

ECONOMIC AND DEMOGRAPHIC PROFILES OF THE EITC-ELIGIBLE POPULATION

A Guide to Understanding and Using the Data

The estimates provided in the state and metro profiles of the population eligible for the federal Earned Income Tax Credit (EITC) come from MetroTax, a federal income tax model developed by the Metropolitan Policy Program at Brookings. MetroTax uses microdata from the U.S. Census Bureau's American Community Survey (ACS) to estimate tax filing units, tax liability, and eligibility for tax benefits like the EITC.

For organizations working to tailor EITC outreach and education strategies to the EITC-eligible population in their states and communities, these profiles can help inform and guide those efforts. The following document provides an overview of the information included in each profile and offers guidance on how these estimates should be used.

For detailed information on the methods used to create MetroTax and derive estimates of EITC eligibility at the state and local levels, see the [Technical Appendix](#).

DATA

To calculate the estimates presented in the state and metro profiles, the MetroTax model uses 2007 data from the ACS Public Use Microdata Sample (PUMS). The 2007 PUMS contains records from 1,293,393 housing units, 2,946,342 individuals in households, and 81,679 individuals in group quarters (e.g., nursing homes, military barracks, dormitories).¹

GEOGRAPHY

A profile has been created for each state and the District of Columbia, as well as the 100 largest metropolitan areas in the country. These metro areas were selected based on employment totals as reported by the U.S. Bureau of Economic Analysis in 2005. Metro area boundaries conform to U.S. Office of Management and Budget [metropolitan statistical area definitions](#) announced in December 2003.

PROFILE VARIABLES

Each metro and state profile contains 13 indicators that help identify and describe the EITC-eligible population. These indicators are grouped into two main sections. The first section presents information on the tax unit (e.g., filing status, income), while the second section summarizes key demographic and workforce characteristics of EITC-eligible tax filers (e.g., race, age, occupation).² Each indicator is defined below.

Total EITC-Eligible Tax Units

The number of tax units that meet IRS guidelines for EITC eligibility in tax year 2007 based on a range of factors, including earned income, age, marital status, and number of qualifying children.³

¹ For more information on the ACS PUMS, see <http://www.census.gov/acs/www/Downloads/2007/AccuracyPUMS.pdf> (accessed October, 2008).

² When tax units contain more than one person, MetroTax uses economic and demographic information in combination with data on family relationships to designate the tax filer (also referred to as the taxpayer) within the unit.

³ For more information on TY 2007 EITC eligibility guidelines, see <http://www.irs.gov/individuals/article/0,,id=150513,00.html> (accessed October, 2008).

Note: A household may contain more than one tax unit. A detailed description of how the MetroTax model delineates tax units within households and establishes EITC eligibility is available in the [Technical Appendix](#).

Total Population in EITC-Eligible Units

The total number of people living in EITC-eligible tax units.

Filing Status

Married-filing jointly: tax units where both spouses are present in the household.

Head of Household: tax units where the tax filer is unmarried or legally separated and resides with one or more identified dependents.

Single: unmarried tax filers without dependents.

Note: We make two simplifying assumptions when assigning filing status: (1) all married couples living in the same household are assumed to file jointly, meaning the model does not account for cohabiting married couples who may choose to file separately; and (2) because we lack the data to determine what share of household expenses taxpayers cover, unmarried filers with qualifying children are always categorized as head of household.

Number of Qualifying Children

The number of children within the tax unit that meet the EITC test for qualifying child. To be deemed a qualifying child for purposes of claiming the EITC, the child must be the son, daughter, stepchild, or foster child of the claimant (or a descendant of one of these relations); or the child must be the brother, sister, stepbrother, or stepsister of the claimant (or a descendant of any of them). In addition, the child must be one of the following: (a) under the age of 19; (b) under the age of 24 and a student; or (c) totally and permanently disabled.⁴

Note: Filers must also meet a residency test to qualify for the federal EITC; children must live with the filer for at least half of the year in order for the filer to claim the child. This information is not available through the ACS. Therefore, the model assumes the parent or guardian with whom the child was living at the time of the survey fulfills the residency requirement.

Adjusted Gross Income

The Adjusted Gross Income (AGI) of the tax unit includes the following sources of income as reported in the ACS: (1) interest, dividends, and net rental income; (2) wages and salary; (3) self-employment income; (4) retirement income; and (5) all other income.⁵

Size of Expected Earned Income Tax Credit

The amount of EITC for which a tax unit is eligible, based on earned income, number of qualifying children, and marital status (Table A).

⁴ For more information on dependency rules and qualifying children definitions, see <http://www.irs.gov/pub/irs-prior/i1040gi--2007.pdf> (accessed October, 2008).

⁵ For detailed definitions of ACS income sources, see http://www.census.gov/acs/www/Downloads/2007/usedata/Subject_Definitions.pdf (accessed October, 2008).

Table A. Structure of the EITC by Number of Qualifying Children, Tax Year 2007

Tax Year 2005	Phase-in Rate (percent)	Minimum income for maximum credit	Maximum credit	Phase- out rate (percent)	Phase-out range*	
					Beginning income	Ending income
No children	7.65	5,590	428	7.65	7,000	12,590
One child	34.00	8,390	2,853	15.98	15,390	33,241
Two children	40.00	11,790	4,716	21.06	15,390	37,783

*These income levels represent the phase-out range for unmarried filers. In tax year 2007, the values for married couples filing jointly were \$2,000 higher over the phase-out range.

Race and Ethnicity of Taxpayer

The share presented for each race category—white, black/African American, Asian/Pacific Islander, American Indian—reflect that race “alone,” and do not include individuals that identify as Hispanic or Latino. The Hispanic or Latino category is a stand-alone ethnicity, reflecting individuals of any race who self-identify as Hispanic or Latino.

Age of Taxpayer

The Census Bureau derives age from date of birth information and generally reports age in complete years.

Highest Level of Education Attained by Taxpayer

The highest level of education completed for tax filers age 25 and over.

Language Spoken at Home

Languages listed on the metro area profile meet two criteria: (1) at least 2,000 EITC-eligible tax filers in that community reported speaking that language at home, and (2) the tax filers speaking that language represent at least 1 percent of that community’s EITC-eligible tax filers. Any languages that do not meet these criteria are included in the “other” language category.

Home Ownership

For all tax filers living in households, this indicator reports whether the household is owner-occupied or renter-occupied. Owner-occupied households are reported as either (a) owned with a mortgage or loan, or (b) owned free and clear with no mortgage or similar debt.⁶

Share of Taxpayers in Households that Receive Food Stamps

This variable indicates whether the tax filer lives in a household in which one or more members received food stamps in the past 12 months.

Sector of Worker for Taxpayers

The share of EITC-eligible tax filers in the private, for-profit; private, nonprofit; government; self-employed; or military sector, based on their current or most recent job.

Note: For tax filers who worked more than one job, the sector reported refers to the job at which the person worked the most hours.

⁶ For detailed definitions of housing tenure, see http://www.census.gov/acs/www/Downloads/2007/usedata/Subject_Definitions.pdf (accessed October, 2008).

Top Five Occupations

The occupations variable describes the type of work a person does in their job.⁷ The top five occupations are listed on the profile based on the share of tax filers in each occupation.

Note: For tax filers who worked more than one job, the occupation reported refers to the job at which the person worked the most hours.

Top Five Industries

The industry variable represents the kind of business conducted by the tax filer's employing organization.⁸ The top five industries are listed on the profile based on the share of tax filers in each industry.

Note: For tax filers who worked more than one job, the industry reported refers to the job at which the person worked the most hours.

USING THE PROFILES

Because the indicators provided in these profiles are estimates derived from survey data, organizations and individuals using these figures should note a number of caveats:

- ❖ **Survey error:** The ACS is a self-reported survey, so populations may be over- or underrepresented just as incomes may be over- or under-reported compared to what is submitted on tax returns. In addition, all data are subject to sampling and non-sampling error. Confidence intervals are not reported in these profiles, but users should be aware that a certain level of error accompanies each estimate. Therefore, these indicators should be used as general guides and not treated as exact counts.
- ❖ **2007 snapshot:** MetroTax is a static model, so the estimates presented here reflect tax law and population characteristics as of 2007. Any changes in the economy or the population since then that may affect EITC eligibility or tax filing status are not reflected.
- ❖ **Eligibility versus participation:** MetroTax is an eligibility model. It does not estimate program participation. Estimates of EITC eligibility presented in these profiles should not be compared to actual IRS EITC claims, at any level of geography, to calculate an EITC participation rate or to estimate an erroneous claims rate.

Despite possible measurement error, the MetroTax estimates presented in these profiles represent a reasonably robust snapshot of the size and makeup of the EITC-eligible population at the state and metro area levels.

⁷ For information on the types of jobs included in each occupation category, see <http://www.bls.gov/soc/socguide.htm> (accessed October, 2008).

⁸ For detailed definitions of each industry, see <http://www.census.gov/epcd/www/naics.html> (accessed October, 2008).