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"A movement is underway across the United States to leverage the full potential of federal and state income tax credits to make work pay for low-income families and communities."

CENTER ON URBAN AND METROPOLITAN POLICY

Rewarding Work Through the Tax Code:

The Power and Potential of the Earned Income Tax Credit in 27 Cities and Rural Areas

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Findings

A study of the year 2000 spatial distribution of the federal Earned Income Tax Credit (EITC) in 27 places participating in the National Tax Assistance for Working Families Campaign finds that:

- **Across the 27 urban and rural campaign sites, 2 million families obtained more than $3.4 billion in EITC refunds in 2000.** The credit boosted the incomes of working families in these places by an average of $1,700, or 13 percent.
- **More than one out of five tax filers in the campaign sites benefited from the EITC.** The share of filers earning the credit ranged from 7.7 percent in Seattle to 52 percent in Camden, N.J.
- **State-level income tax credits that build on the federal EITC boosted family incomes in 12 of the sites by a combined $312 million in 2000.** Creating refundable EITCs at the state level in the 18 sites where no such credit exists could supplement the earnings of working families in these places by an additional $270 million.
- **Low-income filers in the 27 sites spent an estimated $212 million in EITC refunds on tax preparation and high-cost loans in 1999.** In several campaign sites, including Atlanta, Baltimore, Indianapolis, New Orleans, and rural Georgia, more than half of all EITC earners claimed their refunds through a high-cost loan.

I. Introduction

The federal Earned Income Tax Credit (EITC), a refundable tax credit for families who work but earn low wages, delivered nearly $31 billion to lower-income workers and their children in Tax Year (TY) 2000. Over the years the credit has encouraged hundreds of thousands of welfare recipients to enter and remain in the workforce, continues to lift more working families out of poverty than any other federal program, and annually provides families with additional income they can direct toward insuring their future financial stability. In 2000, the EITC provided roughly the same level of federal assistance to low-income families nationwide as the TANF and food stamp programs combined.

Recognizing the significant economic impact that the EITC and other tax credits provide to families and the places they live, a growing number of communities nationwide are mounting efforts to leverage tax credit dollars at the local level for working families. For instance, the city of Chicago has spearheaded an aggressive campaign over the last several years to encourage eligible families to file for the EITC and related credits, and to make free tax assistance available to low-income filers in locations throughout the city. The city of Tulsa has invested in a local organization that provides free tax preparation and asset-building opportunities to over 12,000 low-income working families each year.

In October 2002, the Annie E. Casey Foundation established the National Tax Assistance for Working Families Campaign to build the capacity and visibility of efforts such as these in 27 cities and rural areas across the United States. This tax filing season, organizations in each of these sites are: promoting greater awareness of tax code benefits, especially the EITC, among low-income working families; providing free or low-cost tax preparation to low-income filers who need assistance completing their forms; and helping families use their tax refunds to build assets.

This study provides new information from TY 2000 on how the EITC helps to make work pay for low-income workers and their families in each of the 27 sites involved in the national campaign. First, it provides background on how the EITC and related tax credits benefit the working poor. Second, it analyzes the flow of EITC dollars to families in the 27 areas. Third, it examines variations by site in the share of families earning the credit. An appendix to the report provides maps of each site that show where the concentrations of filers claiming the EITC are highest and lowest. Fourth, the report presents new data on how state-level tax credits that build on the federal EITC benefit low-income workers in several of the campaign sites, and analyzes how refundable state EITCs would benefit low-income families in those places without such credits. Fifth, the study uses data from TY 1999 to estimate the degree to which commercial tax preparation fees and high-cost "rapid refund" loans divert tax refund dollars away from EITC earners in each of the campaign sites. The survey concludes with a set of recommendations and examples that demonstrate how local leaders can enhance the economic benefits that the EITC and related credits provide to working families and their neighborhoods.

II. Background

The Earned Income Tax Credit

The EITC, enacted by Congress in 1975, is a tax credit available to working families whose incomes range from well below the federal poverty line to roughly double the poverty line. At its inception, the credit was relatively small in size, but several expansions in the late 1980s and early 1990s turned the EITC into the largest federal aid program targeted to the working poor. This year the average EITC recipient will earn a credit of almost $1,700; among families with children, the EITC will average roughly $2,000.

Like most tax credits, the EITC can reduce income tax owed—and so help to relieve the federal tax burden on these families. Unlike most other tax credits, however, a family can claim as a refund any credit dollars left over once its tax liability has been reduced to zero—the "refundable" portion of the credit. Even if a family has no income tax liability whatsoever, it can still claim the full value of the EITC in the form of a tax refund. Overall, about 87 percent of all EITC dollars are refunded.

As earned income increases from zero (in the credit's "phase-in" range), families with children qualify for an increasing EITC, up to a maximum dollar amount. The maximum amount is available over a range of income (the "plateau" range—approximately $7,000 to $13,000 for families with one child, and $10,000 to $13,000 for families with two or more children), after which the credit phases down to zero (the "phase-out" range) (see Figure 1). For example, in TY 2002, a family with two children and income of $10,700 would receive a $4,140 EITC—the equivalent of an additional $2 per hour for full-time work. For families with two or more children, the value of the credit begins to decrease near $13,500, and reaches zero at $33,200. Parents with one child are eligible for a credit of up to $2,506, and childless workers are eligible for a much smaller credit—up to $376—at lower earnings levels.[1]

Larger percentages of eligible families claim the EITC than traditional social welfare programs (TANF, Food Stamps, and Medicaid). Nevertheless, studies have found that many eligible families fail to claim the credit. Table 1 presents estimates from five studies conducted over the past decade that estimate what percentage of families and workers who are eligible for the EITC actually claim it. While the authors themselves recognize several limitations in their estimates, their findings do offer evidence that several types of eligible families are less likely to claim the credit than others: Those with lower incomes or a history of welfare receipt, larger families, and workers without children all may use the program at a lesser rate. Additional survey research has found that low-income Hispanic parents and families whose first language is not English are less likely to know about, and to file for, the EITC than other groups.[2]

For those filers who do receive the

credit, recent research has highlighted numerous positive effects. This work finds that the program

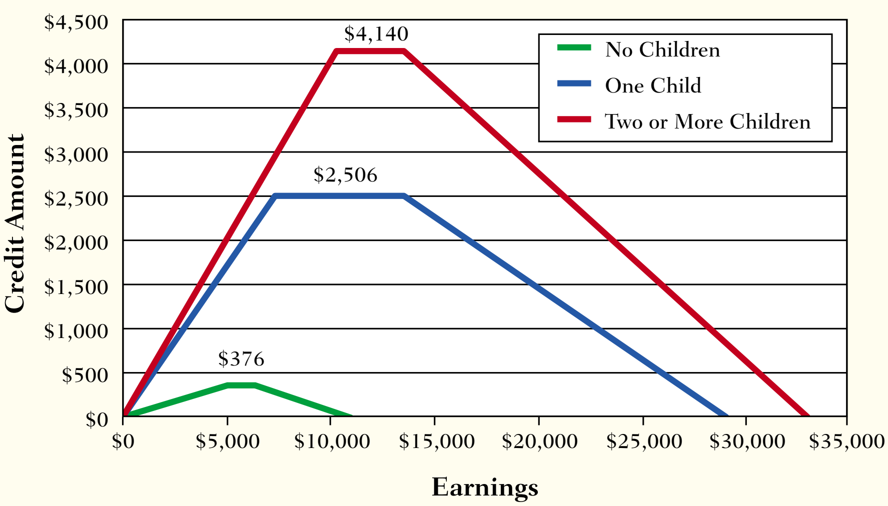
- **Reduces poverty.** In 1999, the EITC lifted 4.7 million people out of poverty, including 2.5 million children—more than any other federal aid program. State-level earned income credits have also been found to reduce poverty by significant amounts.[3]

- **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.[4]

- **Reduces income inequality.** The wages and salaries of the working poor have not kept pace over the last 20 years with those earning higher incomes. Research suggests that the EITC, by supplementing the wages of low-income working families, has curbed growth in after-tax income inequality.[5]

- **Helps low-income families build assets.** A study that investigated 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.[6]

Figure 1. Structure of the Earned Income Tax Credit in Tax Year 2002, Unmarried Workers*



Source: Internal Revenue Service

* *Married couples filing jointly are eligible for slightly higher credit amounts in the "phase-out" range of the EITC.*

The Child Tax Credit

With the enactment of legislation in 2001, the federal child tax credit (CTC) now augments the EITC as an important wage supplement for low-income workers with children. Beginning in 1997, the CTC provided a nonrefundable tax credit to families with children, and thus primarily benefited moderate- and middle-income families. The 2001 legislation made the CTC a refundable credit for families earning over $10,000 annually. In TY 2002, families are eligible for a child credit equal to 10 percent of

Table 1. Estimated Participation Rates Among Filers Eligible for the EITC

Author (year)	Tax Year Analyzed	Population	Participation Rate Among Eligible Filers
Scholz (1994)	1990	All filers	80%–86%
Liebman (1996)	1990	Filers in "phase-in" range	70%
		Filers in "plateau" range	83%
		Filers in "phase-out" range	88%
Hill et al. (1999)	1993–94	One-parent families receiving AFDC in CA	42%–54%
GAO (2001)	1999	Families with children	86%
		Workers without children	45%
IRS (2002)	1996	All filers	82%–87%

their earnings in excess of $10,350, up to a maximum of $600 per child. For instance, a single parent raising two children who had $16,000 in earnings in 2002 could claim a CTC of $565, even though she owes no income tax. The CTC and EITC together would provide her with a refund of roughly $4,200.

Most low-income working families with children qualify for both the EITC and the CTC.[7] However, families who fail to take advantage of the EITC are likely to miss out on the CTC as well, and many families who do not meet the eligibility requirements for the EITC can still claim the CTC. Even eligible families who qualify for both credits may fail to claim the CTC, because its benefits for low-income filers are new, and because the CTC adds a layer of complexity to the filing process.[8] A recent Treasury Department audit found that over 600,000 filers in TY 2001 appeared eligible to claim the partially refundable CTC but failed to do so.[9]

Tax Preparation, Refund Loans, and Low-Income Filers[10]

Like other taxpayers, low-income working families who claim the EITC and CTC often seek help in preparing their tax returns. Many families depend on commercial tax preparers year after year to connect them to these tax benefits; in TY 1999, 68 percent of all EITC earners paid to have their returns prepared. However, recent studies have found that low-income filers' use of tax preparation services and products significantly diminishes the economic benefits they derive from the EITC. An informal survey in the Washington, D.C., area indicates that on average, low-income workers pay approximately $100 to have their federal and state income tax returns prepared and electronically filed. Overall, an estimated $1.75 billion in EITC was diverted in 1999 toward paying for tax preparation, electronic filing, and high-cost refund loans.

Among the products and services that commercial tax preparers offer, and that low-income filers purchase, "refund anticipation loans" (RALs) present perhaps the greatest cause for concern. These products provide low-income filers with an advance on their anticipated tax refund, generally about 8–10 days sooner than they would have received those funds via direct deposit from the IRS to a personal bank account. The price that filers pay for this convenience is steep. For a $2,000 refund including the EITC, a filer could expect to pay $100 or more in RAL fees.

The annual percentage rates on these loans, given their high costs and short terms, range from 67 percent to an astounding 774 percent.[11] Despite their high prices, these loan products have achieved substantial penetration in the low-income filer market. For TY 1999, nearly half of the $30 billion in EITC claimed nationwide was refunded through these high-priced loan products. Their popularity continues to grow; H&R Block, which prepares approximately one out of five EITC returns filed each year, arranged 15 percent more RALs in 2002 than in 2001.[12]

III. Methodology

This study examines the spatial distribution of EITC earners, and EITC dollars, in 27 sites that are part of the 2003 National Tax Assistance for Working Families Campaign. Of these sites, 23 are located in cities, and four are located in rural areas. The population of these sites varies significantly; cities range in size from Camden, NJ (80,000 people) to New York, NY (8 million), and rural areas range from a three-county site in Georgia (25,000) to a 16-county site in North Carolina and South Carolina (672,000).[13]

The IRS provided the bulk of the data used for this study, which cover TY 1999 and 2000. To analyze the spatial distribution of EITC earners and dollars, we use IRS data on EITC receipt by zip code for TY 2000. To analyze the distribution of refund loans, we use IRS data on EITC receipt and RALs by zip code for TY 1999. Additional TY 2000 data on state earned income credit claims for several of the sites were contributed by their respective state departments of revenue and taxation.

As noted above, the Child Tax Credit will provide an additional boost to working family incomes this filing season, thanks to legislation that made the credit partially refundable beginning in TY 2001. Because the credit was still nonrefundable in TY 2000, it provided only minimal benefit to low-income families that year, and the spatial distribution of those dollars is not reflected in this analysis.

One question on the mind of many local leaders concerned about connecting their low-income constituents and neighborhoods to tax credits is, "How many people in my area are eligible for the EITC/CTC, but are missing out because they haven't filed taxes?" Unfortunately, this study does not provide a great deal of new insight into this question. There is no data source that, at a local level, provides reliable estimates of the number of tax filers whose income, earnings, family structure, age, and living arrangements qualify them for the EITC and related credits. Efforts by the IRS to organize data on low-income nonfilers could reveal more about the spatial distribution of this population. In the meantime, as a rough approximation, cities, towns, and rural areas may wish to use national estimates that between 85 and 90 percent of eligible families file for the EITC, and that therefore 10 to 15 percent of the EITC dollars for which their areas' families are eligible may go unclaimed. As the research cited above suggests, this "unclaimed" rate is likely to be higher in areas with significant immigrant populations, large numbers of families moving from welfare to work, and considerable proportions of the workforce with very low incomes (below $10,000).

IV. Findings

A. Across the 27 urban and rural campaign sites, 2 million families obtained more than $3.4 billion in EITC refunds in 2000.

The aggregate economic impact of the EITC, and the number of people benefiting from the credit, is significant across the 27 sites participating in the 2003 campaign. In TY 2000, 2 million workers and families filed for the credit in these 27 places, representing roughly 10 percent of all EITC earners nationally that year. Table 2 shows statistics on EITC receipt for each of the 27 communities, and all 27 communities combined.

To put this 2-million figure into perspective, consider that in 2000, roughly 2.2 million families nationwide received cash assistance under the TANF program at any one time. That is, the ranks of EITC earners in these 27 places were as large as those of the welfare rolls nationwide. There is, of course, overlap between these groups—many families receive TANF-funded wage subsidies, and thus receive the EITC. Yet the figures serve as a reminder that in these 27 sites, and across the nation, most low-income families with children include a worker.[14]

Working families in the 27 sites combined earned $3.4 billion in EITC in 2000, providing a significant boost to their incomes and stimulating local economies. In eight of the 27 sites, including large cities like New York and Chicago, and smaller places like New Orleans and the rural Carolinas, the total amount of EITC earned topped $100 million. The EITC even represented a multimillion dollar federal flow to smaller places like Allegany County, MD, and a three-county region in rural Georgia.

One way to measure the economic impact of the EITC is from the recipient's perspective—how much does the credit contribute to families' annual incomes in each of the campaign sites? Across all 27 sites, the average credit earned in 2000 was $1,716, providing a 13 percent income boost to working families in these places.[15] The average credit earned varied markedly among the 27 sites, however, from a low of $1,285 in Seattle to a high of $2,010 in New Orleans.

In large part, these differences among sites in average credit amount reflect differences in employment levels and wage structures for low-skilled workers. Most EITC recipients have incomes in the phase-out range of the credit; that is, the range in which the size of the credit decreases with each additional dollar earned (Figure 1).[16] Therefore, as the number of workers in a particular place who are employed full-time rises, and as their average wages rise, the average size of the EITC in that place is likely to decrease. As a result, cities with lower unemployment and higher wages among low-skilled workers, such as Boston, Denver, and San Diego, tend to report average EITC refunds below the national norm. The opposite conditions prevail in cities like Camden and Savannah, where EITC earnings per family are much higher.

As an illustration, Table 3 shows average annual salaries in 2000 for workers in the same occupations in the Seattle, Milwaukee (where the average EITC is similar to the 27-site average) and New Orleans metropolitan areas, as well as unemployment rates for each city. In nearly every case, salaries in Seattle top those in Milwaukee, which in turn exceed those in New Orleans. Still, average earnings in any of these positions, in any of these three cities, would qualify a family with children for the EITC. Higher unemployment in New Orleans also indicates that more workers, especially at the low end of the wage scale, may work part-time or part-year schedules that result in lower earnings, but higher average EITC refunds.

The EITC's economic impact can also be measured by the purchasing power that the credit dollars represent at the neighborhood level. Table 4 presents data from 10 sites where the density of lower-income workers, combined with significant EITC earnings, produced an effective EITC dollar flow of more than $1 million per square mile in 1990. Most are densely populated Northeastern cities, although places outside that region like Baltimore, Washington, and Miami also make the list. In New York, the credit raised incomes by a staggering $4 million per square mile citywide during the 2001 filing season. In the 23 urban sites, EITC earnings exceeded $1 million per square mile; across all 27 sites, including very large rural areas, the EITC raised incomes by roughly a quarter of a million dollars per square mile. To be certain, these area-wide figures do not capture the concentrated impact of the EITC in city neighborhoods with large shares of working poor families. For instance, one zip code in Northeast Washington, D.C. received over $13 million from the credit in TY 2000 alone.

B. More than one out of five tax filers in the campaign sites benefited from the EITC.

Nationwide in TY 2000, about 15 percent of all individual income tax filers claimed the EITC. However, states, cities, and rural areas varied greatly in the share of their families that benefited from the credit.

Overall the 27 campaign sites saw a larger-than-average share of their families earn the EITC in 2000. That year, 21 percent of tax filers across the sites—more than one in five—claimed the credit, compared to about one in seven nationally. Of the 27 sites, 23 had a rate of EITC receipt exceeding the national average (Table 1).

Table 2. EITC Statistics for 27 National Tax Assistance for Working Families Campaign Sites, Tax Year 2000

	Total Number of Filers	Total Number of EITC Earners	Total EITC ($)	Average EITC ($)	Filers Earning EITC (%)	EITC Earners in High-EITC areas (%)[a]	EITC Earners w/ RAL (%) (1999)
Atlanta, GA	159,805	38,473	71,136,304	1,849	24.1	48.5	62.8
Baltimore, MD	271,637	73,031	125,408,270	1,717	26.9	27.3	52.2
Boston, MA	274,167	38,417	57,082,020	1,486	14.0	0.0	24.4
Camden, NJ	27,262	14,231	27,495,827	1,932	52.2	100.0	55.9
Chicago, IL	1,078,863	264,063	462,663,454	1,752	24.5	31.6	49.0
Denver, CO	213,642	32,231	48,255,122	1,497	15.1	0.0	31.8
Des Moines, IA	86,952	11,844	18,552,999	1,566	13.6	0.0	39.8
Hartford, CT	47,446	15,192	25,910,581	1,706	32.0	12.3	29.1
Indianapolis, IN	340,720	55,705	92,954,142	1,669	16.3	0.0	56.5
Louisville, KY	110,996	26,459	43,573,279	1,647	23.8	38.5	54.4
Miami, FL	123,890	40,357	68,068,933	1,687	32.6	29.3	24.5
Milwaukee, WI	220,924	48,475	84,867,786	1,751	21.9	14.9	49.7
New Orleans, LA	185,386	66,808	134,308,451	2,010	36.0	54.8	58.9
New York, NY	3,241,144	704,909	1,212,824,303	1,721	21.7	24.0	22.3
Oakland, CA	184,594	26,064	40,818,084	1,566	14.1	0.0	28.3
Philadelphia, PA	605,793	148,027	252,944,645	1,709	24.4	25.0	41.9
Providence, RI	79,056	18,395	31,405,860	1,707	23.3	25.4	37.3
San Antonio, TX	458,627	109,594	200,720,586	1,831	23.9	28.3	49.2
San Diego, CA	572,073	73,780	116,555,453	1,580	12.9	7.8	22.0
Savannah, GA	93,564	21,566	40,022,337	1,856	23.0	26.5	59.0
Seattle, WA	370,692	28,620	36,780,549	1,285	7.7	0.0	22.8
Tulsa, OK	153,160	23,924	38,792,964	1,622	15.6	20.5	42.2
Washington, DC	269,598	48,930	80,545,336	1,646	18.1	10.8	48.5
Allegany Co., MD	29,004	4,450	6,750,516	1,517	15.3	0.0	30.4
Rural NC & SC[b]	266,800	61,096	106,692,406	1,746	22.9	3.7	54.8
Rural GA[c]	9,760	3,273	6,265,688	1,914	33.5	28.8	65.8
Northern New England[d]	109,319	11,587	17,281,274	1,491	10.6	0.0	27.8
Total	**9,584,874**	**2,009,501**	**$3,448,677,169**	**$1,716**	**21.0%**	**23.4%**	**37.1%**

[a] High-EITC areas denote zip codes in which at least 40 percent of all filers claimed the EITC.
[b] 13 counties in NC (Allegany, Ashe, Beaufort, Camden, Cherokee, Clay, Columbus, Currituck, Graham, Greene, Onslow, Swain, Wilkes) and 3 counties in SC (Dorchester, Marion, Orangeburg)
[c] 3 counties (Baker, Greene, Warren)
[d] Franklin, NH; Chelsea, VT; and Franklin and York counties, ME

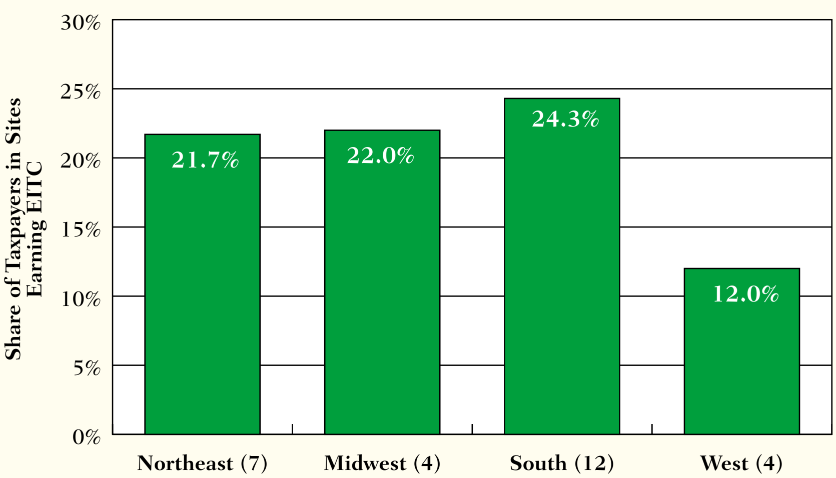
Table 3. Average Annual Salaries for Lower-Wage Occupations in Three Metro Areas, 2000

	New Orleans, LA (avg EITC = $2,010)	Milwaukee, WI (avg EITC = $1,751)	Seattle, WA (avg EITC = $1,285)
Child Care Workers	$12,390	$17,200	$18,080
Maids and Housekeeping	13,520	17,110	18,030
Cashiers	13,800	16,170	21,250
Food Preparation	14,040	17,160	18,810
Security Guards	16,210	19,260	22,410
Home Health Aides	17,790	20,320	19,360
Unemployment Rate, 2000	7.7%	6.7%	4.2%

Table 4. Sites with at Least $1 Million per Square Mile in EITC Earnings, 2000

		Total EITC ($)	Total Land Area (sq. mi.)	EITC ($) per square mile
1	New York, NY	1,212,824,303	303	3,998,761
2	Camden, NJ	27,495,827	9	3,124,526
3	Chicago, IL	462,663,454	227	2,037,268
4	Miami, FL	68,068,933	36	1,906,693
5	Philadelphia, PA	252,944,645	135	1,872,277
6	Providence, RI	31,405,860	19	1,697,614
7	Baltimore, MD	125,408,270	81	1,552,083
8	Hartford, CT	25,910,581	17	1,497,721
9	Washington, DC	80,545,336	61	1,311,813
10	Boston, MA	57,082,020	48	1,179,381
	23 urban sites	**$3,311,687,285**	**3,127**	**$1,059,076**
	27 urban/rural sites	**$3,448,677,169**	**14,672**	**$235,049**

Figure 2. Share of Taxpayers Earning EITC by Region, Tax Year 2000



At the same time, these 27 sites varied a great deal from one another in EITC claim rates. The site with the highest share of families earning the EITC was Camden, where 52 percent of tax filers claimed the credit in 2000. In Seattle, meanwhile, less than 8 percent of filers received the credit. The remainder of the sites lay between these two extremes, with generally between one in seven and one in three filers claiming the EITC.

The region of the country in which a site was located was related to the level of EITC earnings among the filing population. In general, sites in the Southern U.S. tended to have larger shares of families earning the credit, while those in the Western U.S. had lower levels of EITC receipt (Figure 2). Overall, about one in four filers in the 12 Southern sites earned the credit in 2000, while about one in eight in the four Western ones did. Sites including New Orleans (36 percent), rural Georgia (34 percent), and Miami (33 percent) had very high shares of EITC earners, while Denver (15 percent), Oakland (15 percent), and San Diego (13 percent) exhibited below-average levels of credit receipt similar to Seattle's. These differences by region reflect differences in wage and employment levels examined in the last section, as well as the particular set of places included in the campaign. For instance, substantial shares of filers who earn the EITC reside in several Western cities that happen not to be campaign sites.[17]

Just as the national figures disguise site-by-site variation, site figures themselves mask a great deal of difference among neighborhoods in the share of families that benefit from the EITC. Neighborhoods with very high EITC receipt existed in most sites. Although the EITC receipt rate exceeded 40 percent in only one site (Camden), the Appendix maps illustrate that 19 of the 27 sites were home to at least one zip code where more than 40 percent of filers claimed the credit. San Diego and Tulsa—sites in which relatively low shares of taxpayers earned the EITC overall—each included neighborhoods of concentrated working poverty where more than four in ten filers were EITC earners.

Table 2 shows the percentage of EITC earners in each site that lived in zip codes where at least 40 percent of filers received the credit. Not surprisingly, the figure runs higher in sites with larger shares of families earning the credit. Even so, in cities such as Atlanta, Chicago, and Louisville, where the share of taxpayers claiming the EITC resembled that in a number of other cities, the share of EITC recipients living in concentrated working poverty zip codes was much higher.

The clustering of EITC earners in these places presents both opportunities and challenges. To the extent that

Table 5. Economic Impact of Existing and Hypothetical State Earned Income Credits by Site[a]

	Existing Refundable and Nonrefundable State EITCs: Credit Percentage TY 2000	Est. Dollar Amount TY 2000	Hypothetical 15% Refundable State EITCs	Estimated Amount ($) TY 2003
Refundable Credits			Atlanta, GA	11,165,000
Baltimore, MD[b]	15%	10,795,000	Chicago, IL	72,617,000
Boston, MA	10%	6,012,000	Denver, CO[a]	7,574,000
Camden, NJ	10%	1,985,000	Des Moines, IA	2,912,000
Denver, CO	10%	4,663,000	Hartford, CT	4,067,000
Milwaukee, WI	varies[c]	17,856,000	Louisville, KY	6,839,000
New York, NY	22.5%	251,731,000	Miami, FL	10,684,000
Washington, DC	10%	3,880,000	New Orleans, LA	21,080,000
Allegany Co., MD[b]	15%	586,000	Oakland, CA	6,407,000
Northern New England (VT)	32%	32,000	Philadelphia, PA	39,701,000
			Providence, RI	4,929,000
Nonrefundable Credits			San Antonio, TX	31,504,000
Chicago, IL	5%	12,408,000	San Diego, CA	18,294,000
Des Moines, IA	6.5%	552,000	Savannah, GA	6,282,000
Providence, RI	26.5%	1,043,000	Seattle, WA	5,773,000
Northern New England (ME)	5%	440,000	Rural NC & SC	16,746,000
			Rural GA	983,000
			Northern New England[d]	2,741,000
Total - 12 sites with state credits		**$311,983,000**	**Total - 18 sites without refundable credits**	**$270,298,000**

[a] Several sites are in states that have changed their EITC parameters in the last two tax years. See endnote 20.
[b] Maryland also offers a 50% nonrefundable credit; taxpayers can claim either the refundable or nonrefundable version of the MD earned income credit.
[c] Credit percentages are: families with one child (4%); two children (14%); three or more children (43%).
[d] Assuming NH and ME adopt 15% refundable credits and VT retains 32% refundable credit.

EITC earners are concentrated in a few areas, the purchasing power derived from the credit can be quite significant (as the Washington example from the last section demonstrates), and may signal new retail opportunities in these neighborhoods. These areas may also serve as more effective information networks for spreading the word about the EITC and other tax credits, and may thus represent strategic areas for targeted outreach to potential filers. At the same time, there is significant evidence that these zip codes contain a disproportionate share of commercial tax preparation services, and that usage of "rapid refund" loans among EITC earners in these places is alarmingly high.[18] As a result, they may represent the areas most in need of free or low-cost filing assistance during tax season.

C. State-level income tax credits that build on the federal EITC boosted family incomes in 12 of the sites by a combined $312 million in 2000.
The federal government is not alone in its efforts to make work pay through the income tax code. For TY 2002, 15 states and two municipalities are offering tax credits that build on the federal EITC. Typically, state earned income credits match the federal EITC at a fixed percentage—anywhere from 5 percent to 45 percent. Ten states follow the federal practice of making the credit "refundable," by returning to low-income families any excess credit remaining once their tax liabilities have been reduced to zero. In the other five states, "nonrefundable" earned income credits reduce tax liabilities for families who owe income tax, but provide no benefit to families who work but earn too little to owe state income taxes.[19] Altogether, roughly a quarter of all federal EITC recipients nationwide live in a state that offers its own version of the credit.

State earned income credits enhance the economic impact of the federal EITC at the local level. Twelve of the 27 campaign sites are located in states that, in TY 2000, had earned income credits that worked in concert with the federal EITC. The left side of Table 5 shows these sites, their applicable state credit percentages, and the estimated amount that state EITCs contributed to the incomes of working families and their neighborhoods in these places.[20]

Overall, state EITCs in these 12 sites supplemented the wages of working families by a combined $312 million in TY 2000. Refundable state credits had a considerable impact in a number of sites. In the city of New York, the state credit boosted incomes by an average of $424 per family, and contributed more than $250 million to incomes citywide. In Milwaukee, the Wisconsin state credit supplemented the wages of working families by nearly $18 million. Nonrefundable credits available in four of the sites made smaller contributions to the local economy, including an estimated $12 million in Chicago and $1 million in Providence.

While working families in many sites benefited from state credits that work like the federal credit, 18 sites are located in states that this filing season will not offer a refundable EITC. How would these sites benefit from refundable state credits? The right side of Table 5 presents an estimate of the refund dollars that would flow to these 18 sites in TY 2003 if their states each enacted a refundable credit equal to 15 percent of the federal credit (a rough average of the credit percentages in the nine sites with refundable credits that year).[21] The benefit to working families across all 18 sites would top $270 million. Refundable credit dollars would provide significant economic stimulus to large economies like Chicago's (which would gain some $73 million in credit value) and Philadelphia's ($40 million), as well as to smaller places like Savannah ($6 million) and Northern New England ($3 million).[22]

D. Low-income filers in the 27 sites spent an estimated $212 million in EITC refunds on tax preparation and high-cost loans in 1999.
Taxpayers at all income levels face complexities in completing and filing their income tax returns. In fact, most U.S. taxpayers (59 percent) pay someone to assist them in the filing process. For high earners, a paid preparer—in many cases a CPA—may provide expertise in negotiating complex tax code provisions concerning investments and itemized deductions, as well as offer guidance on future tax planning. Low-income families with children, on the other hand, may seek assurance in accessing the multiplicity of deductions and credits that might apply to them—the dependent exemption, the dependent care tax credit, the child tax credit, the EITC, and similar provisions in state income tax codes.[23]

For families who earn the EITC, however, the products and services that paid preparers offer, and the fees they charge, reduce the credit's ability to make work pay for low-wage earners and their children. An informal survey in the Washington, D.C. area established that a typical EITC earner could expect to pay at least $100 to have a preparer complete and file her federal and state income tax forms. Other research has found that these fees can run quite a bit higher during tax season in low-income neighborhoods. Nevertheless, the use of paid preparers is high, and on the rise, among EITC earners. In TY 1997, 62 percent of families who claimed the EITC used the services of a paid preparer. By TY 1999, that figure had risen to 68 percent.[24]

While low-income taxpayers certainly derive some value from having someone else fill out their tax forms, the economic benefit of "rapid refund" loans to consumers is less clear. These loans allow low-income taxpayers to pay their tax preparation fees from their refund amount, and expedite refunds for individuals who lack a bank account. At the same time, however, the fees that these products extract from EITC refunds are substantial. As noted previously, the average price that an EITC earner pays for a RAL is roughly $100. Despite this cost, an alarming 38 percent of EITC earners nationwide purchased a loan against their TY 1999 refund. These purchases diverted an estimated $750 million in EITC refunds from working families to tax preparers and affiliated banks.

The percentage of EITC earners with a RAL varies greatly among cities, suburbs, and rural areas in the United States. Across the 27 campaign sites in 1999, 37 percent of EITC recipients claimed their refunds via a high-cost loan, similar to the national average (Table 2). Yet in several of the sites, the percentage with RALs was much higher. As Table 6 shows, in nine sites, more than half of EITC earners purchased these loans, with the three Georgia sites topping the list.[25] In several additional cities—Chicago, Milwaukee, San Antonio, Washington—just under half of EITC earners received their refunds via a RAL.

These statistics supplement earlier research in suggesting that several factors are associated with increased demand for refund loans among EITC earners, including: high shares of the population filing for the EITC; geographically concentrated EITC receipt; high average credit amounts; and location in either the Southeastern or Midwestern U.S.

Altogether, the RAL statistics from across the 27 sites suggest that approximately $212 million in EITC refunds in 1999 was spent on tax preparation, filing, and refund loans. This assumes that 68 percent of the 2 million EITC earners in these sites paid an average of $100 for tax preparation and filing, and that 37 percent of these 2 million filers paid an additional $100 each for a refund loan. In effect, some 6 percent of total EITC refunds across all 27 sites flowed to tax preparers and affiliated financial institutions instead of working families. However, in many of the sites with high usage of refund loans, the percentage "overhead" that low-income families paid to access the EITC funds they had earned was undoubtedly much greater. In these places, the need for new options in the low-income filing marketplace is particularly pressing.

Table 6. Sites with Highest Usage of Refund Loans Among EITC Earners, 1999

		EITC Earners with RAL (%)
1	Rural GA	65.8
2	Atlanta, GA	62.8
3	Savannah, GA	59.0
4	New Orleans, LA	58.9
5	Indianapolis, IN	56.5
6	Camden, NJ	55.9
7	Rural NC & SC	54.8
8	Louisville, KY	54.4
9	Baltimore, MD	52.2
10	Milwaukee, WI	49.7
All 27 sites		**37.1%**

V. Opportunities For Local Leaders

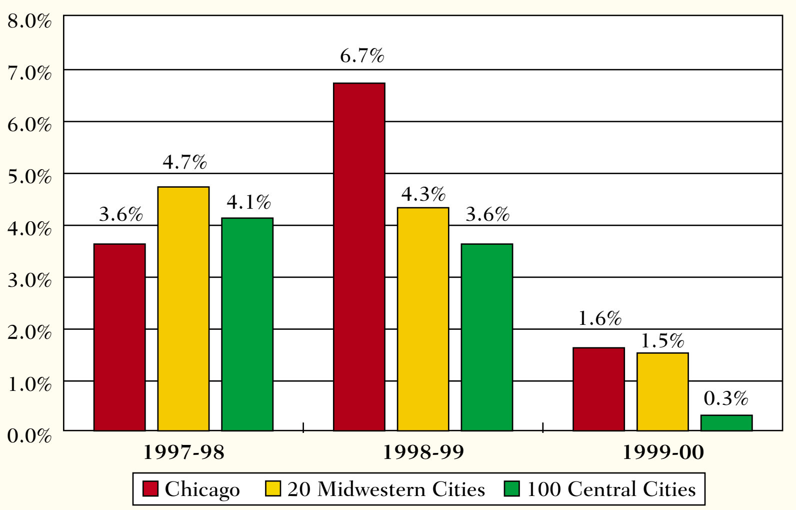
This survey demonstrates that the Earned Income Tax Credit and related state credits provide significant income to the cities and rural areas participating in the national campaign, and the working families who live there. In the current economic climate, those dollars can provide an especially important economic stimulus for low-income communities. This suggests that local leaders across the nation can enhance their communities' well-being by: informing eligible families about these tax credits; connecting low-income families to free or low-cost assistance in claiming their refund dollars; helping families save their refunds to meet medium-term and long-term goals; and building on the federal EITC at the state and local level.

1. Inform low-income working families about the EITC, CTC, and other credits.

Spreading the message about refundable tax credits for low-income working families through outreach is perhaps the highest-leverage strategy local leaders can employ for their communities during tax season. National statistics suggest that between 10 and 15 percent of EITC dollars for which families are eligible go unclaimed each year. Raising the share of eligible filers who claim the EITC across the 27 sites by even 5 percentage points could boost the incomes of tens of thousands of additional families and workers.

During an economic downturn, promoting tax credits looms even more important, because many families who were not previously eligible for these credits—or even familiar with them—may have become eligible during the year. With low-wage earners losing

Figure 3. Growth in Total EITC Earnings, Tax Years 1997-2000



jobs, and others being forced to cut back to part-time work, many families who in prior years earned too much to qualify for refundable credits may earn them for the first time in TY 2002. Over the past two years alone, the number of people working part-time, but wanting full-time work, has increased by one million. Arming these workers with information about the importance of filing for refundable credits can help enhance their economic stability and deliver federal resources to their communities.

Organized outreach campaigns at the local level can be particularly important in raising the profile of credits other than the EITC for low-income families—particularly the CTC and state earned income credits. Research indicates that because these credits are often newer, and require the completion of additional forms, they exhibit lower participation rates than the federal EITC. In Washington, D.C., for instance, only 80 percent of filers who claimed the federal EITC in TY 2001 claimed the relatively new DC credit, even though the eligibility requirements are practically identical.[26] Sites in which relatively new state and local credits are available, such as Tulsa, Indianapolis, and Denver, could especially benefit from outreach strategies that inform families about other credits in combination with the EITC. Additionally, the evidence on the large number of eligible filers nationwide who failed to claim the refundable CTC in TY 2001 reaffirms that local leaders can use outreach to help families and communities access untapped federal resources during the 2003 filing season.

Chicago—A Model for EITC Outreach

Starting in 1999–2000, Chicago Mayor Richard Daley has mounted annual public-private partnerships to increase awareness of the EITC in the city of Chicago and the greater Chicago area. The Chicago EITC campaign draws on local media and the efforts of several corporate and civic partners to inform families about the EITC. Business groups promote the EITC to their corporate members, and large employers use paycheck stubs, company newsletters, and work-place posters to reach their low-income workers. Local gas and electric utilities employ bill stuffers to inform their customers about the credit. Hundreds of community groups promote the EITC to their members, clients, and employees. Two local non-profit groups recruit volunteers and manage free tax preparation services for low-income filers, operating 20 sites within the city of Chicago in 2002.

The success of Chicago's efforts is showing up in the numbers. Before the citywide campaign began in late 1999, growth in EITC earnings citywide lagged somewhat behind that in other Midwestern cities, and in large metropolitan cities across the nation (Figure 3). As the campaign was introduced during the 2000 filing season, however, the dollar value of EITC claims that year grew 6.7 percent over the previous year—far outpacing growth rates in Midwestern cities and cities nationwide. Between 1999 and 2000, as the strong economy lifted wages and overall growth in EITC claims slowed, credit earnings in Chicago still continued to rise.

2. Preserve the value of tax credits by connecting low-income filers to free and affordable tax assistance.

With over two-thirds of EITC recipients paying someone to complete and file their tax returns, the demand for affordable filing assistance is enormous. Given their extraordinary penetration in this market, professional tax preparers will undoubtedly play a continuing role in connecting low-income filers to the EITC and other tax credits. At the same time, however, the high prices that many preparers charge for completing relatively simple returns—and the fees they command for low-risk "rapid refund" loans—highlight a need for additional options in the filing assistance marketplace.

Free and affordable tax assistance can help low-income taxpayers preserve their refund dollars, and connect them to opportunities to leverage those dollars, rather than spend them on high-cost, low-value loans. Local nonprofit groups throughout the United States are placing trained volunteers in churches, libraries, child care centers, and other public sites during filing season to fill out low-income families' tax forms for free, helping them claim valuable credits. In many cases, those organizations are also providing links to products and services that enable working families to improve their credit, establish a banking relationship, and begin to build savings for their future (see below).

Providence—Serving Multiple Communities with Free Tax Preparation

The 2002 Providence EITC campaign opened four multilingual and multi-service Volunteer Income Tax Assistance (VITA) sites in community-based organizations, staffed by 13 volunteers and one paid accountant. The VITA sites were open twice a week during five peak weeks of the filing season, and on Saturday mornings for the remainder of the tax season. Staff at these VITA sites provided services in English, Spanish, Khmer, Laotian, Hmong, and Vietnamese. The host organization at each VITA site has special connections to one or more of the major communities in its neighborhood—Southeast Asian, Hispanic, and African-American. These sites prepared 750 tax returns and brought back over $1.1 million dollars in EITC refunds to the community. Their efforts also saved families upwards of $100,000 in tax preparation, filing and high-cost loan fees they might otherwise have paid to commercial preparers.[27]

3. Use tax credits to link working families to financial services and asset-building opportunities.

Filing season often represents the one time per year that families across the income spectrum perform serious assessments of their financial situations. This is especially true for low-income filers, many of whom are receiving their largest cash infusion of the year in the form of refundable tax credits. Some have referred to this as the "EITC moment," a time when a working parent has the opportunity to use income for something other than surviving until the next paycheck. With as much as 40 percent of annual earnings returned to recipients of the EITC and CTC in the form of a refund, tax time offers local leaders a unique chance to help working families gain a stronger financial footing, and to enable them to begin building assets for the future.

Organizations working at the community level are taking multiple approaches to helping low-income families improve their long-term financial health at tax time. Volunteers are pairing tax preparation with financial counseling to help working families develop budgeting skills, pay down existing debt, and improve their credit. Banks and credit unions have teamed up with nonprofit organizations to offer basic accounts to "unbanked" EITC recipients. Having access to a simple account at tax time can allow a family to receive their refund dollars via direct deposit, speeding up refund turnaround time by weeks, and making a "rapid refund" a significantly less attractive product. Owning an account can also make it easier for a family to save refund dollars for financial contingencies, or to spend those dollars more slowly over time. To assist low-wage earners with medium- and long-term savings goals, many organizations nationwide are connecting families Individual Development Accounts (IDAs), which provide matching dollars towards purchasing a home, starting a small business, or paying for post-secondary education. A few have begun to make an explicit link between the EITC and IDAs, by helping families use portions of their refunds as deposits into the accounts.

Louisville—Forging a Link Between the EITC, Banking, and Savings

As part of the Louisville EITC Campaign in 2002, local banks sent representatives to VITA sites to open checking and savings accounts for low-income filers, enabling them to direct deposit their tax refunds. Community organizations offered combined homeownership-financial literacy classes at VITA sites and instructors referred people to other asset-building opportunities such as IDAs. Sixty spots in IDA programs and $200,000 in matching funds were set aside for VITA tax filers. At the same time, IDA clients were referred to VITA sites for tax help.[28]

4. Build on the federal EITC by enacting state earned income credits.

Given the current revenue crisis in states, some may understandably view this as a difficult time to enact any tax cuts, even for working families. Yet a state EITC can provide a much-needed "release valve" for low-income taxpayers who are disproportionately burdened by increases in regressive taxes. The great majority of tax increases enacted by states in 2002 were increases in consumption taxes—sales, cigarette, alcohol, and gasoline taxes—that consume greater shares of low-income families' earnings. At the same time, states have made deep cuts in spending on services that benefit working families, particularly subsidized health insurance and child care.[29] Adopting a state EITC can help begin to offset the effects of regressive tax hikes and spending cuts on these families, and help a state avoid balancing its budget on the backs of working poor residents.

Indiana—Helping Low-Income Families with a Refundable State EITC

To help close an FY 2003 budget shortfall, the state of Indiana adopted a $530 million revenue enhancement package during the 2002 legislative session. The package featured increases in sales and cigarette taxes, which take a larger proportion of low-income families' earnings than affluent families' earnings. To help offset the effects of these regressive tax hikes on the working poor, the state turned a small existing credit for low-income taxpayers into an Indiana state EITC, set at 6 percent of the federal credit. Unlike the EITC, the previous version of the credit provided no benefits to families with incomes above $12,000, a level well below the poverty line for most families. For TY 2002, the new Indiana state EITC will provide over $5.7 million to low-income working families in Indianapolis.

VI. Conclusion

A movement is underway across the United States to leverage the full potential of federal and state income tax credits to make work pay for low-income families and communities. This tax season, local leaders in over 100 communities are conducting campaigns to inform eligible working families about these credits. In the 27 sites featured in this report, outreach represents one component of a coordinated effort to promote family economic success with tax credits. By pairing information on the EITC, CTC, and related state credits with free and affordable filing assistance for low-income taxpayers, local leaders can preserve the value of these work supports for the families who need them most, while helping them to avoid high-cost products and services that provide them with little benefit. Finally, local leaders are well-positioned to make the critical argument that during an economic downturn, new and expanded state-level tax credits for working families can reduce poverty, promote work, and stabilize local economies. With regressive state taxes on the rise, and expenditures on low- and moderate-income families increasingly threatened, local officials can promote investments like the EITC that help shore up the financial security of working families and communities everywhere.

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Endnotes

1. As of TY 2001, the EITC for families headed by a married couple filing jointly begins to "phase out" at a slightly higher dollar amount than for head of household filers. This change effectively increases the credit for which a married family qualifies by $160–$211 in the phase-out range.

2. Katherin Ross Phillips, "Who Knows About the Earned Income Tax Credit?" Washington: Urban Institute, 2001; Phil Richardson, "Awareness and Use of the Earned Income Tax Credit among Current and Former TANF Recipients," Maximus, 2001.

3. Nicholas Johnson, "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2001" (Washington: Center On Budget and Policy Priorities, 2001). See also David Neumark and William Wascher, "Using the EITC to Help Poor Families: New Evidence and a Comparison with the Minimum Wage," *National Tax Journal* 54(2) (2001): 281–317.

4. For the increase in labor market participation see Nada Eissa and Jeffrey Liebman, "Labor Supply Response to the Earned Income Credit," *Quarterly Journal of Economics* 111 (1996): 605–647. Another set of estimates suggests that more than 60 percent of the increase in annual employment of single mothers resulted from increases in the EITC. Bruce Meyer and Dan Rosenbaum, "Making Single Mothers Work: Recent Tax and Welfare Policy and Its Effects," *National Tax Journal* 53(4) (2000): 1027–1062.

5. Jeffrey B. Liebman, "The Impact of the Earned Income Credit on Incentives and Income Distribution." In James Poterba, ed., *Tax Policy and the Economy,* vol. 12, (Cambridge, MA: MIT Press, 1998).

6. Timothy M. Smeeding, Katherin Ross Phillips, and Michael O'Connor, "The EITC: Expectation, Knowledge, Use, and Economic and Social Mobility." Working Paper 13 (Syracuse University Center for Policy Research, 2000).

7. In TY 1999, 70 percent of EITC earners with children had adjusted gross incomes in excess of $10,000. David Campbell and Michael Parisi, "Individual Income Tax Returns, 1999," *SOI Bulletin* (Fall 2001): 9–47.

8. The eligibility requirements for the CTC and the EITC are somewhat different regarding the residence of qualified children, immigration status, and the types of income considered. To claim the refundable portion of the CTC, the taxpayer must file an additional schedule (Form 8812). See Center on Budget and Policy Priorities, "Facts About the New Child Tax Credit: A Bigger Paycheck Boost for Many Families," 2002.

9. "Outreach Initiatives Needed to Ensure Taxpayers Receive the Benefit of the Child Tax Credit and Additional Child Tax Credits." Treasury Inspector General for Tax Administration Report No. 2002-40-203, 2002.

10. See, generally, Alan Berube, Anne Kim, Benjamin Forman, and Megan Burns, "The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC" (Washington: Brookings Institution, 2002).

11. Chi Chi Wu, Jean Ann Fox, and Elizabeth Reunart, "Tax Preparers Peddle High Cost Tax Refund Loans" (Washington: Consumer Federation of America and National Consumer Law Center, 2002).

12. Form 10-K filed by H&R Block, Inc. with the Securities and Exchange Commission on July 29, 2002.

13. This study aggregates IRS data reported at the zip code level to the city and county levels. To calculate county totals we aggregated zip codes based on the county name associated with a given zip code in the IRS files. Estimating accurate totals for cities is more difficult because zip code borders very often do not coincide with municipal borders. In some cities, zip codes more or less match 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) software to determine whether a given zip code's center was within city boundaries; if so, it was treated as part of the city. Thus, in some cities our estimates may overstate, and in other cases may understate, the number of EITC earners and EITC dollar amount.

14. The reader should also bear in mind that TANF dollars support a wide range of services to low-income families beyond cash assistance (including wage subsidies), such as child care, transportation, training, and state earned income credits, and that those services support many families who work and are not counted on the federal welfare rolls.

15. This assumes that the average credit recipient across all 27 sites had earnings equivalent to the national average earnings for EITC recipients in 1999, or $12,977.

16. In TY 1999, approximately 55 percent of EITC recipients had adjusted gross income in the phase-out range.

17. Riverside-San Bernadino (25 percent), Los Angeles (24 percent), Bakersfield (24 percent) Fresno (23 percent), and Stockton (23 percent) all had rates of EITC receipt exceeding the national average in TY 1998. See Alan Berube and Benjamin Forman, "A Local Ladder for the Working Poor" (Washington: Brookings Institution, 2001).

18. Berube, Kim, Forman, and Burns, "The Price of Paying Taxes."

19. For TY 2002, the District of Columbia, Kansas, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Wisconsin, and Vermont offer refundable credits. Illinois, Iowa, Maine, Oregon, and Rhode Island offer nonrefundable credits. In TY 2003, Indiana will offer a refundable credit. The Illinois credit is set to expire after TY 2002 unless it is renewed. No Colorado credit is available for TY 2002—and none will likely be available for TY 2003—because Colorado state law suspends the credit while the state is not running a budget surplus.

20. Several changes to state EITCs went into effect between TY 2000 and TY 2002. Collectively, they will significantly increase the amounts low-income families will earn in the campaign sites this year. New refundable state credits are available to families in Tulsa, OK and Indianapolis, IN, at values equal to 5 percent and 6 percent of the federal credit, respectively. In addition, he city of Denver now provides a refundable credit equal to 20 percent of the federal credit, funded by TANF dollars. In several sites, the state credit increased as a percentage of the federal credit: Washington (25 percent), Boston (15 percent), Camden (17.5 percent), New York (27.5 percent). For this report, TY 2000 dollar flows for Boston, Camden, Denver, Milwaukee, Chicago, Des Moines, Providence, and Northern New England (ME) were estimated by applying each site's share of federal EITC filers statewide in TY 2000 to total state EITC expenditures in TY 2000. In other sites, state departments of revenue reported EITC claims at the local level.

21. These estimates were derived using a simple methodology explained in Johnson, "A Hand Up," using each site's share of federal EITC claims nationwide. The estimates assume growth of the EITC nationally at 4.6 percent from TY 2000 to TY 2003 based on projections from the Joint Committee on Taxation. No adjustments are made for the likelihood that participation rates in state credits would be lower than for the federal credit.

22. Three of the sites—Miami, San Antonio, and Northern New England (Franklin, NH)—are located in states that levy no state income tax. Nevertheless, these states could create a functional equivalent to a state EITC by using federal tax data on EITC receipt to identify and calculate credits for eligible families, which could be refunded to them directly as a rebate against sales or property taxes. See Nicholas Johnson, "States Can Use IRS Computer Tapes to Identify Potential Recipients of State Earned Income Tax Credits" (Washington: Center on Budget and Policy Priorities, 2000).

23. The error rate on returns that include the EITC, however, is just as high for returns filed by professional tax preparers as it is for returns filed by taxpayers themselves. Janet McCubbin, "EITC Non-Compliance: The Determinants of the Misreporting of Children," *National Tax Journal* 53(4) (2000):1135.

24. IRS, "Earned Income Tax Credit Effectiveness and Program Management FY 1998—FY 2002," 2002.

25. These statistics, unfortunately, fail to capture a growing number of high-cost products that are sold on credit to low-income taxpayers in connection with the preparation and filing of their returns—at places like used car lots, furniture stores, clothing stores, and Indian Country trading posts.

26. Similar patterns have prevailed in other states with relatively new credits. Johnson, "A Hand Up."

27. Annie E. Casey Foundation, "Earn It, Keep It, Save It: A Guide to a Successful Tax Credit Campaign in Your Community." 2002.

28. Ibid.

29. Nicholas Johnson, "The State Tax Cuts of the 1990s, the Current Revenue Crisis, and Implications for State Services" (Washington: Center on Budget and Policy Priorities, 2002).

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