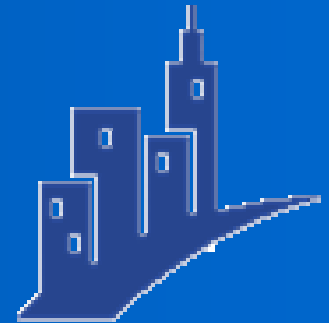


The Brookings Institution

Metropolitan Policy Program

Alan Berube, Fellow



Connecting Cleveland's Low-Income Workers to Tax Credits

Levin College Forum

Cleveland, OH

January 13, 2005



Why the **E**arned **I**ncome **T**ax **C**redit matters to Cleveland

Rewards work and reduces poverty

Large federal investment in city economy

Outreach and tax assistance programs help fill the gap

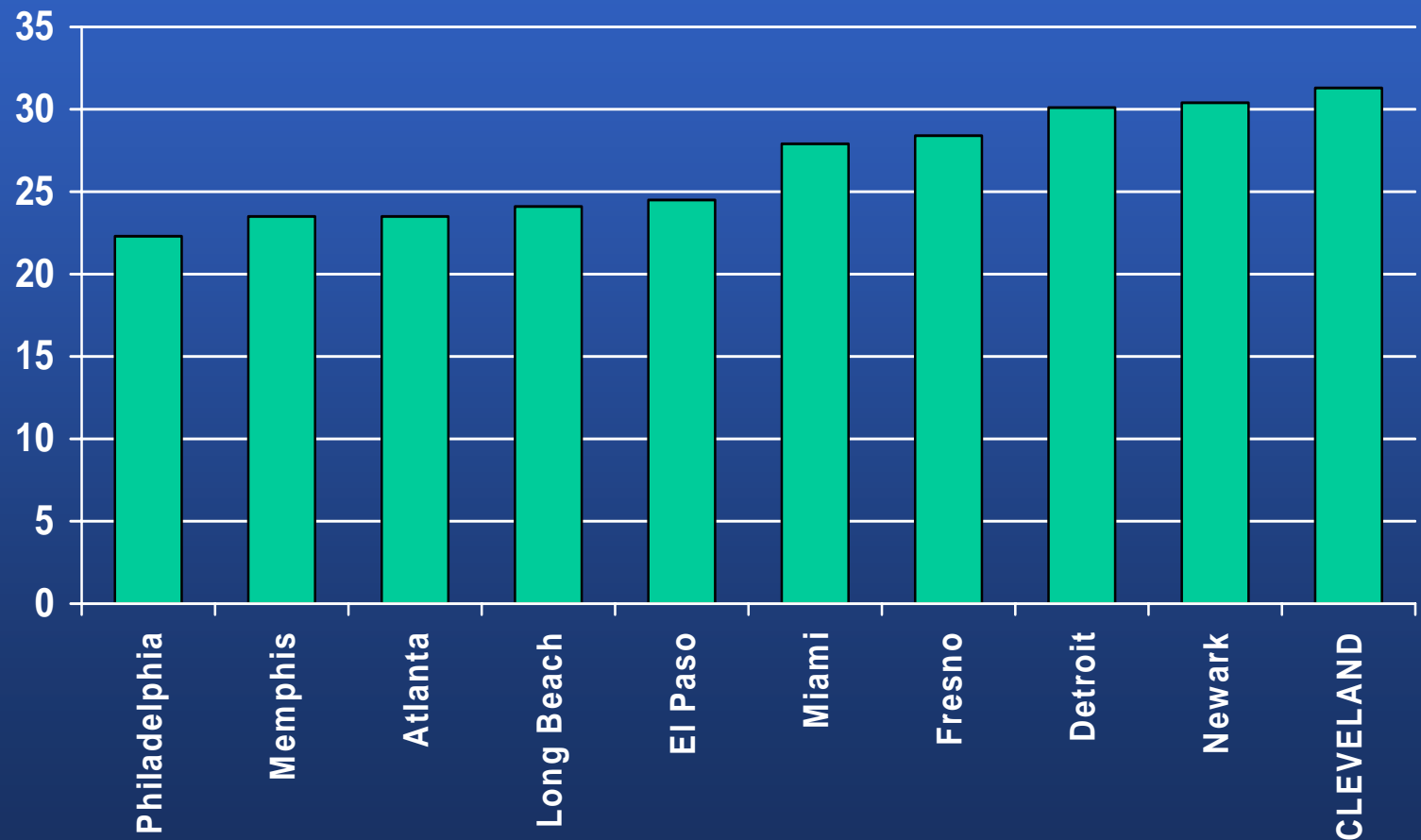
Springboard to related policy areas



The headline: Cleveland No. 1 in big-city poverty...

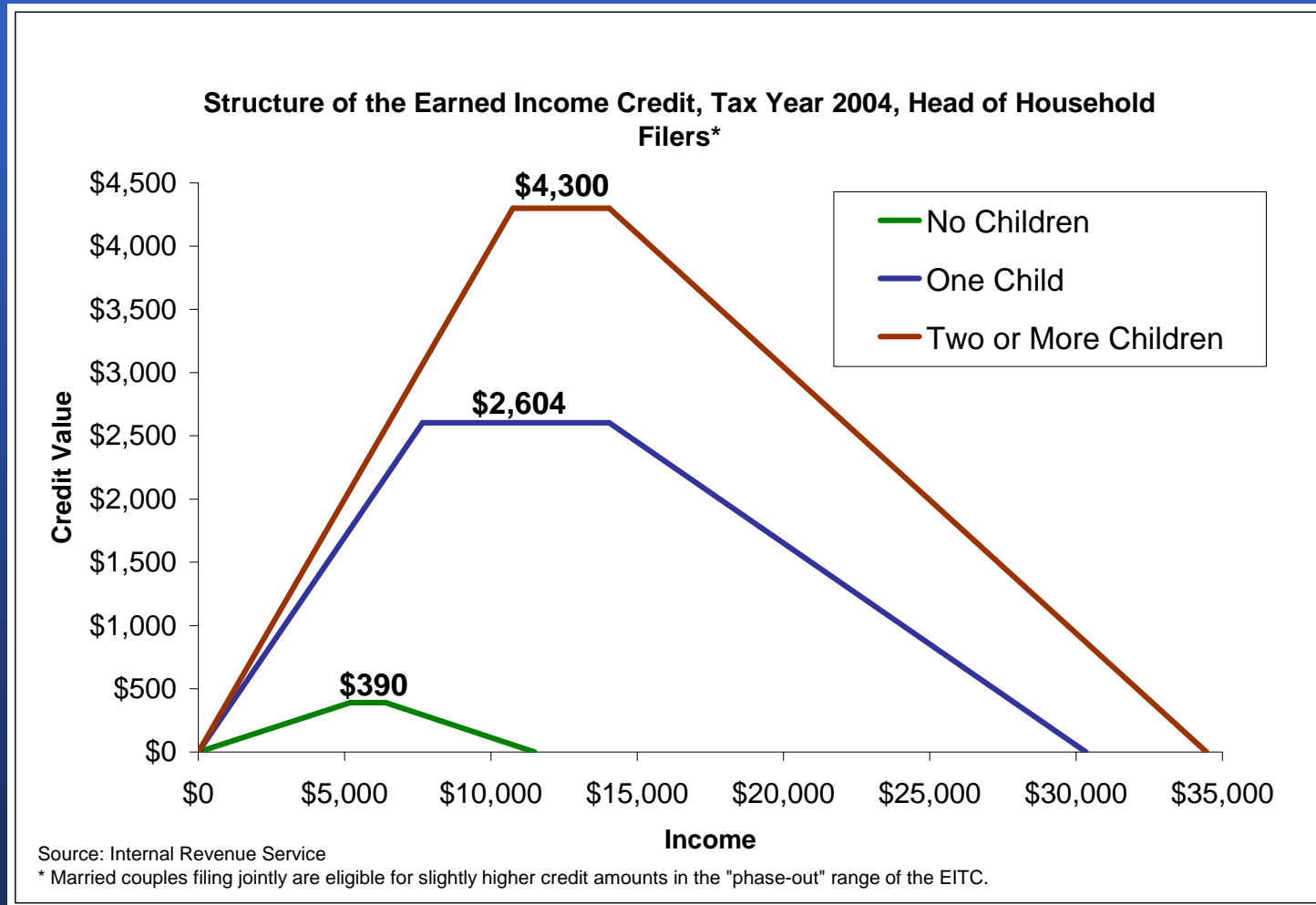
Poverty rate, 2003
Top 10 cities

Source: Census Bureau





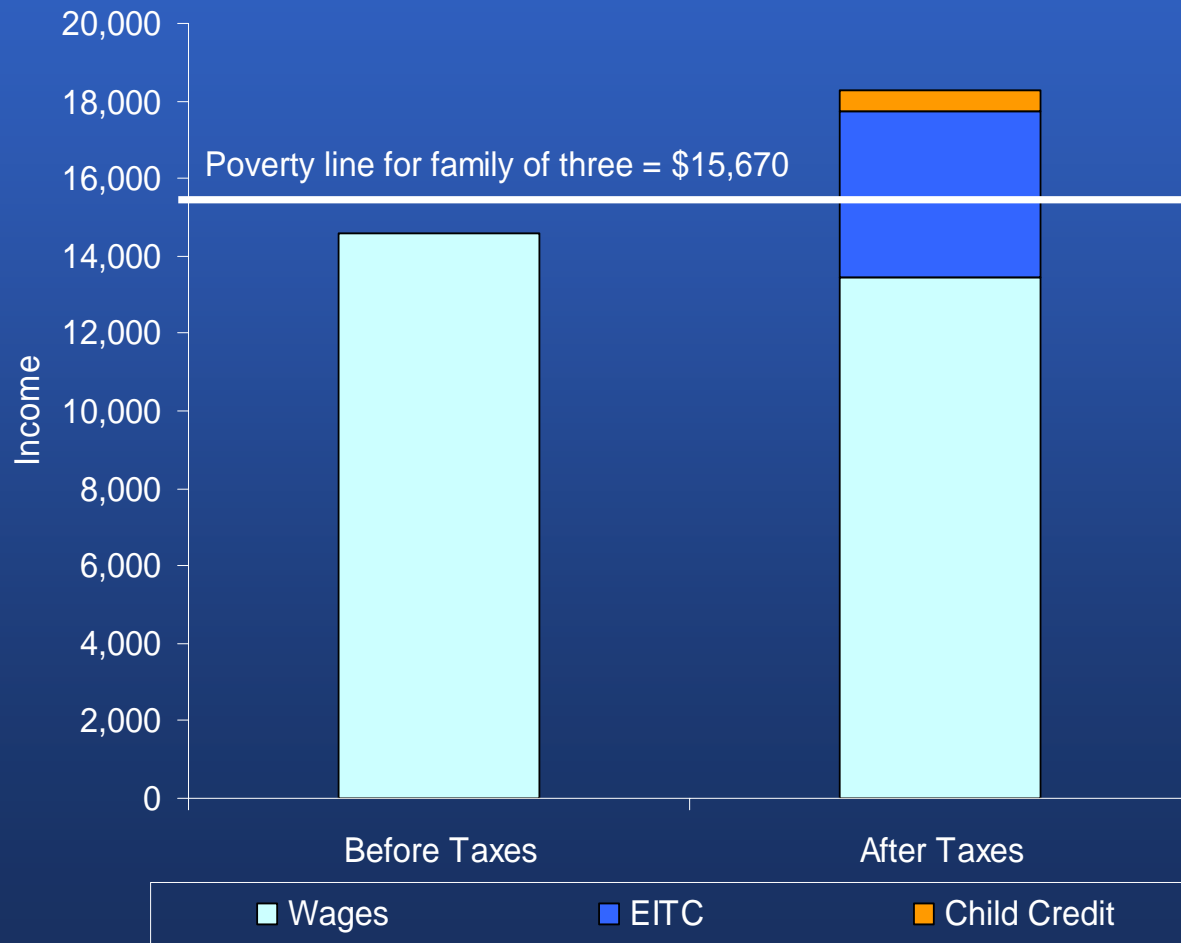
The EITC is a refundable federal tax credit for people who work but earn low wages





The EITC lifts 4.9 million people—including 2.7 million children—above the poverty line each year

Income before and after taxes, \$7/hour worker with 2 children, 2003





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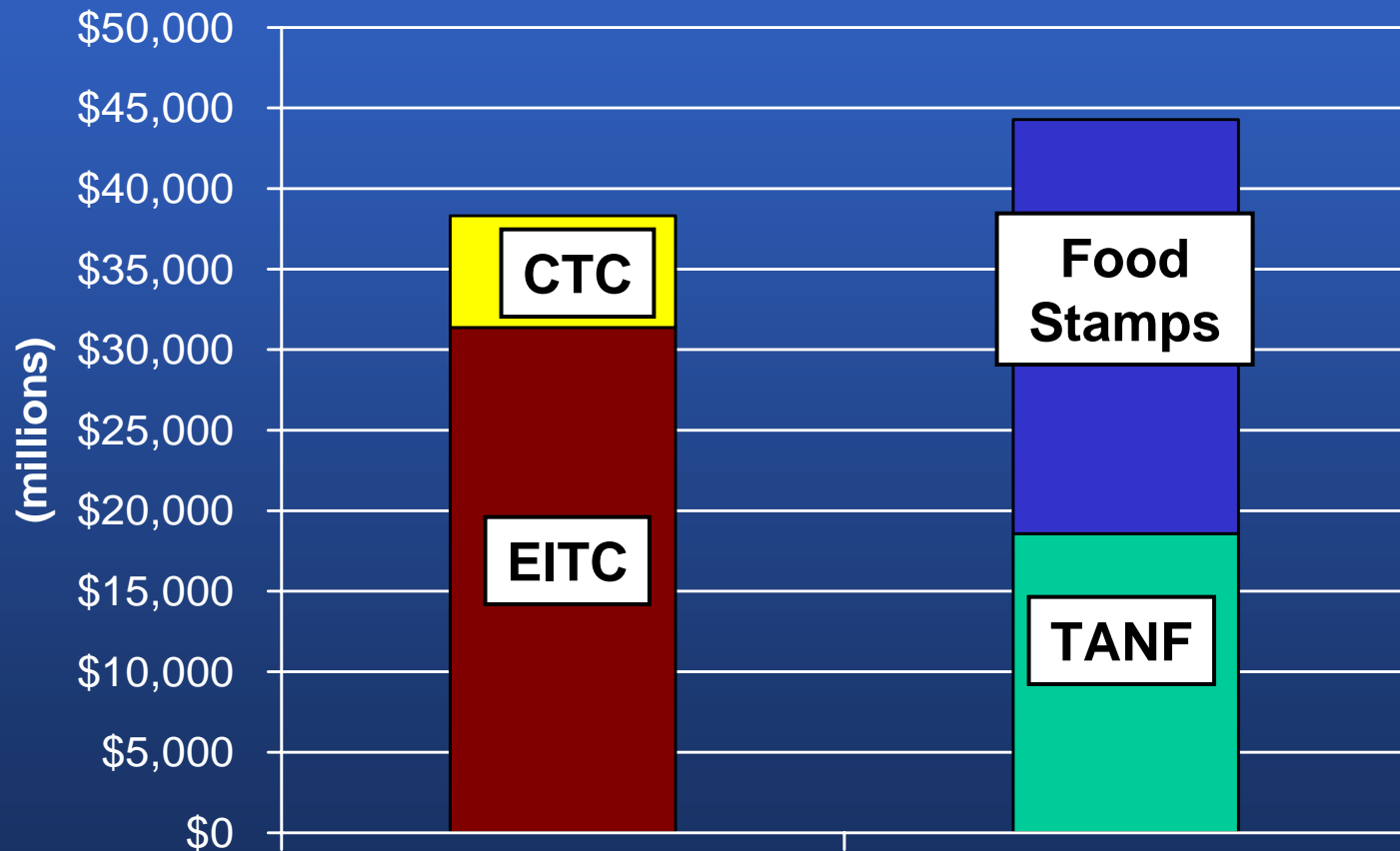
Outreach and tax assistance programs help fill the gap

Springboard to related policy areas



Federal expenditures on the refundable EITC and CTC are comparable in size to those for traditional antipoverty programs

Projected federal outlays, FY2004





The city of Cleveland alone received over \$100 million in EITC funds in 2003

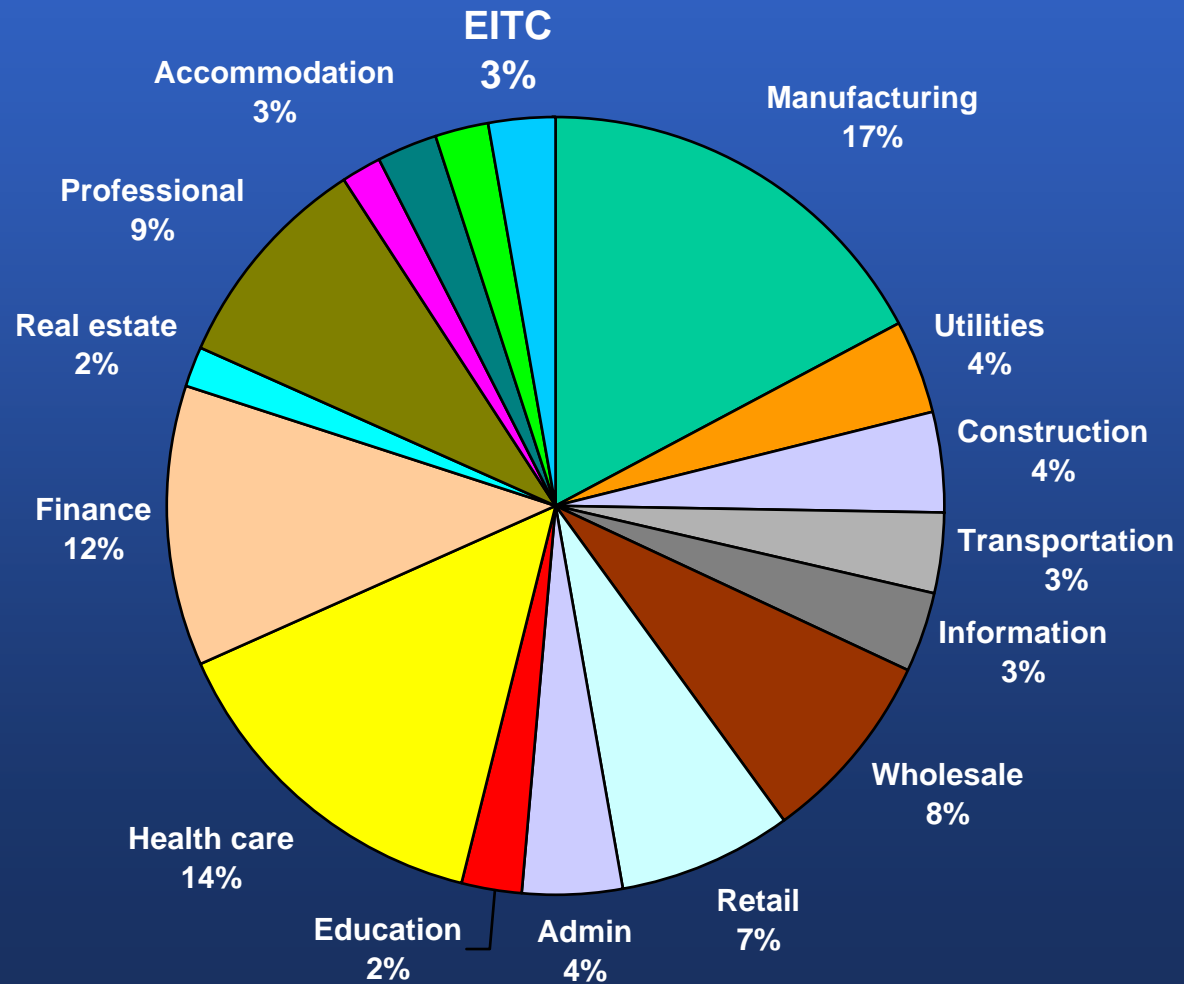
EITC Received, TY2002

	Recipients	Total (\$1000s)
14 San Diego, CA	80,243	130,893
15 Baltimore, MD	70,803	127,731
16 Indianapolis, IN	65,536	115,171
17 Fort Worth, TX	59,519	112,308
18 CLEVELAND, OH	54,338	102,315
19 Milwaukee, WI	53,979	98,459
20 Miami, FL	49,692	92,644
21 Columbus, OH	52,701	91,834
22 Oklahoma City, OK	48,876	88,717



The EITC alone represented 3 percent of all wages paid in Cuyahoga County from January-April 2003

Wages received by industry, Cuyahoga County, 2003Q1

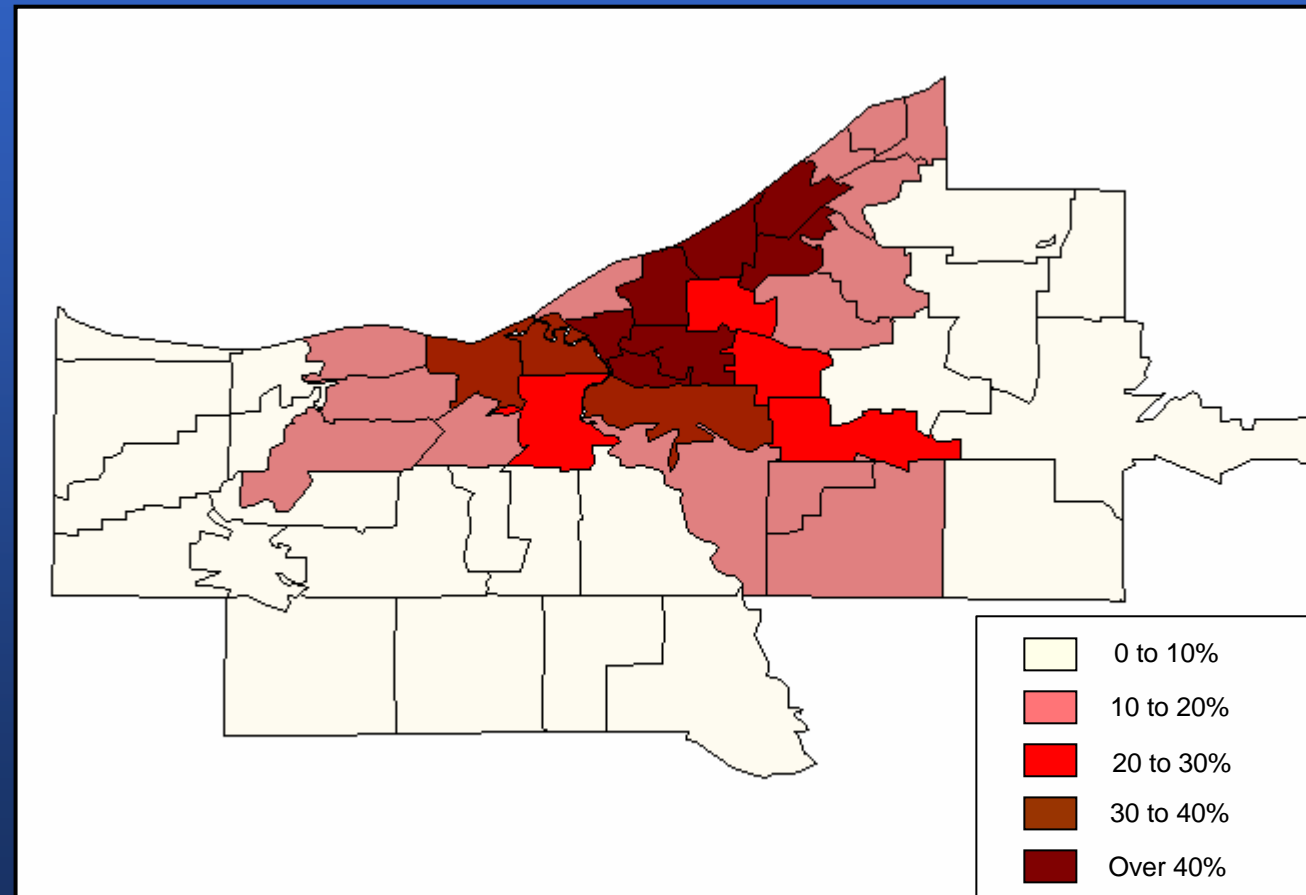




Large federal investment in city economy

Several Cleveland neighborhoods saw more than 40 percent of all families claim the EITC in 2003

Percentage of tax filers claiming EITC by ZIP code, Cuyahoga County, TY2002





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A significant number of families miss out on thousands of dollars annually—and so do their cities

WHY? People fail to file taxes.

1. Many eligible filers don't know about the credit.
2. Some low-income families may fear that they'll owe taxes, and so don't file.
3. Others may know about the credit, but fear that they'll lose eligibility for other benefits.

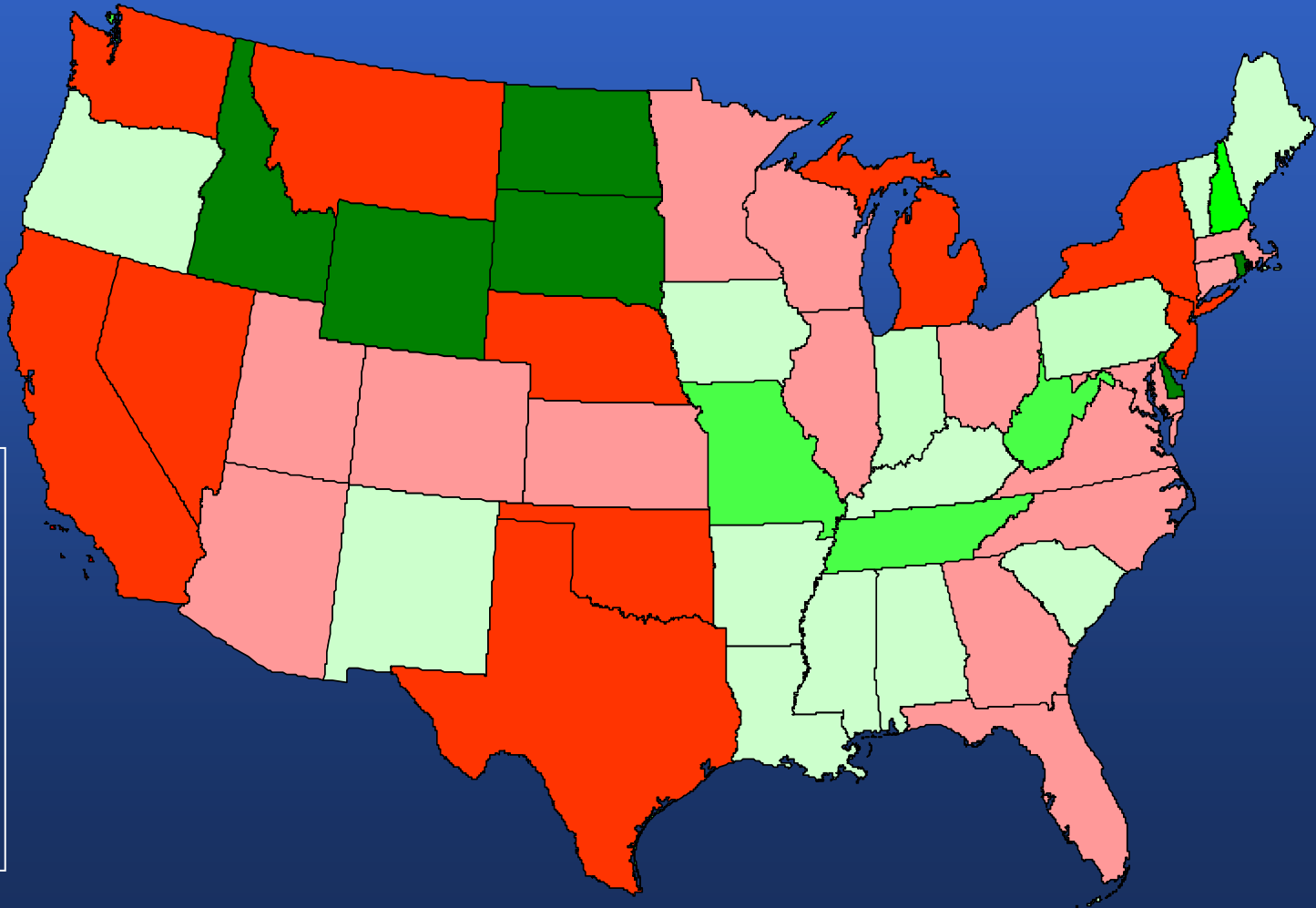
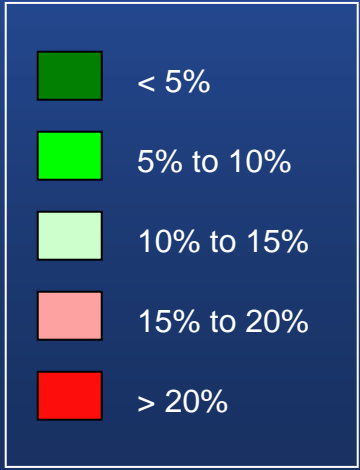
The only way to claim the EITC and other credits is to file a tax return.



Outreach and tax assistance fill the gap

Nationally about 15% of workers and families miss out; a slightly higher percentage in Ohio fail to participate

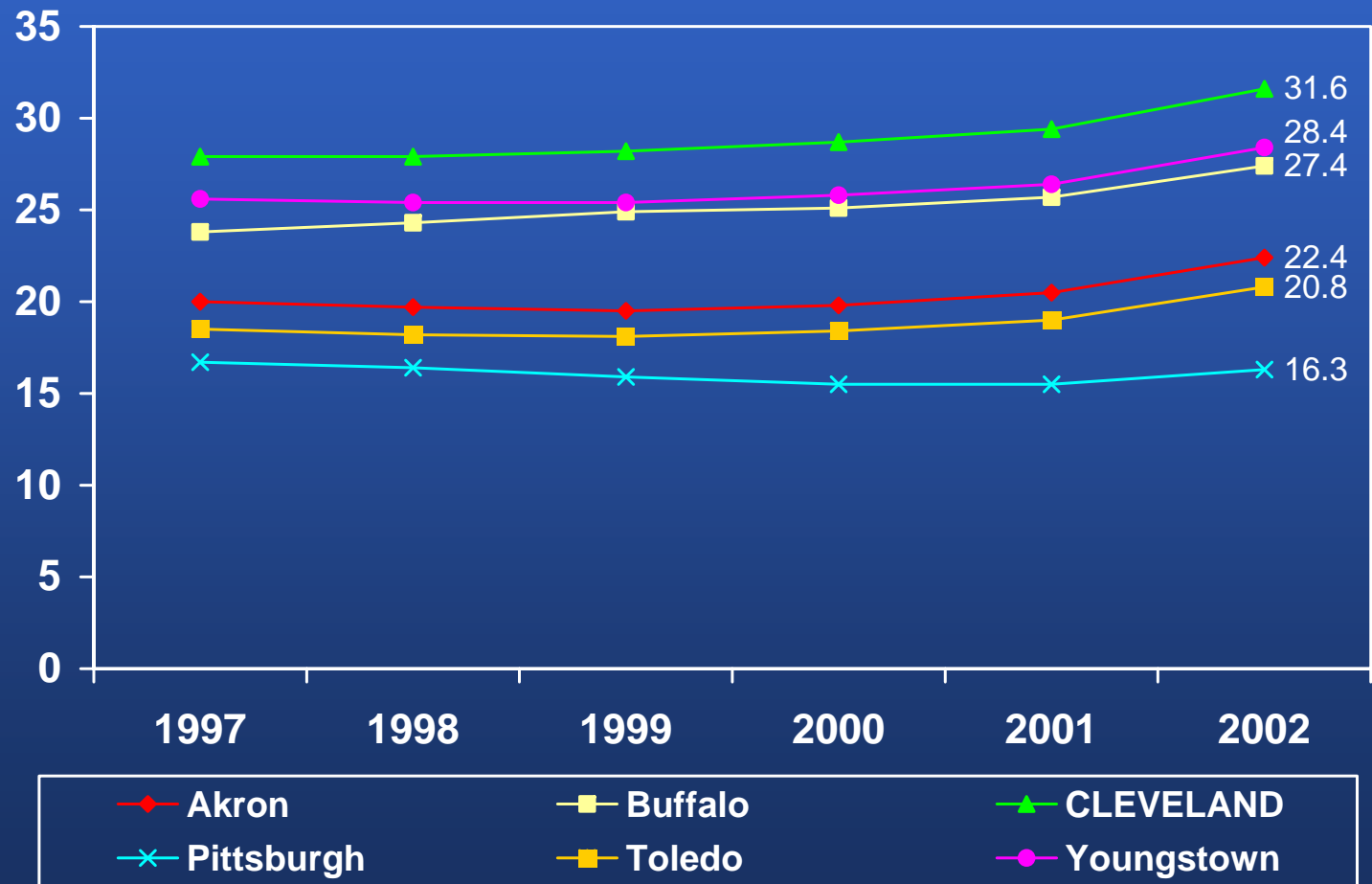
Percentage of eligible EITC recipients failing to file taxes, TY1996





Unlike other cities in the region, the share of Cleveland families claiming the credit has risen each year since 1997

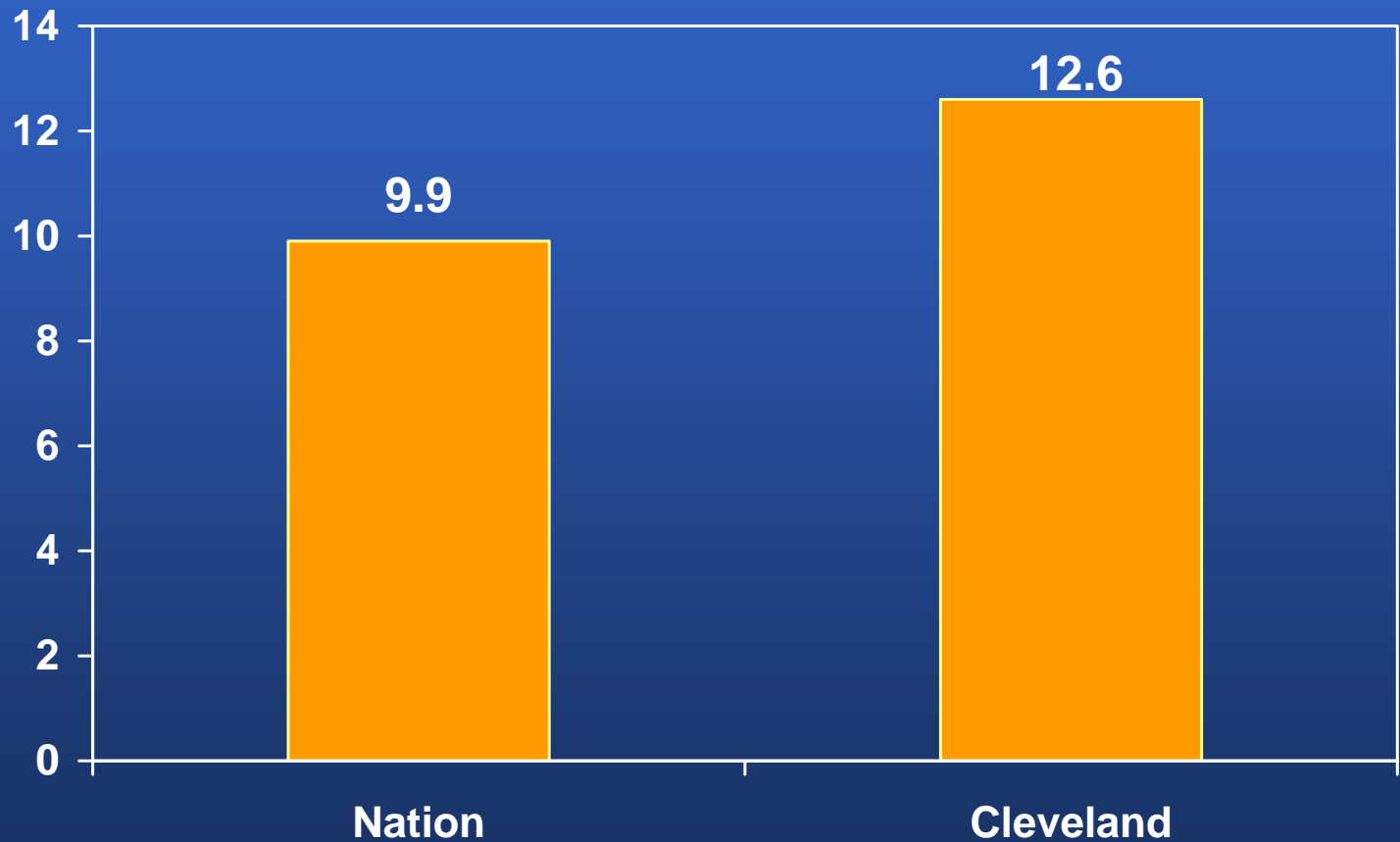
Percentage of tax filers claiming EITC, Cleveland and comparison cities, 1997-2002





In 2003, the share of “new” EITC claimants in Cleveland outpaced the national average

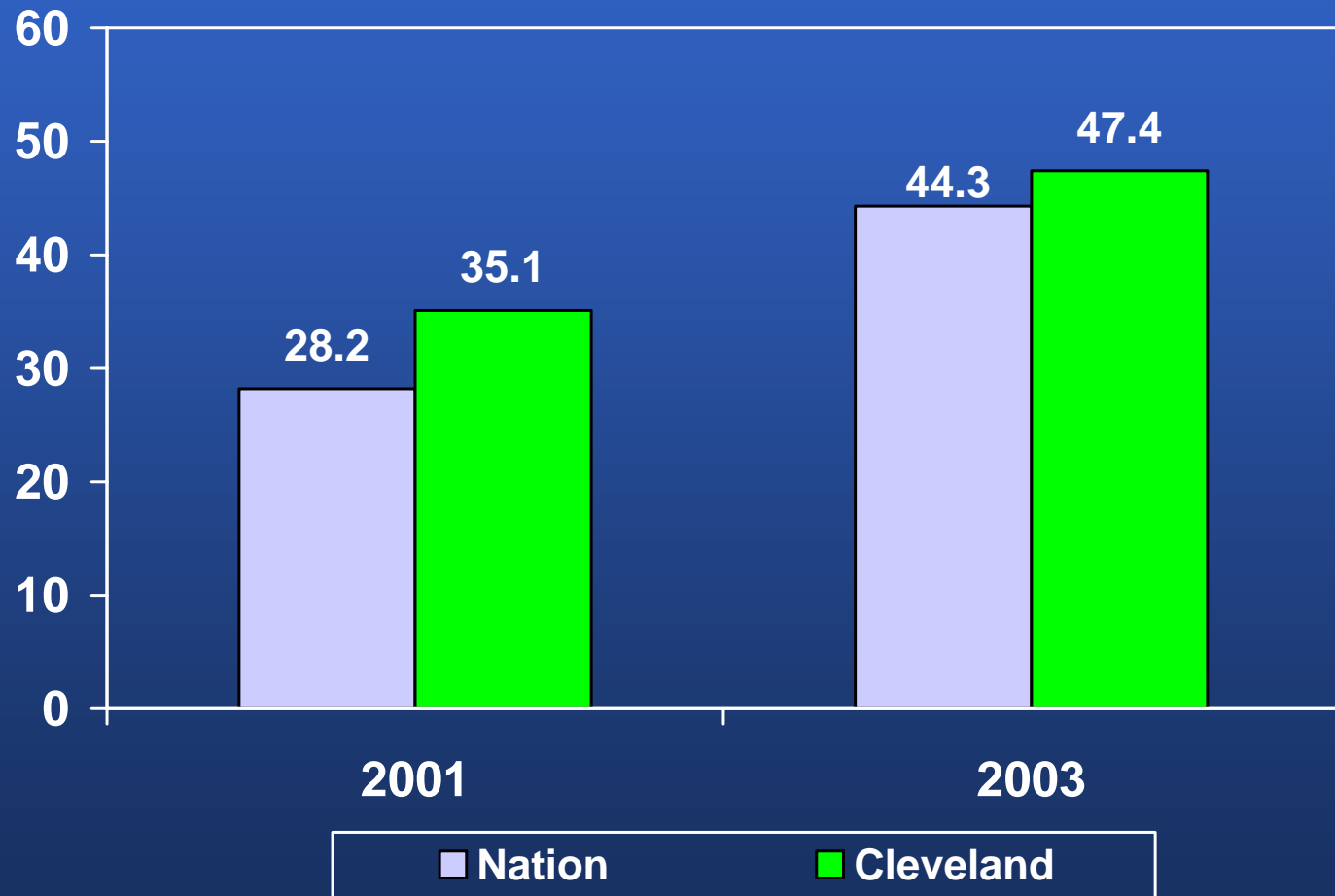
Percentage of EITC claimants in 2003 not filing return in 2002





And the use of Direct Deposit—which gets taxpayers their refunds more quickly—is higher among EITC recipients in Cleveland

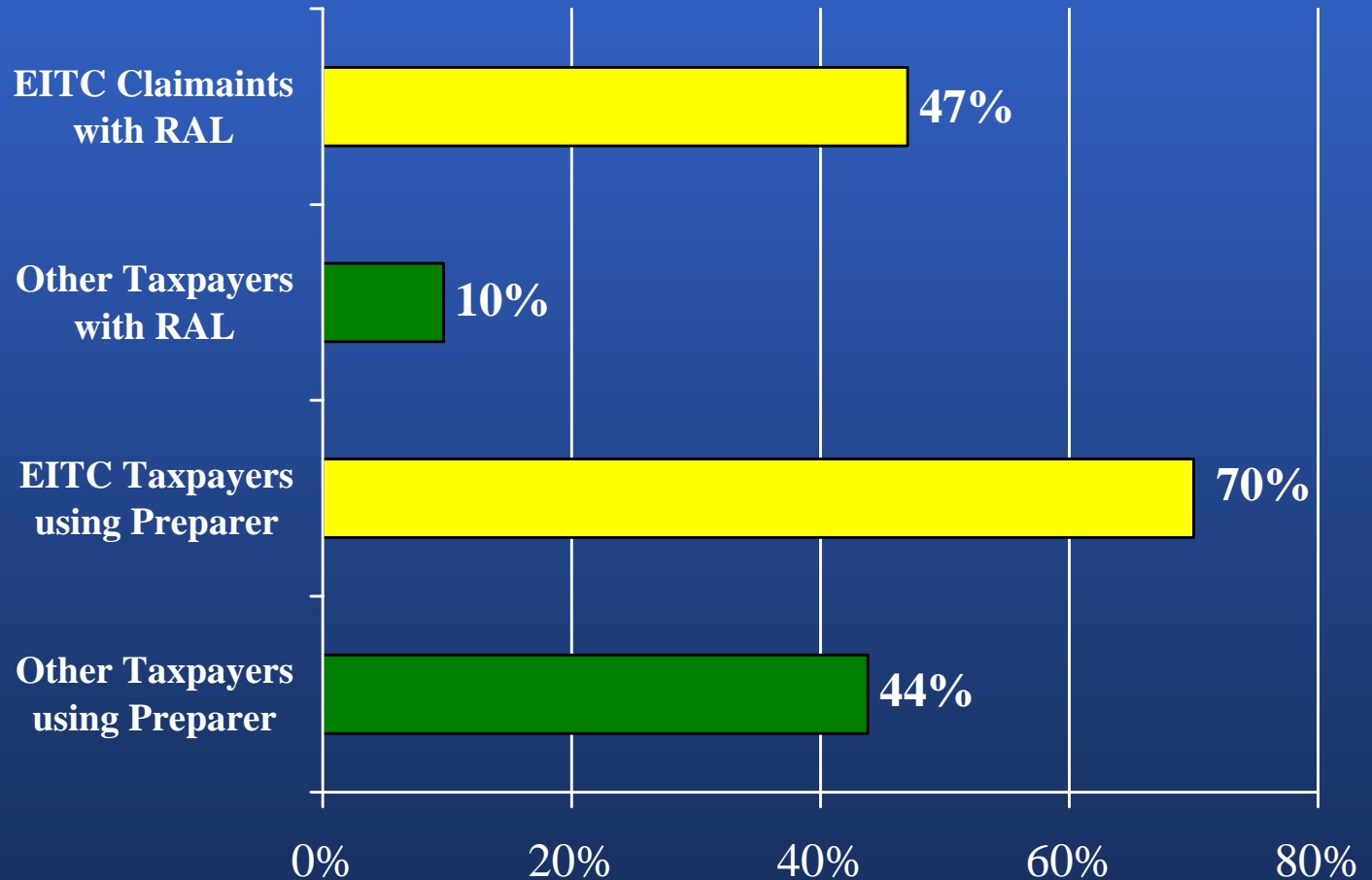
Percentage of EITC claimants NOT using RAL, but using DD, 2001-2003





Still, the use of paid preparers and refund loans remains very high in Cleveland among low-income taxpayers

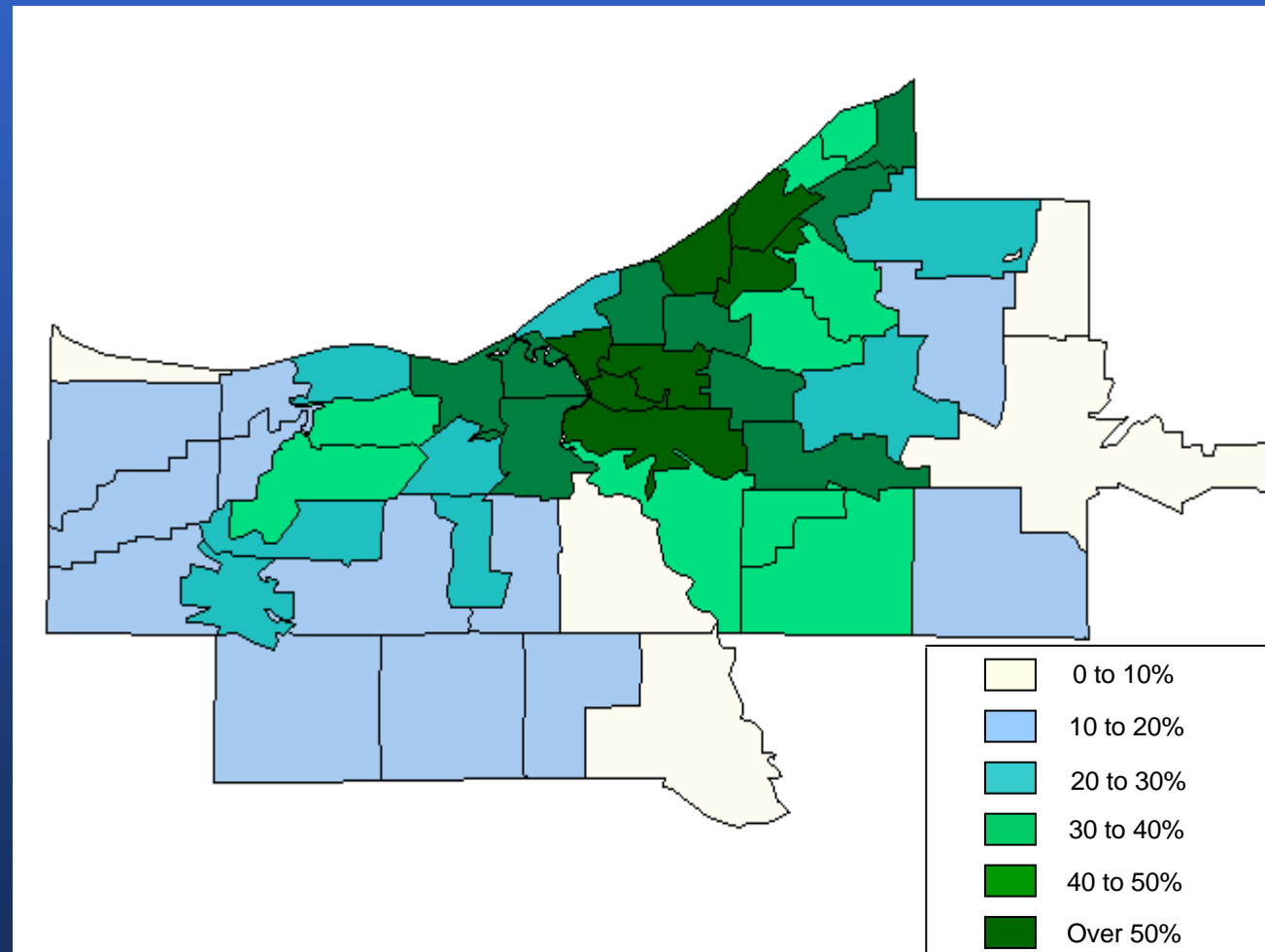
Use of paid preparers and refund loans, EITC filers vs. other taxpayers, Cleveland, TY02





In several parts of Cleveland and its older suburbs, one to two-thirds of all EITC recipients purchase a refund loan

Percentage of EITC recipients claiming refund through RAL, TY2002





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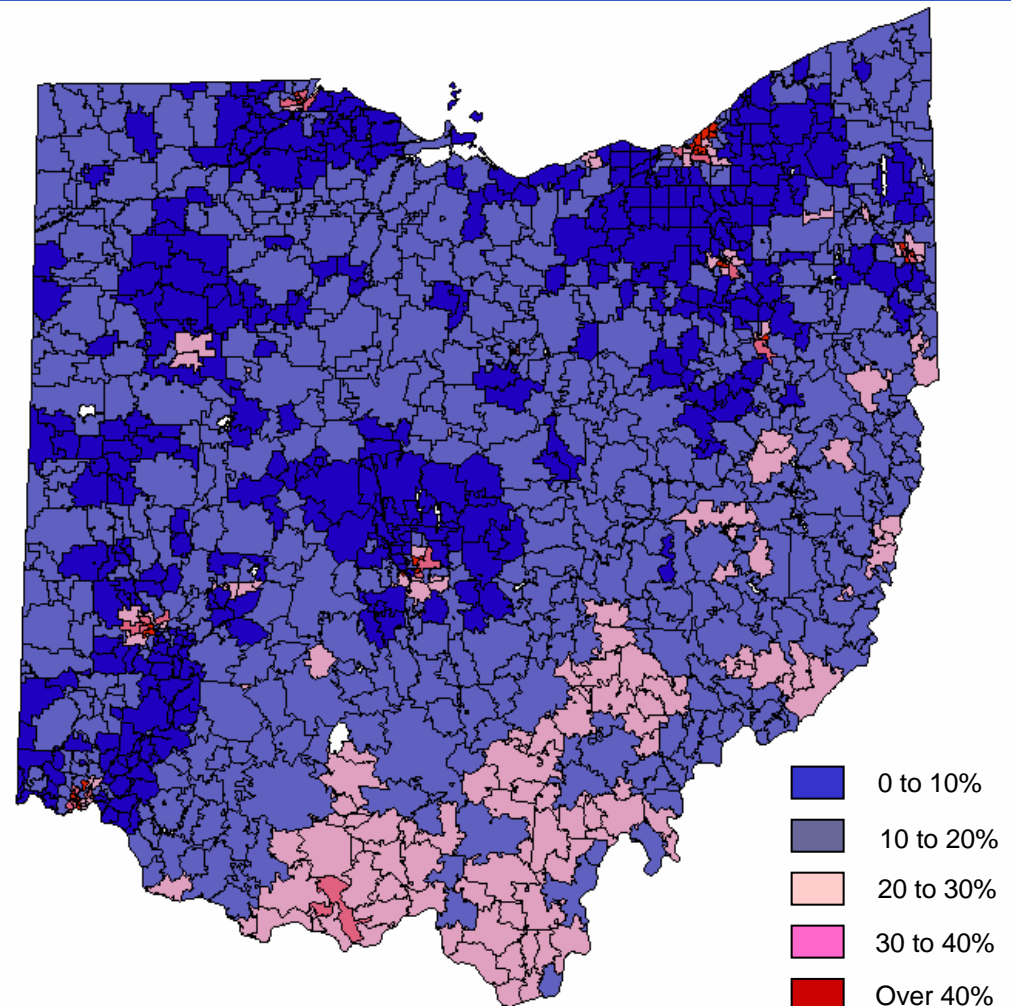
Springboard to related policy areas



Smaller communities downstate also have high shares of EITC earners—likely allies on state-level issues around the credit

Share of tax filers claiming EITC by ZIP code, Ohio, TY2002

1. State funding for free tax preparation
2. Better disclosure around RALs
3. State version of federal credit





Tax campaigns can increase participation in nutrition programs, too—economic development dollars for families, neighborhoods

Metropolitan Area

Food Stamp Program, 1999

	Participation %	\$1000s Foregone
19 Sacramento, CA	65.4%	112,227
20 Virginia Beach, VA	65.2%	63,685
21 Boston, MA	64.4%	134,515
22 Buffalo, NY	64.3%	67,659
23 CLEVELAND, OH	63.8%	112,308
24 Toledo, OH	63.5%	32,171
25 Youngstown, OH	62.0%	31,536
26 Rochester, NY	61.7%	59,666
27 Little Rock, AR	61.2%	33,964



Debt is a massive problem for many working families—Cuyahoga consumers have higher delinquency rates than Ohioans generally

Percentage of loans at least 60 days past due, Cuyahoga County vs. Ohio and nation, 1991-2004



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July 1, 2004

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IMMIGRATION

Washington Goes Polyglot

Metro Washington's "limited English proficient" (LEP) population

