases, where there were a large number of zip codes that extended beyond the city's boundaries in an unusual manner, we included all zip codes that were within, or intersected with, the city's boundaries. In these instances, the total amount of EITC flowing into the central city may be slightly overstated, but the regional totals are as accurate as for other regions. These cities are marked with an asterisk in Appendix C.

Endnotes

1 The regions included in this survey series were selected because they are areas where the Annie E. Casey Foundation and John S. Knight Foundation are involved in initiatives aimed at improving the lives of working poor families.

2 The 'EITC' referenced throughout this survey is the federal Earned Income Tax Credit. All references to EITCs claimed or the value of EITCs claimed are for the tax year to which we refer.

3 David Campbell, Michael Parisi, and Brian Balkovic (2000). "Individual Income Tax Returns, 1998." *Statistics of Income Bulletin,* Fall 2000. US Department of the Treasury.

4 See John Karl Scholz (1994). "The Earned Income Tax Credit: Participation, Compliance, and Antipoverty Effectiveness." *National Tax Journal* 48: 64–85. Scholz found that between 80 and 86 percent of those eligible actually claim the credit. His study was based on 1990 data. Significant increases in the value of the EITC have probably altered actual participation rates. Also see Carolyn J. Hill, V. Joseph Hotz, Charles H. Mullin, John Karl Scholz (1999). "EITC Eligibility, Participation, and Compliance Rates for AFDC Households: Evidence from the California Caseload." **http://www.jcpr.org/wpfiles/hotz_eitc.pdf**

5 Katherin Ross Phillips (2001). "Who Knows About the Earned Income Tax Credit?" Urban Institute. **http://newfederalism.urban.org/html/series_b/b27/b27.html**

6 Between 1993 and 1999, the number of families receiving the EITC increased by 29 percent. The number of people lifted out of poverty by the EITC increased by 124 percent over the same time period.

7 The increasing contribution of the EITC to the safety net contrasts sharply with trends in other federal aid programs in the 1990s. Social security insurance, for example, lifted 300,000 less people out of poverty in 1999 than it did in 1993. Food stamps helped about 700,000 less people in 1999 than in 1993. And means-tested cash benefits, mainly TANF, lifted 600,000 less. See "Poverty and Income Trends: 1999," Center on Budget and Policy Priorities.

8 For increase in labor market participation see Nada Eissa and Jefferey Liebman (1996). "Labor Supply Response to the Earned Income Credit." *Quarterly Journal of Economics,* CXI, 605–647. Another set of estimates by Bruce Meyer and Dan Rosenbaum suggest that more than 60 percent of the increase in annual employment of single mothers was due to increases in the EITC. Welfare waivers contributed one-sixth and AFDC benefit cuts about one-eighth. Changes in Medicaid, employment training, and child care programs played a smaller role. **http://dsl.nber.org/papers/w7363.pdf**

9 V. Joseph Hotz, Charles H. Mullin, and John K. Scholz (2000) . "The Earned Income Tax Credit and Labor Market Participation of Families on Welfare." Joint Center on Poverty Research. **http://www.jcpr.org/wpfiles/hotz_mullin_scholz_final.pdf**

10 The income distributions by state are from the Current Population Survey. The data was pooled for larger sample sizes. The years analyzed were 1978–1980 and 1996–1998. See Jared Bernstein, Elizabeth C. McNichol, Lawerence Mishel, and Robert Zahradnik (2000). "State-by-State Analysis of Income Trends." Center on Budget and Policy Priorities and Economic Policy Institute. **http://www.cbpp.org/1-18-00sfp.htm**.

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14 "Table CA35," Regional Economic Information System. Bureau of Economic Analysis. June 2000.

15 A recent study found that Missouri and Illinois tied for the twelfth lowest state income tax threshold in the nation for single-parent families of three. These families had positive state income tax liability in 2000 when their annual income reached only $12,500, more than $1,000 below the federal poverty line. See Robert Zahradnik, Nicholas Johnson and Michael Mazerov (2001). "State Income Tax Burdens on Low-Income Families in 2000: Assessing the Burden and Opportunities for Relief." Center on Budget and Policy Priorities. **http://www.cbpp.org/3-1-01sfp.pdf**

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21 St. Louis City estimates in Appendices A and B differ slightly from those for the city of St. Louis in Appendix C because different methods were used for cities versus counties to estimate EITC values. See Appendix D for further detail.

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Note
This survey is available on the Brookings Institution's website at: **www.brookings.edu/urban**. Also available are similar surveys for 26 other metropolitan regions.

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