

# Bridging the Gap: Refundable Tax Credits in Metropolitan and Rural America

Elizabeth Kneebone

“The EITC  
and  
ACTC provide  
much-needed  
wage  
supplements  
to low-income  
workers in  
urban,  
suburban,  
and rural  
communities  
across the  
country.”

## Findings

This report examines the changing geographic distribution of recipients of the federal Earned Income Tax Credit (EITC) across large cities and suburbs, smaller metro areas, and rural communities in the United States. An analysis of IRS data on EITC recipients in tax years 2000 and 2005 reveals that:

- **In tax year 2005, the greatest number of EITC filers lived in the suburbs of large metropolitan areas.** More than 8 million EITC filers lived in the suburbs, though big-city and rural taxpayers were more likely to receive the EITC. In both large cities and rural areas, more than one in five low-income workers claimed the credit in tax year 2005.
- **In the South and West, rural taxpayers were most likely to receive the EITC, while Northeastern and Midwestern EITC recipients were more concentrated in large cities.** Over a quarter of rural taxpayers in the South claimed the EITC in tax year 2005. Similar, though slightly smaller, proportions of low-income workers in Northeastern central cities received the credit that year.
- **Total EITC filers increased by 3.2 million between tax years 2000 and 2005, and almost half that growth (1.6 million) occurred in large suburbs.** While large suburbs captured much of the increase in actual EITC filers, rural areas—especially in the Midwest—experienced faster growth in the share of taxpayers claiming the EITC over the first half of the decade.
- **Almost 47 percent of EITC filers claimed the Additional Child Tax Credit (ACTC) in tax year 2005, for a total of \$9.4 billion.** EITC filers living in large suburbs were the most likely to also benefit from the ACTC, followed by EITC recipients in smaller metropolitan areas.

Together, the EITC and ACTC provided more than \$51 billion to low-income workers in tax year 2005, acting as critical wage supplements for working poor families throughout the country. Proposals to expand and streamline these credits to help more working families across all types of communities—urban, suburban, and rural—deserve consideration from policymakers, practitioners, and researchers.

## Introduction

Between 2000 and 2005, families across the United States watched prices for everyday necessities—food, housing, utilities, gas—rise consistently. But while costs climb year after year, wages, especially for those towards the lower end of the income distribution, have not kept pace. A labor market with rising unemployment and an abundance of low-wage, low-skill jobs has made it increasingly difficult for working families to meet their growing financial obligations.<sup>1</sup>

Increasingly, working families turn to provisions in the tax code to help close the resource gap between rising costs and stagnating wages. The federal Earned Income Tax Credit (EITC) is currently the largest such provision. A refundable tax credit, the EITC plays an important role in supplementing wages and alleviating poverty across the United States.<sup>2</sup>

Previous research showed the importance of the EITC to low-income families in a range of communities—urban, suburban, and rural—throughout the country in tax year (TY) 2001.<sup>3</sup> This paper provides a mid-decade look at the growing role the EITC played as a work support for low-income families in these different geographies. This analysis further refines the methodology used in that earlier assessment and makes use of the most recent data available to bring the analysis forward to TY 2005. In addition, this paper includes new information on the Additional Child Tax Credit (ACTC), another important refundable tax credit that benefits lower-income workers with children.

After briefly reviewing the methodology, the paper examines TY 2005 EITC receipt across met-

ropolitan and rural communities throughout the country. It also assesses the extent to which EITC receipt across different communities changed since TY 2000. The paper concludes by evaluating the additional benefit EITC filers in urban and rural areas received from the ACTC in TY 2005.

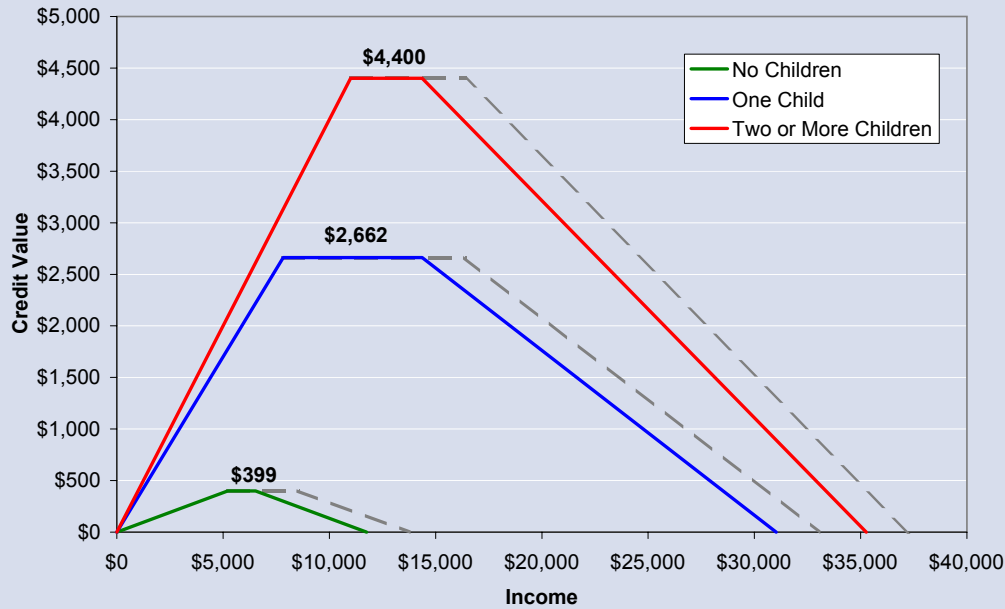
## Methodology

This paper first assesses the geographic distribution of EITC filers and benefits across the United States in TY 2005, as well as changes in EITC receipt from TY 2000. The EITC—a refundable tax credit claimed through the federal tax return—increases with earned income over a certain range, levels off at a maximum credit level, and eventually phases out as earnings continue to rise. As currently structured, the bulk of EITC dollars go to workers with children (Figure 1). In TY 2005, the EITC provided workers with two or more children a 40 cent boost for every dollar earned over the phase-in range. Depending on marital status, parents making between \$7,830 and \$16,370 were eligible for the largest credits (up to \$4,400 for parents with two or more children and \$2,662 for parents with one child), while childless workers and non-custodial parents could claim a much smaller version of the credit (up to \$399).

In addition to assessing patterns of EITC receipt, this paper also evaluates the extent to which EITC filers benefit from the refundable portion of the Child Tax Credit (CTC), referred to in this analysis as the Additional Child Tax Credit (ACTC). To claim the ACTC in TY 2005, workers had to have at least one qualifying child and earn above \$11,000. The refundable nature of this credit provides an important supplement to the tax refunds of lower-income workers and, in combination with the EITC, further increases the value of work for many recipients.<sup>4</sup>

To understand how these credits benefit low-income workers and their families in different communities throughout the country, this assessment delineates four “geography types.” Building on

Figure 1. Value of the EITC by Income, TY 2005



\*Married couples filing jointly begin phase-out and reach maximum income limits \$2,000 above unmarried filers (shown by dashed lines).

Source: Internal Revenue Service

previous research, the area types analyzed here include *Large City*, *Large Suburb*, *Small Metro*, and *Rural*.<sup>5</sup> *Large cities* comprise the central cities of the 100 largest metropolitan areas in the United States.<sup>6</sup> The *large suburbs* category represents the remainder of the top 100 metropolitan areas. The 261 metropolitan areas that fall outside the top 100 make up the *small metros* geography type. All other counties not located in an official metropolitan area are considered *rural*.<sup>7</sup> As of 2005, 20.8 percent of the U.S. population lived in large cities, 44.5 percent lived in large suburbs, 18.0 percent lived in small metro areas, and 16.8 percent lived in rural counties.<sup>8</sup>

ZIP code-level data for tax years 2000 and 2005 provide the building blocks of this geographic analysis. Data on total taxpayers, EITC recipients, and ACTC claims come from IRS' Stakeholder Partnerships, Education, and Communications (SPEC) division, which aggregates indi-

vidual tax return information to the ZIP code-level.

ZIP codes often do not align with city and county boundaries, so before the SPEC data can be aggregated to create discrete totals for larger geographies, any overlapping ZIP codes must first be allocated. This analysis uses a combination of mapping and statistical software to "split" the ZIP code-level data as needed. Where ZIP codes cross city or county boundaries, the data are apportioned according to the share of the ZIP code population that falls within each jurisdiction, based on the distribution of the 2000 census block population.<sup>9</sup> Because ZIP code boundaries change from year to year, and as such overlap differently with other geographies depending on the year, this process is undertaken for both TY 2000 and TY 2005.

Finally, to examine how EITC receipt varies in different parts of the country, this analysis assigns each ZIP code to one of four cen-

sus-defined regions (Northeast, Midwest, South, and West) based on the state in which the ZIP code is located. The paper presents patterns in EITC receipt by geography type for each region, and assesses regional trends in EITC receipt between tax years 2000 and 2005.<sup>10</sup>

## Findings

### A. In tax year 2005, the greatest number of EITC filers lived in the suburbs of large metropolitan areas.

Over 22 million filers—roughly 17 percent of all tax filers in the country—received the EITC in TY 2005 for a total of \$41.8 billion. However, EITC filers and the credit amounts they receive are not evenly spread throughout the country. Figure 2a shows the national distribution of EITC recipients and dollar amounts in TY 2005. Among the four geography types, large suburbs contain the greatest number of EITC filers. Fully 8 million EITC recipients live in large suburbs—almost double the number of EITC filers in either small metros or rural areas. Moreover, EITC filers in large suburbs exceed their central city counterparts by more than 2.5 million taxpayers.

Given that large suburbs contain the greatest number of EITC filers, it follows that suburban filers receive the greatest share of EITC funds (Figure 2a). In fact, suburban EITC recipients claimed over one-third of all EITC dollars in TY 2005. Rural and small metro areas each received more than \$8 billion through the EITC, and central city taxpayers claimed almost \$10.8 billion. At the same time, suburban EITC filers received nearly \$14.8 billion through the credit.

Though suburban EITC recipients claim the largest share of total EITC dollars, Figure 2a shows that EITC filers in big cities qualify for the largest credits on average. Nationally, the average EITC credit amount was \$1,894 in TY 2005. EITC filers in large cities claim an average credit of \$1,952—higher than the national average and over \$100 more than the average suburban credit. A number of factors can contribute to these differences in average

credits, including differences in family structure and size as well as variations in average incomes between geography types.<sup>11</sup>

While Figure 2a sheds light on which types of communities contain the highest numbers of EITC filers, Figure 2b reveals which geography types contain the highest concentrations of EITC recipients. Though home to the largest number of EITC filers, large suburbs actually have

Figure 2a. EITC Recipients and Dollars by Geography Type, TY 2005

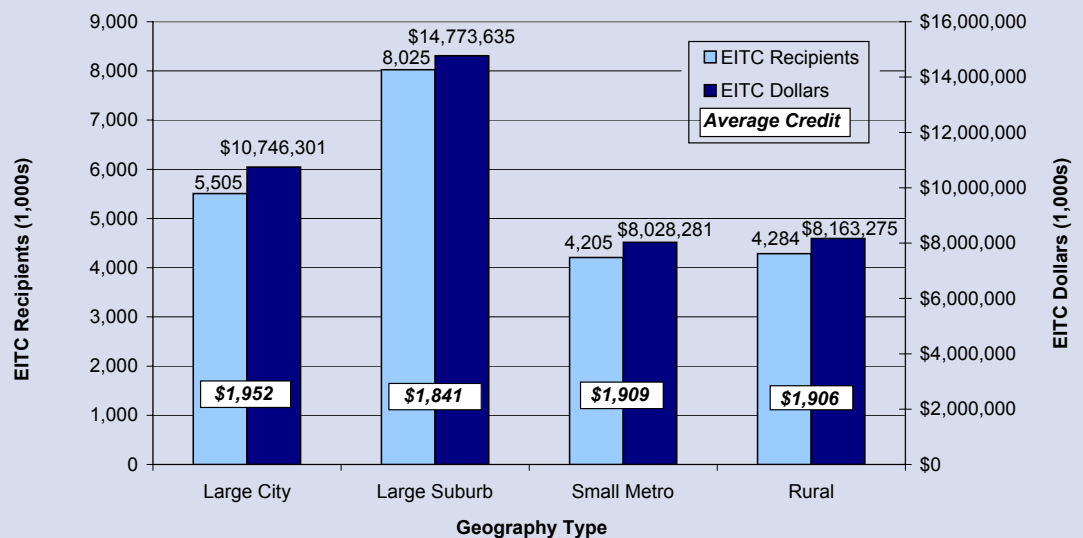
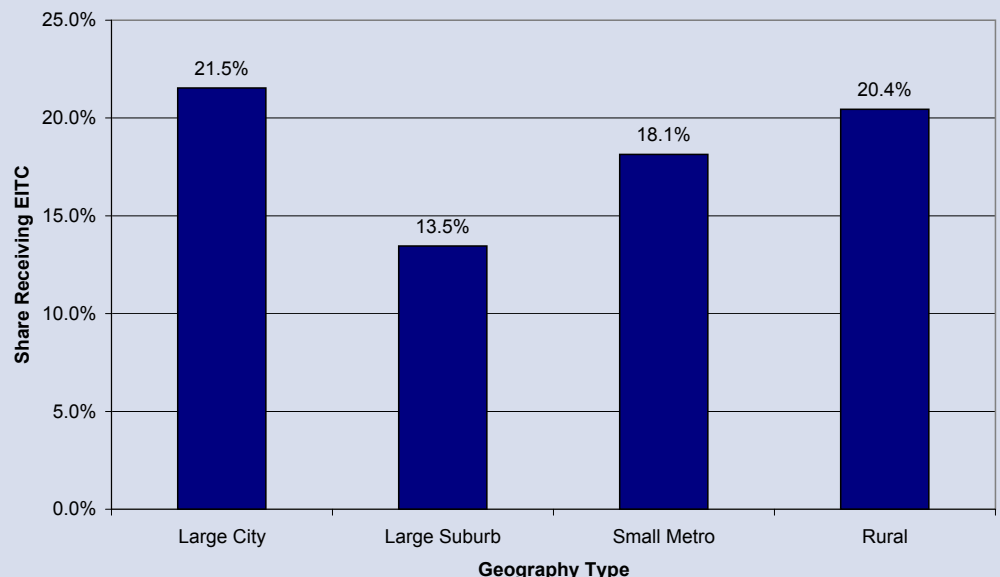


Figure 2b. Share of Filers Receiving EITC by Geography Type, TY 2005



Source: Brookings Institution analysis of Internal Revenue Service data

the lowest share (13.5 percent) of their taxpayers claiming the credit among the four geography types. In contrast, low-income workers living in large cities and rural areas prove most likely to receive the EITC. In TY 2005, 21.5 percent of filers in large cities claimed the EITC, while one in five rural taxpayers received the credit. Small metro areas experience lower levels of EITC receipt (18.1 percent) than large cities and rural areas, yet outpace the national average by more than a percentage point. Thus, a plurality of EITC recipients live in large suburbs but make up a smaller share of total suburban taxpayers, while large cities and

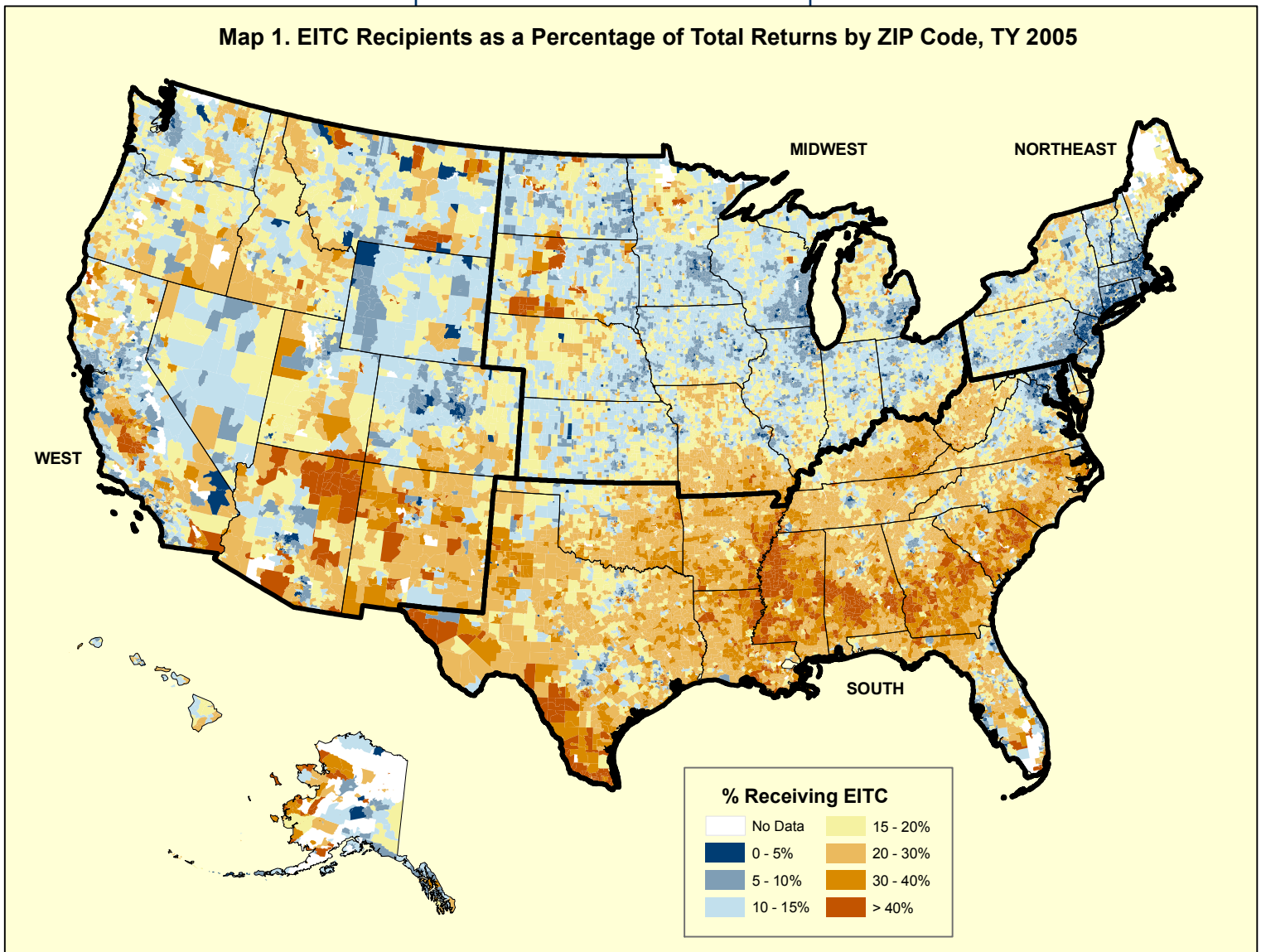
rural areas have smaller recipient populations overall but higher rates of credit receipt.

**B. In the South and West, rural taxpayers were the most likely to receive the EITC, while Northeastern and Midwestern EITC recipients were more concentrated in large cities.**

This section explores the extent to which patterns of EITC receipt vary not just across types of geographies, but also across regions of the United States. As Map 1 illustrates, considerable differences exist in the concentrations of EITC filers throughout the country. Clearly, ZIP codes with

the highest shares of EITC filers tend to cluster in the South, while the Northeast shows the largest clusters of “low EITC receipt” ZIP codes.<sup>12</sup> Indeed, almost half of all taxpayers in the South live in ZIP codes with rates of EITC receipt that exceed the national average (Table 1). On the other hand, the largest share of total taxpayers in the Northeast (46.3 percent) live in ZIP codes where less than 10 percent of filers receive the EITC, and another third live in ZIP codes with rates of EITC receipt between 10 and 20 percent. Though less apparent in Map 1, higher rates of urban EITC receipt in the Northeast also mean that close to 1 million

**Map 1. EITC Recipients as a Percentage of Total Returns by ZIP Code, TY 2005**



**Table 1. Distribution of Total Tax Filers by Region and ZIP Code EITC Receipt, TY 2005**

ZIP Code EITC Receipt	Midwest		Northeast		South		West	
	Total Filers	Share (%)	Total Filers	Share (%)	Total Filers	Share (%)	Total Filers	Share (%)
Less than 10%	10,149,173	34.0	11,528,967	46.3	7,482,305	16.3	9,248,348	32.1
Between 10 and 20%	14,326,698	48.1	8,255,333	33.1	15,657,582	34.2	12,493,992	43.3
Between 20 and 30%	3,445,834	11.6	2,890,478	11.6	13,364,816	29.2	4,802,805	16.7
Between 30 and 40%	1,095,828	3.7	1,291,865	5.2	5,782,603	12.6	1,718,353	6.0
Above 40%	791,596	2.7	939,051	3.8	3,514,167	7.7	570,865	2.0
<b>Total</b>	<b>29,809,129</b>	<b>100.0</b>	<b>24,905,694</b>	<b>100.0</b>	<b>45,801,473</b>	<b>100.0</b>	<b>28,834,363</b>	<b>100.0</b>

Source: Brookings Institution analysis of Internal Revenue Service data

taxpayers live in ZIP codes where more than 40 percent of filers claim the EITC. The South is the only region with a higher share of taxpayers in that category.

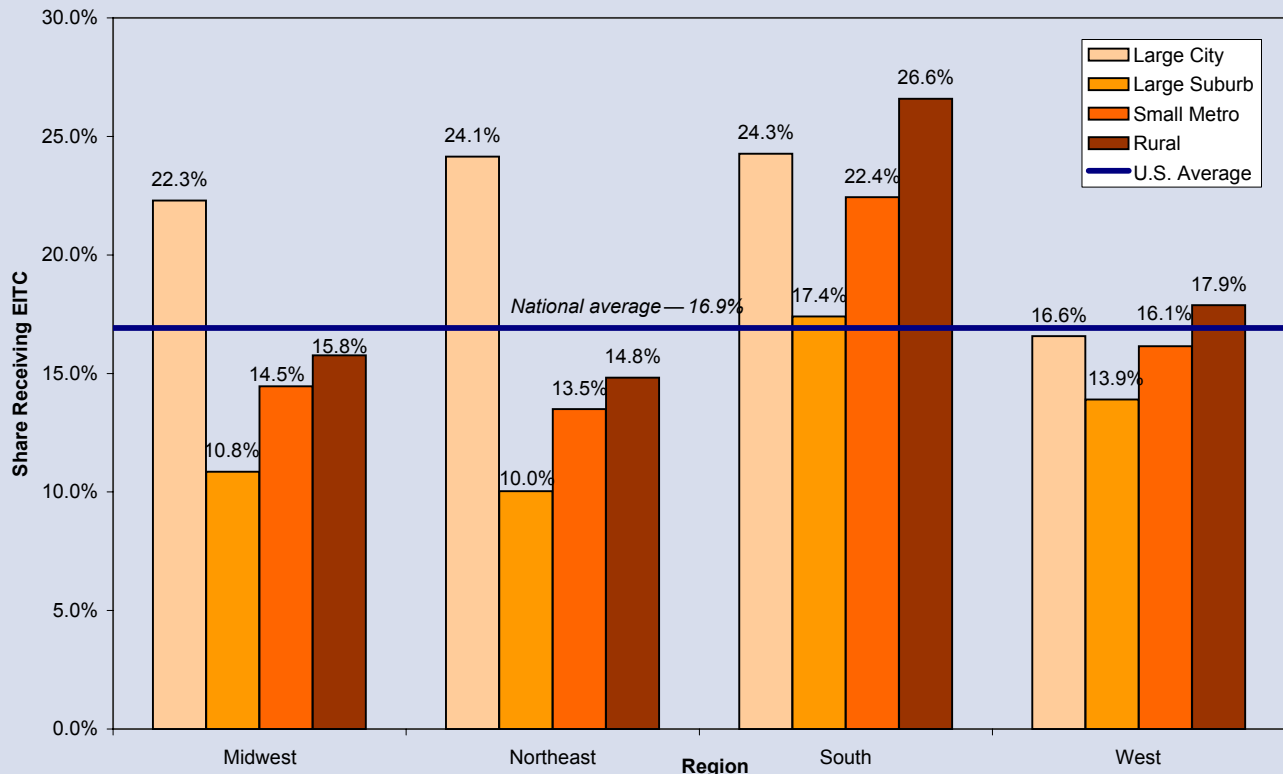
These ZIP code patterns produce discernible differences in how EITC filers distribute across geography types in different U.S. regions. In the South, ZIP codes with the highest shares of filers receiving the EITC appear in areas along the Texas-Mexico

border and in a band that crosses through South Carolina, Georgia, Alabama, and into Mississippi. In Mississippi, the Delta region in particular is dominated by ZIP codes with more than double the average rate of EITC receipt. What does this distribution mean for the region as a whole? Figure 3 shows that the South contains the highest rates of EITC receipt across all geography types, outpacing both the national average and the other regions. Diverging

from the national pattern, rural taxpayers prove the most likely to claim the EITC in the South; almost 27 percent of rural filers in that region received the EITC in TY 2005.

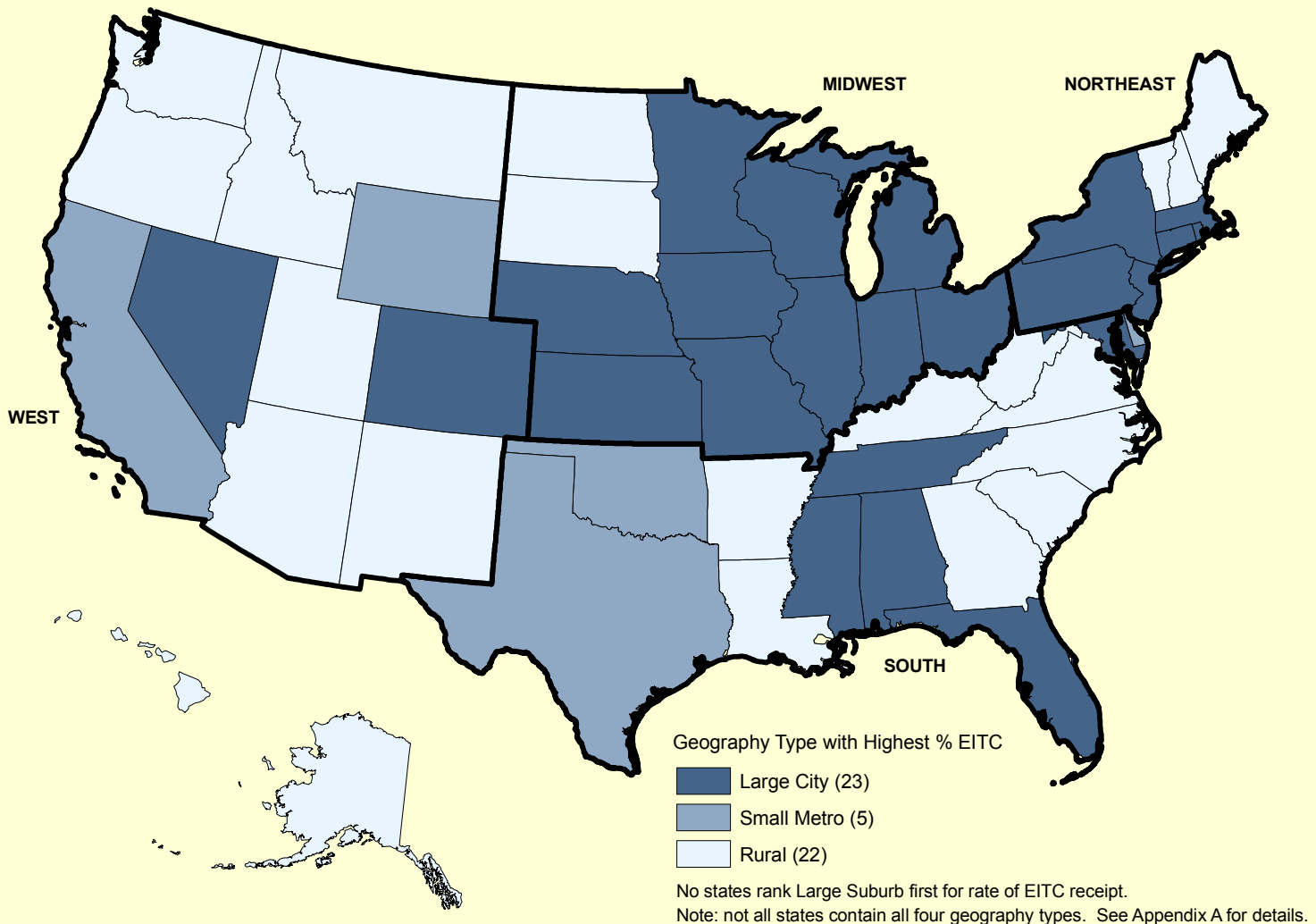
Workers in rural areas of the West are also the most likely to receive the EITC in their region (17.9 percent), followed by their central city counterparts (16.6 percent). In general, however, Western taxpayers are some-

**Figure 3. Share of Filers Receiving EITC by Geography Type and Region, TY 2005**



Source: Brookings Institution analysis of Internal Revenue Service data

Map 2. Geography Type with Highest Rate of EITC Receipt by State, TY 2005



what less likely than average to claim the EITC. As Map 1 shows, Arizona, New Mexico, and Montana each have pockets of high EITC receipt—areas that largely correspond with American Indian reservations in each state—but for the most part, the Western region exhibits a much more even concentration of EITC filers across geography types than the other three regions. Large suburbs—which have the lowest rate of EITC receipt in the West—only trail the rural rate of EITC receipt by four percentage points.

The Midwest and Northeast each show a much different geographic

distribution of EITC filers than the West or the South. In many ways the distribution of filers by geography type for these two regions more closely resembles the national average; however, each shows a much starker divide between EITC receipt in large cities versus large suburbs. In the Northeast, 24.1 percent of large-city taxpayers claim the EITC, while only 10.0 percent of suburban filers do. The Midwest exhibits a similar, though not quite as disparate, distribution, with 22.3 percent of central-city filers receiving the EITC versus 10.8 percent in the suburbs.

Considering these regional differences in the distribution of EITC filers across geography types, it is not surprising that states split roughly evenly between those with the highest rate of EITC receipt in their central cities, and those where rural areas rank highest (Map 2). While not all states contain all four geography types, there is a clear pattern in which states in the Northeast and Midwest see the highest concentrations of EITC filers in large cities, and states in the South and West have higher EITC receipt in rural areas. (For state-level data on EITC receipt by geography type, see Appendix A.)

**C. Total EITC filers increased by 3.2 million between tax years 2000 and 2005, and almost half that growth (1.6 million) occurred in large suburbs.**

In TY 2005, 3.2 million more taxpayers benefited from the EITC than in TY 2000—a 17 percent growth in total EITC filers. As a result, total EITC dollars claimed increased by \$6.2 billion. The increases in the EITC seen over this time period arise from a number of factors, including the overall growth in U.S. households, slight expansions to the structure of the credit, as well as a sluggish economy over the first half of the decade that saw wages stagnate and incomes fall for many families.<sup>13</sup>

Growth in the rate of EITC receipt between 2000 and 2005 occurred in urban, suburban, small metropolitan, and rural areas alike. Table 2 presents the changes in EITC receipt experienced by each geography type over the

first half of the decade. All four geography types saw boosts of at least 2 percentage points in the share of their tax filers claiming the EITC. Among the four categories, rural areas, followed closely by small metro areas, saw the largest percentage-point increase in EITC receipt.

Though each geography type saw a similar increase in the rate of EITC receipt, there was a further shift in low-wage workers claiming the credit toward suburbs and small metro areas over this period. Both of these geography types experienced an uptick in their overall number of tax filers, coupled with even larger increases in the number of their filers receiving the EITC. The number of EITC filers living in large suburbs grew by almost 1.6 million between 2000 and 2005—more than three times the increase experienced by large cities or rural areas and more than twice the growth recorded in small metro areas. Total EITC dollars

received by suburban residents increased 24.3 percent, with the result that suburban EITC filers claimed an additional \$2.9 billion dollars in TY 2005 compared to TY 2000. These numbers support previous research that has shown that, just as more poor Americans live in the suburbs of large metropolitan areas than the central cities, the “working poor”—as measured by EITC receipt—lean even more heavily towards the suburbs.<sup>14</sup>

Some regions of the country were better able to weather the economic challenges of the early 2000s, and these differences play out in the changing levels of EITC receipt over this period. Figure 4 presents the regional changes in EITC receipt by geography type. The Midwest, hit particularly hard by job losses in the manufacturing sector over this time period, experienced increases of at least 2.5 percentage points in the rate of EITC receipt across all geography types. A close second, the

**Table 2. Change in Rate of EITC Receipt and Dollar Amounts by Geography Type, TY 2000 to TY 2005**

<b>Tax Year 2005</b>					
<b>Geography Type</b>	<b>Total Filers</b>	<b>EITC Filers</b>	<b>EITC Amount (\$)</b>	<b>Share EITC</b>	<b>Average Credit (\$)</b>
Large City	25,562,718	5,505,193	10,746,300,579	21.5%	1,952
Large Suburb	59,643,775	8,025,063	14,773,635,445	13.5%	1,841
Small Metro	23,189,825	4,205,387	8,028,280,768	18.1%	1,909
Rural	20,954,340	4,283,990	8,163,275,344	20.4%	1,906
<b>Tax Year 2000*</b>					
<b>Geography Type</b>	<b>Total Filers</b>	<b>EITC Filers</b>	<b>EITC Amount (\$)</b>	<b>Share EITC</b>	<b>Average Credit (\$)</b>
Large City	25,797,950	5,011,438	9,681,143,523	19.4%	1,932
Large Suburb	56,670,149	6,473,656	11,888,379,355	11.4%	1,836
Small Metro	22,413,425	3,557,122	6,763,602,702	15.9%	1,901
Rural	20,772,219	3,774,997	7,195,418,574	18.2%	1,906
<b>Changes, TY 2000 to TY 2005</b>					
<b>Geography Type</b>	<b>Percent Change</b>			<b>Difference**</b>	
	<b>Total Filers</b>	<b>EITC Recipients</b>	<b>Dollar Amount</b>	<b>Share EITC</b>	<b>Average Credit (\$)</b>
Large City	-0.9%	9.9%	11.0%	2.1%	20
Large Suburb	5.2%	24.0%	24.3%	2.0%	5
Small Metro	3.5%	18.2%	18.7%	2.2%	8
Rural	0.9%	13.5%	13.5%	2.3%	-1

\*TY 2000 dollar amounts have been adjusted for inflation

\*\*Differences are based on unrounded figures

Source: Brookings Institution analysis of Internal Revenue Service data



South also saw above-average growth in the rate of EITC receipt across categories. However, Midwestern increases in credit receipt tilted slightly towards rural areas, while the South saw the largest growth in EITC in large cities.

In contrast, the Northeast experienced below-average increases in the share of EITC filers in each geographic category, with the exception of large cities. In the West, the growth in EITC receipt was similar (1.1 percentage points) across geography types, mirroring the largely even spatial distribution of low-wage workers and families in that region.

**D. Almost 47 percent of EITC filers claimed the Additional Child Tax Credit (ACTC) in tax year 2005, for a total of \$9.4 billion.**

Though not as large in scale or

reach as the EITC, the ACTC is an increasingly important refundable tax credit for lower-income workers with children.<sup>15</sup> Given the considerable overlap of the credits—EITC filers account for 70.4 percent of all ACTC recipients—the ACTC can provide an important boost to the refunds these filers receive.<sup>16</sup>

Nationally, 46.8 percent of EITC recipients in TY 2005 also claimed the ACTC, which accounted for an additional \$9.4 billion in refunds to EITC filers. In that same year, the average ACTC credit amount for EITC recipients was \$909.

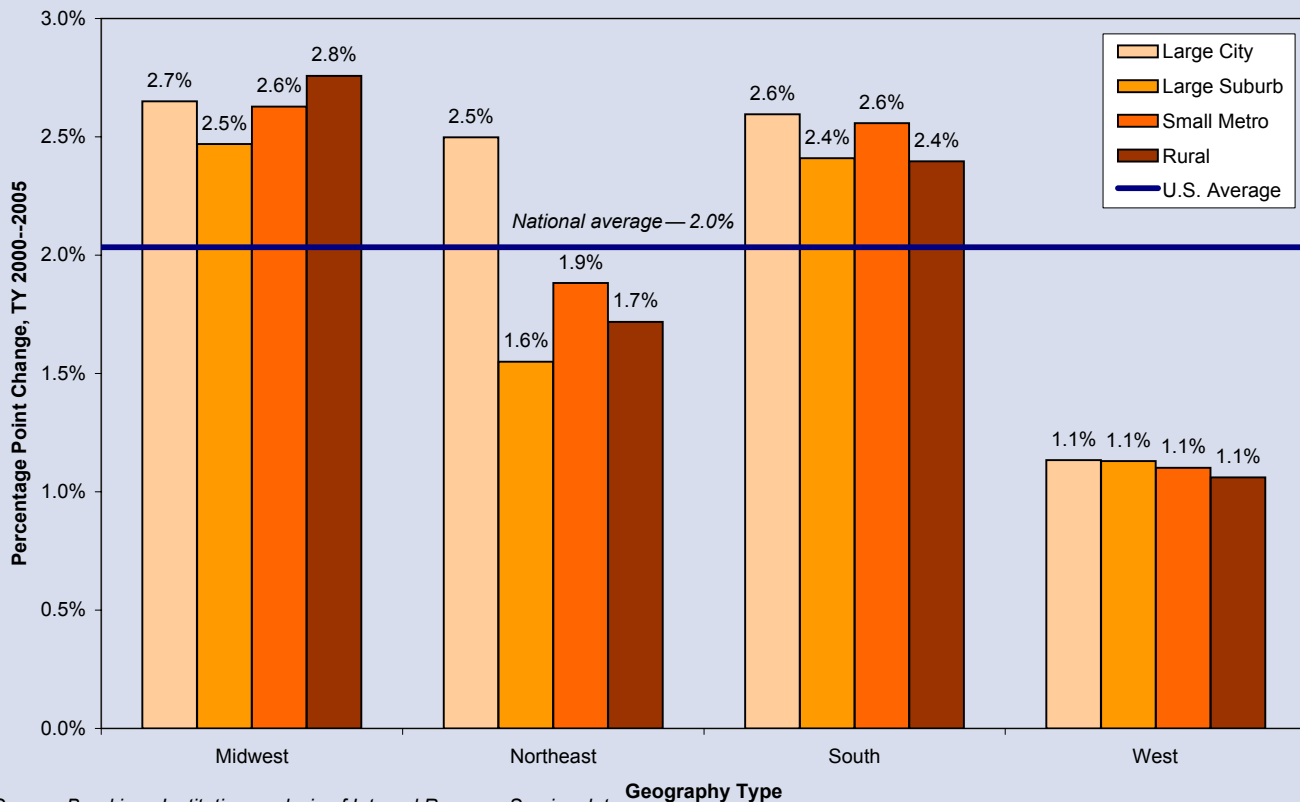
As Figure 5 demonstrates, a similar share of EITC filers across geography types benefit from the ACTC. However, EITC filers in large suburbs are the only group to claim the ACTC at a rate higher than the national average (47.8 percent). Rural areas show

the lowest rate of ACTC receipt at 45.6 percent, a little more than one percentage point below the national average and 2.2 percentage points behind large suburbs.

Average credit amounts for the ACTC, which range from \$877 to \$928 across geography types, tell a similar story. Notably, ACTC average credits reverse the pattern of EITC average credits, with the largest average ACTC going to filers in large suburbs and the smallest to those in central cities. The credit amounts for rural filers and taxpayers living in small metro areas resemble the national figure, with average credits just over \$900.

Like the EITC, ACTC eligibility and average credit amounts are affected by variations in average family size and differences in wages across areas. In addition, the minimum qualifying income threshold (\$11,000 in TY 2005)

**Figure 4. Change in Share of Filers Receiving EITC by Geography Type and Region, TY 2000 to TY 2005**



Source: Brookings Institution analysis of Internal Revenue Service data

is indexed annually for inflation. Thus, it may be that low-wage workers in large cities or rural areas who claim the EITC are less likely to earn enough to claim the ACTC, or more likely to claim the EITC for workers without qualifying children. Notably, low-wage workers who may have qualified for the ACTC in the past may find themselves ineligible in subsequent years for the credit if their wages fail to keep pace with inflation and the rising minimum income threshold.

### Conclusion

The first half of the decade presented a range of economic challenges that affected working families throughout the country. Whether facing stagnant wages or more short-term difficulties due to job loss or reduced hours, low-income workers increasingly turned to the federal tax code for much-needed supplements to their earned income. This paper highlights the important and growing role the EITC and the ACTC played in helping families close the resource gap between low wages and increasing costs of living.

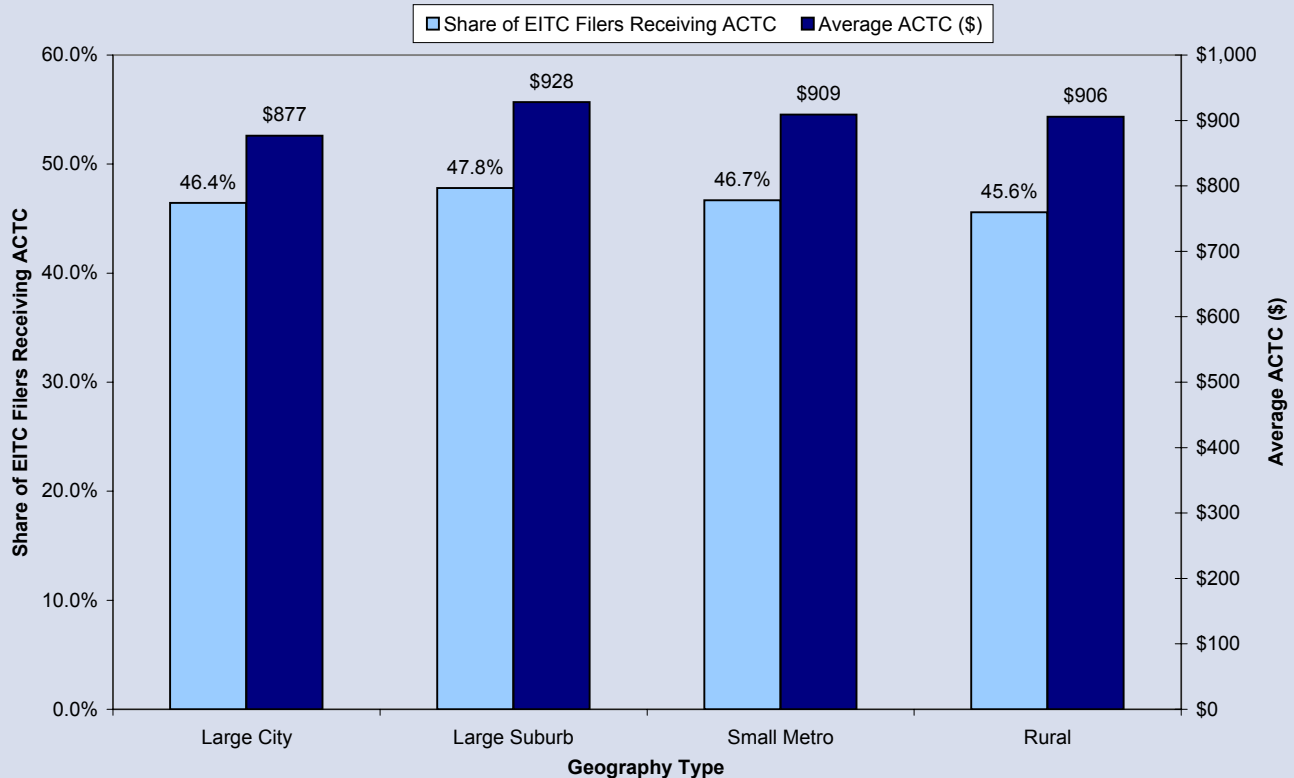
In particular, this study suggests the following areas for further research and policy discussion:

- High rates of rural and central-city EITC receipt underscore the importance of this

program in communities that face higher concentrations of working poverty and low-wage employment. The EITC not only provides a much-needed wage supplement for rural and central-city workers, but it represents an important investment in the low-income communities in which they live.<sup>17</sup>

- Between TY 2000 and TY 2005, the number of EITC filers living in large suburbs grew by 24 percent. As a result, by TY 2005 large suburbs were home to more than one-third of all EITC filers in the country. As suburban concentrations of low-wage employment increase, additional outreach and education efforts will be needed to ensure that low-income families in these communities claim the full complement of

**Figure 5. Share of EITC Filers Claiming ACTC and Average ACTC Dollar Amount by Geography Type, TY 2005**



Source: Brookings Institution analysis of Internal Revenue Service data

work supports for which they are eligible.

- Almost half of all EITC filers also benefited from the ACTC in TY 2005, taking home an additional \$9.4 billion in wage supplements via that credit. However, as of 2011, the CTC is set to decrease from \$1,000 to \$500 a child, and it will no longer be refundable to families with less than three children.<sup>18</sup> In addition to making the ACTC permanent, policymakers should consider proposals to lower and/or freeze the minimum income requirement—measures which, taken together, would preserve the reach and impact of this credit and ensure that workers whose incomes do not keep pace with inflation do not lose eligibility for this credit over time. Moreover, given the overlap in the beneficiaries of these two credits, recommendations to further align the eligibility requirements of the EITC and ACTC should also be assessed.<sup>19</sup>

Finally, this analysis has demonstrated the importance of the EITC to urban, suburban, and rural communities alike. To further enhance the effectiveness of the EITC as a wage supplement and poverty alleviation tool in communities across the country, proposals for expanding aspects of the current credit—whether for workers living without children, families with more than two children, or couples facing a marriage penalty—deserve further analysis and consideration.<sup>20</sup>

Appendix A. EITC Filers and Average Credit Amounts by State and Area Type, TY 2005

State	Metropolitan														
	Total			Large (Top 100)			City			Suburb*					
	EITC Filers	Share EITC (%)	Average EITC (\$)	EITC Filers	Share EITC (%)	Average EITC (\$)	EITC Filers	Share EITC (%)	Average EITC (\$)	EITC Filers	Share EITC (%)	Average EITC (\$)			
													Small		
<b>MIDWEST</b>	<b>4,311,093</b>	<b>14.5</b>	<b>1,812</b>	<b>1,013,866</b>	<b>22.3</b>	<b>1,999</b>	<b>1,338,898</b>	<b>10.8</b>	<b>1,758</b>	<b>869,566</b>	<b>14.5</b>	<b>1,764</b>	<b>1,088,764</b>	<b>15.8</b>	<b>1,742</b>
Illinois	859,146	15.1	1,906	290,069	23.1	2,087	319,557	11.3	1,818	128,078	15.4	1,869	121,443	16.3	1,745
Indiana	437,357	15.5	1,813	73,128	20.1	1,933	114,569	13.4	1,853	152,677	15.5	1,768	96,983	15.7	1,744
Iowa	172,976	13.1	1,679	14,735	16.8	1,756	20,082	9.7	1,675	55,612	12.7	1,675	82,547	14.0	1,668
Kansas	176,063	14.6	1,773	40,672	19.4	1,872	38,922	9.5	1,690	21,610	14.3	1,700	74,858	17.1	1,783
Michigan	656,776	14.9	1,849	145,677	28.0	2,156	215,936	10.9	1,735	167,100	15.2	1,826	128,063	15.6	1,720
Minnesota	263,742	11.0	1,640	45,158	15.8	1,686	91,741	8.0	1,613	38,080	12.0	1,597	88,763	13.8	1,662
Missouri	440,261	17.3	1,849	79,355	23.9	1,977	143,898	12.6	1,804	78,172	18.0	1,790	138,836	21.7	1,856
Nebraska	110,295	13.9	1,762	28,002	15.7	1,799	12,899	9.1	1,709	17,293	12.3	1,691	52,101	15.6	1,779
North Dakota	39,238	13.0	1,660	-	-	-	-	-	-	15,984	11.1	1,582	23,254	14.7	1,714
Ohio	797,123	14.9	1,817	228,857	23.6	1,957	323,442	11.3	1,745	84,255	16.3	1,801	160,569	15.9	1,773
South Dakota	55,357	15.3	1,715	-	-	-	-	-	-	22,876	13.6	1,661	32,481	16.8	1,753
Wisconsin	302,759	11.6	1,701	68,212	19.7	1,952	57,851	7.6	1,593	87,828	11.1	1,648	88,867	12.4	1,631
<b>NORTHEAST</b>	<b>3,460,037</b>	<b>13.9</b>	<b>1,770</b>	<b>1,305,633</b>	<b>24.1</b>	<b>1,905</b>	<b>1,475,101</b>	<b>10.0</b>	<b>1,683</b>	<b>323,279</b>	<b>13.5</b>	<b>1,719</b>	<b>356,024</b>	<b>14.8</b>	<b>1,680</b>
Connecticut	167,189	10.2	1,673	47,554	22.7	1,834	92,481	8.0	1,600	13,275	10.3	1,666	13,878	9.6	1,617
Maine	86,734	14.2	1,642	4,503	13.5	1,483	22,659	10.5	1,576	17,862	15.8	1,697	41,710	16.8	1,671
Massachusetts	309,010	10.3	1,638	76,637	17.0	1,738	213,499	9.0	1,615	17,577	9.8	1,519	1,297	8.5	1,177
New Hampshire	62,305	9.7	1,579	-	-	-	16,830	8.2	1,537	18,108	9.4	1,603	27,367	11.3	1,588
New Jersey	482,983	12.0	1,794	35,073	34.8	2,035	385,779	11.0	1,763	62,131	15.3	1,846	-	-	-
New York	1,465,490	17.4	1,840	905,374	24.6	1,913	374,763	10.3	1,710	71,167	15.4	1,716	114,185	17.2	1,771
Pennsylvania	782,651	13.6	1,735	217,716	25.3	1,922	322,099	10.0	1,641	112,968	13.9	1,729	129,868	14.7	1,662
Rhode Island	65,767	13.5	1,780	18,777	27.1	2,033	46,990	11.2	1,679	-	-	-	-	-	-
Vermont	37,909	12.4	1,541	-	-	-	-	-	-	10,190	10.1	1,511	27,719	13.5	1,552

**Appendix A. EITC Filers and Average Credit Amounts by State and Area Type, TY 2005**

State	Metropolitan																			
	Total					Large (Top 100)					Small					Rural				
						City					Suburb*									
	EITC Filers	Share EITC (%)	Average EITC (\$)			EITC Filers	Share EITC (%)	Average EITC (\$)	EITC Filers	Share EITC (%)	Average EITC (\$)	EITC Filers	Share EITC (%)	Average EITC (\$)	EITC Filers	Share EITC (%)	Average EITC (\$)	EITC Filers	Share EITC (%)	Average EITC (\$)
<b>SOUTH</b>	<b>9,804,223</b>	<b>21.4</b>	<b>2,012</b>			<b>1,887,021</b>	<b>24.3</b>	<b>2,056</b>	<b>3,373,155</b>	<b>17.4</b>	<b>1,955</b>	<b>2,232,328</b>	<b>22.4</b>	<b>2,024</b>	<b>2,311,720</b>	<b>26.6</b>	<b>2,046</b>			
Alabama	492,621	26.0	2,186			35,438	37.9	2,271	66,189	18.1	2,015	236,450	26.1	2,233	154,544	29.3	2,168			
Arkansas	280,768	25.0	2,016			19,915	23.5	2,047	48,393	22.2	2,019	86,932	22.8	1,984	125,528	28.5	2,033			
Delaware	57,949	14.8	1,818			-	-	-	31,898	13.2	1,781	11,853	17.7	1,843	14,198	17.1	1,878			
District of Columbia	47,494	17.6	1,785			47,494	17.6	1,785	-	-	-	-	-	-	-	-	-			
Florida	1,569,817	19.8	1,897			261,720	23.5	1,941	925,354	19.6	1,897	285,582	17.2	1,857	97,161	21.4	1,907			
Georgia	882,107	23.0	2,096			70,591	26.8	2,214	388,463	18.6	2,019	210,985	26.6	2,127	212,067	31.1	2,167			
Kentucky	345,329	19.8	1,834			51,951	20.3	1,839	50,620	13.5	1,755	78,043	18.2	1,822	164,715	24.1	1,863			
Louisiana	485,037	28.5	2,228			69,888	29.8	2,297	116,851	24.7	2,181	158,343	28.1	2,199	139,955	32.7	2,268			
Maryland	339,479	13.2	1,782			72,381	28.5	1,943	223,094	11.0	1,731	24,280	16.8	1,790	19,724	14.3	1,770			
Mississippi	370,558	32.8	2,222			30,877	42.7	2,352	57,735	24.4	2,124	53,509	26.8	2,111	228,438	36.7	2,255			
North Carolina	770,644	20.4	1,952			94,909	17.8	1,948	133,185	16.4	1,911	270,440	20.4	1,927	272,109	24.5	1,998			
Oklahoma	310,581	21.5	1,922			82,643	21.5	1,942	83,830	17.6	1,864	21,389	27.9	2,009	122,718	24.1	1,934			
South Carolina	431,267	23.4	1,985			25,149	21.2	1,902	175,553	20.2	1,945	104,063	24.4	1,979	126,502	29.5	2,064			
Tennessee	555,712	21.4	1,922			181,910	26.8	2,070	131,164	15.2	1,821	83,349	21.7	1,847	159,288	23.9	1,877			
Texas	2,229,575	23.8	2,129			733,654	26.5	2,138	738,406	19.4	2,107	445,055	27.3	2,164	312,460	27.1	2,108			
Virginia	489,954	14.3	1,821			108,499	16.8	1,866	199,741	11.3	1,819	89,414	16.0	1,763	92,300	20.3	1,828			
West Virginia	145,333	19.5	1,753			-	-	-	2,679	11.8	1,691	72,640	17.9	1,730	70,015	22.1	1,780			

Appendix A. EITC Filers and Average Credit Amounts by State and Area Type, TY 2005

State	Metropolitan																			
	Total				Large (Top 100)				Small				Rural							
					City				Suburb*											
	EITC Filers	Share EITC (%)	Average EITC (\$)		EITC Filers	Share EITC (%)	Average EITC (\$)		EITC Filers	Share EITC (%)	Average EITC (\$)		EITC Filers	Share EITC (%)	Average EITC (\$)		EITC Filers	Share EITC (%)	Average EITC (\$)	
<b>WEST</b>	<b>4,444,279</b>	<b>15.4</b>	<b>1,812</b>		<b>1,298,673</b>	<b>16.6</b>	<b>1,811</b>		<b>1,837,910</b>	<b>13.9</b>	<b>1,819</b>		<b>780,215</b>	<b>16.1</b>	<b>1,820</b>		<b>527,482</b>	<b>17.9</b>	<b>1,780</b>	
Alaska	39,590	12.0	1,608		-	-	-		-	-	-		24,313	10.9	1,636		15,277	14.2	1,563	
Arizona	399,755	16.8	1,887		169,925	16.9	1,882		123,747	13.2	1,829		44,994	21.8	1,915		61,090	25.7	1,998	
California	2,376,882	16.1	1,850		816,466	17.7	1,852		1,256,734	14.8	1,847		251,146	18.3	1,905		52,535	15.6	1,642	
Colorado	264,118	12.6	1,697		83,527	15.1	1,749		77,291	9.9	1,680		61,294	12.9	1,665		42,006	15.0	1,674	
Hawaii	83,799	14.0	1,658		23,983	12.6	1,573		33,363	14.0	1,754		-	-	-		26,454	15.6	1,614	
Idaho	102,583	17.2	1,801		11,831	13.2	1,620		24,587	17.1	1,866		27,878	17.5	1,821		38,287	18.8	1,801	
Montana	72,440	16.6	1,701		-	-	-		-	-	-		24,458	15.7	1,641		47,983	17.1	1,731	
Nevada	163,667	14.9	1,755		54,405	16.2	1,766		67,165	15.3	1,794		26,725	12.6	1,661		15,372	13.6	1,711	
New Mexico	195,135	23.7	1,887		40,089	18.0	1,720		27,968	20.5	1,834		50,198	25.8	1,974		76,880	28.7	1,937	
Oregon	221,675	14.0	1,703		34,563	13.8	1,530		55,054	11.0	1,730		71,910	14.7	1,713		60,148	17.4	1,765	
Utah	140,523	14.1	1,803		12,130	15.3	1,682		47,307	13.0	1,778		62,677	13.9	1,829		18,410	17.3	1,859	
Washington	351,570	12.4	1,711		51,754	10.2	1,515		124,695	10.5	1,686		123,906	15.1	1,800		51,215	15.5	1,756	
Wyoming	32,542	13.4	1,682		-	-	-		-	-	-		10,717	14.4	1,713		21,825	12.9	1,666	
<b>TOTAL**</b>	<b>22,019,633</b>	<b>16.9</b>	<b>1,894</b>		<b>5,505,193</b>	<b>21.5%</b>	<b>1,952</b>		<b>8,025,063</b>	<b>13.5%</b>	<b>1,841</b>		<b>4,205,387</b>	<b>18.1%</b>	<b>1,909</b>		<b>4,283,990</b>	<b>20.4%</b>	<b>1,906</b>	

\*In some cases, metropolitan areas cross state boundaries; therefore, a state that does not contain a "large city" may still contain a "large suburb" (e.g., New Hampshire).

\*\*Totals are aggregated from ZIP code-level data; see Methodology.

Source: Brookings Institution analysis of Internal Revenue Service data

## Endnotes

- 1 For more on these dynamics, see Alan Berube, David Park, and Elizabeth Kneebone, "Metro Raise: Boosting the EITC to Help Urban and Suburban Workers and Families" (Washington: Brookings Institution, forthcoming 2008).
- 2 As of tax year 2007, 22 states and the District of Columbia offer a state version of the EITC that builds on the federal credit. While state and local credits further increase the value of the EITC, this paper examines only the federal credit.
- 3 Alan Berube and Thatcher Tiffany, "The 'State' of Low-Wage Workers: How the EITC Benefits Urban and Rural Communities in the 50 States" (Washington: Brookings Institution, 2004).
- 4 Alan Berube, "The New Safety Net: How the Tax Code Helped Low-Income Working Families During the Early 2000s" (Washington: Brookings Institution, 2006).
- 5 Berube and Tiffany, "The 'State' of Low-Wage Workers."
- 6 This paper uses the official metropolitan statistical area (MSA) definitions announced by the U.S. Office of Management and Budget in December of 2003. The 100 largest metropolitan areas are identified based on population counts as of Census 2000, and in 2006 had populations of roughly 500,000 or more. For this analysis, to be designated a central city in the top 100 MSAs a city must (1) appear first in the official MSA name; or (2) appear second or third in the MSA name and have had a population greater than 100,000 in the 2000 decennial census. See Alan Berube and Elizabeth Kneebone, "Two Steps Back: City and Suburban Poverty Trends 1999-2005" (Washington: Brookings Institution, 2006).
- 7 As with any typology, these geography types suggest starker divisions than may actually exist between categories. For example, most metropolitan areas in fact contain portions of rural land. Although this paper treats metro areas outside of the top 100 as a separate geographic category, in truth the urban/suburban divisions of the 101st metropolitan area may not be that different from those of the 100th. However, these criteria create broad working categories that facilitate comparisons of EITC receipt across different types of communities throughout the country.
- 8 Brookings Institution analysis of 2005 U.S. Census Bureau data.
- 9 Due to confidentiality rules, the IRS suppresses return counts of less than 10 at the ZIP code level. Because this analysis sums ZIP code-level data, totals taken from this assessment may not match other totals published by the IRS that do not face suppression issues.
- 10 It is important to note for both the national and regional analyses that the trends presented in this paper represent two points in time, and as such they do not suggest that any changes in EITC receipt between the midpoint and beginning of this decade occurred evenly across the time period analyzed.
- 11 For instance, higher average incomes at the local level could qualify workers for lower credits in the phase-out range of the EITC. Similarly, a community with a greater share of childless workers might see lower average EITC amounts than a community dominated by young working families.
- 12 As noted previously, demographics—population density, family size and composition—and local labor market considerations—the prevalence of low-skill work or low wages—can influence the share of filers that claim the EITC in a given geography. For instance, Southern states tend to have relatively lower costs of living and lower household incomes on average. According to the 2006 American Community Survey, Mississippi ranked 50th among all states for median household income (\$34,473), while seven others among the 10 lowest ranking states were also from the South. At the same time, Northeastern states, including New Jersey (\$64,470), Connecticut (\$63,422), and Massachusetts (\$59,963), were among the top five for highest median household incomes in the same year.
- 13 In 2001, the phase-out range of the EITC was extended slightly for married couples to help reduce the marriage penalty associated with the credit. See Figure 1.
- 14 Elizabeth Kneebone, "A Local Ladder for Low-Income Workers: Recent Trends in the Earned Income Tax Credit" (Washington: Brookings Institution, 2007).
- 15 Full data on ACTC claims and dollar amounts did not become available until TY 2004; therefore, this paper does not assess trends in ACTC receipt.
- 16 Slightly different eligibility rules apply to the two credits, including qualifying income thresholds, definitions of qualifying children, and residency requirements. See Center on Budget and Policy Priorities, "Facts About Tax Credits for Working Families—The Earned Income Credit and Child Tax Credit: Tax Time Can Pay for Working Families" (2006).
- 17 Alan Berube, "Using the EITC to Stimulate Local Economies" (New York: Living Cities, 2006).
- 18 Gregg Esenwein and Maxim Shvedov, "The Child Tax Credit" (Washington: Congressional Research Service, 2007).
- 19 See, e.g., Paul Weinstein, Jr. "Family Friendly Tax Reform" (Washington: Progressive Policy Institute, 2005); President's Advisory Panel on Federal Tax Reform, "Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System" (2005); Robert Cherry and Max Sawicky, "Giving Credit Where Credit is Due: A 'Universal Unified Child Credit' that Expands the EITC and Cuts Taxes for Working Families" (Washington: Economic Policy Institute, 2000).
- 20 These proposals and their impacts on tax filers in cities and suburbs are the subject of Berube, Park, and Kneebone, "Metro Raise."

## **Acknowledgments**

The author thanks Alan Berube, Bill O'Hare, and John Wancheck for their helpful comments. The Brookings Institution Metropolitan Policy Program thanks the Annie E. Casey Foundation for its generous support of its research on policies to support low-income working families, and the Fannie Mae Foundation, the John D. and Catherine T. MacArthur Foundation, the George Gund Foundation, the Rockefeller Foundation, and the Heinz Endowments, for their general support of the program.

## **For More Information**

Elizabeth Kneebone  
Research Analyst  
Brookings Institution Metropolitan Policy Program  
(202) 797-6108  
[ekneebone@brookings.edu](mailto:ekneebone@brookings.edu)

## **For General Information**

Brookings Institution Metropolitan Policy Program  
(202) 797-6139  
[www.brookings.edu/metro](http://www.brookings.edu/metro)

# BROOKINGS

1775 Massachusetts Avenue, NW  
Washington, DC 20036  
telephone 202.797.6000  
fax 202.797.6004  
web site [www.brookings.edu](http://www.brookings.edu)

## **Metropolitan Policy Program**

at BROOKINGS

telephone 202.797.6139  
fax 202.797.2965  
web site [www.brookings.edu/metro](http://www.brookings.edu/metro)