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The new Brookings report on the EITC is available at: http://www.brookings.edu/papers/2011/0217_eitc_poverty_kneebone.aspx.

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A Policy that Works for Working Families

New Brookings Report Shows Effectiveness of EITC in Responding to Population Shifts Among America's Working Poor

Washington, D.C. — The Earned Income Tax Credit (EITC), a refundable tax credit that supports the work efforts of millions of low-income Americans by boosting their take home pay, has proven particularly effective at responding as that population grew and shifted increasingly to the suburbs over the last decade, according to a new report from the Brookings Institution Metropolitan Policy Program.

In the wake of the first downturn of the decade, the country's working poor population grew significantly, with the greatest increases concentrated in America's suburbs. "The EITC has proven to be an effective and responsive policy tool, not only in providing an economic buffer as working families weather downturns in the economy, but also in adapting to the ongoing suburbanization of the country's working poor," said Elizabeth Kneebone, Senior Research Associate at Brookings and author of the report.

The new report, *Responding to the New Geography of Poverty: Metropolitan Trends in the Earned Income Tax Credit*, explores the connections between shifts in the low-income population and changes in EITC receipt between 1999 and 2007. This piece is the latest in the Metropolitan Opportunity Series; to learn more about the series please visit: http://www.brookings.edu/metro/Metropolitan-Opportunity.aspx. For more reports on the EITC, and to find interactive tax data please visit: http://www.brookings.edu/metro/EITC/EITC-Homepage.aspx.

Kneebone said the EITC proves effective for a variety of reasons, including:

- Changes in EITC receipt have tracked closely with the growing and shifting geography of working poverty.
    - By 2007, the geographic distribution of EITC recipients was strikingly similar to that of the low-income population. The suburbs accounted for the largest share—over one-third—of both low-income residents and EITC filers, compared to one quarter in primary cities and roughly 20 percent in both small metro and non-metro areas.

- Changes in EITC receipt in the nation's largest metro areas related closely to changes in their low-income populations.
    - Examining individual metropolitan area trends demonstrates the important role of regional economic health in influencing these outcomes.
        - Many of the metro areas in the South placed in the top ten for both increases in the low-income population and increases in EITC receipt. These trends reflect not only stagnating wages for many workers during this time period, but also the fact that Southern metro areas like these grew more quickly overall than other parts of the nation, adding to their stock of lower-wage jobs in the process.
        - The other end of the spectrum is more heavily populated by metro areas in California and the Northeast that performed relatively better during and after the first downturn of the decade. Not only did these metro areas experience slow growth rates in their low-income populations, they also saw EITC receipt grow at below-average rates.

- In 2007, low-income workers claimed 25 percent more through the EITC than in 1999, for an average credit of $1,999 per filer.
    - In response to the growth of the suburban low-income working population, suburbs also saw the greatest increase in EITC dollars ($4.6 billion) coming into the community over that time period. Overall, the distribution of the $47.5 billion claimed through the EITC mirrored the distribution of the nation's low-income population.

Though 2007 is the most recent year for which tax data are available, Kneebone discusses the preliminary data from the Great Recession and its implications for current policies.

"The EITC continues to play an important role in mitigating the effects of the most recent downturn for low-income workers and their communities," said Kneebone "and, while many taxpayers are still struggling to make ends meet, important expansions to the credit mean there is even more support for working families this tax season."

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