"During recent economic struggles, the Earned Income Tax Credit and, increasingly, the Child Tax Credit boosted low-income families' earnings, bolstering a safety net designed to make work pay."

METROPOLITAN POLICY PROGRAM
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The New Safety Net:
How the Tax Code Helped Low-Income Working Families During the Early 2000s

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Findings

An analysis of IRS data on low-income working families who received the Earned Income Tax Credit (EITC) between tax years 2000 and 2003 reveals that:

- **The number of taxpayers receiving the EITC rose to 21.4 million in 2003, up 14 percent from 2000.** Changing economic conditions helped fuel a rise in the proportion of all taxpayers receiving the EITC, from 15 percent to 17 percent. Of 122 large cities studied, 113 experienced at least a one-half percentage point rise in the share of their taxpayers earning the credit.

- **In 2003, the average EITC recipient earned a credit of $1,788, and EITC dollars accounted for 68 percent of recipients' net tax refunds.** The extension of a portion of the Child Tax Credit to lower-income working families beginning in 2001 increased total tax refunds for EITC recipients. Among cities, the average EITC ranged from just over $1,200 in Cambridge, MA, to nearly $2,300 in McAllen, TX.

- **The proportion of EITC recipients who filed their returns through paid tax preparers increased from 65 percent in 2000 to 71 percent in 2003.** Cities and suburbs in the New York area experienced a dramatic 15 percentage point rise in the average share of their EITC earners using paid preparers. By contrast, fewer than 2 percent of EITC recipients nationwide accessed a free volunteer return preparation program to file their taxes in 2003, although programs in Tulsa, OK; Albuquerque, NM; Minneapolis-St. Paul, MN; and other cities reached higher proportions of recipients.

- **Fewer than 8 percent of EITC recipients with qualifying children in 2003 received the Child and Dependent Care Tax Credit (CDCTC) to offset their child care costs.** Despite research suggesting that 20 percent of EITC-eligible families with children pay for child care, most miss out on the benefits of the CDCTC because it is nonrefundable. Similarly, just 2.7 percent of EITC earners accessed either the Hope or Lifetime Learner credits to help pay for postsecondary education expenses.

Although the magnitude of these trends varied among U.S. cities and suburbs, the broader picture emerging from 2000 to 2003 points to three opportunities for policymakers to assist low-income working families: preserving and expanding the EITC at the federal and state levels; increasing the still-limited reach of volunteer income tax preparation programs; and making the CDCTC refundable to help low-income taxpayers pay for quality child care.

Introduction

The early years of the twenty-first century marked a period of change in both the labor market and in public policy for the nation's low-income working families. Most prominently, employment conditions deteriorated after 2000. The nation's unemployment rate climbed from 4 percent in 2000 to 6 percent in 2003. The unemployment rate for workers with less than a high school education rose to nearly 9 percent in 2003. Real hourly wages continued to increase slightly for most workers during this period, but the weak labor market reduced the number of hours worked, along with overall earnings and family incomes. The steady rise in labor force participation among low-income families during the 1990s, spurred in part by the 1996 welfare reform law and other policies to "make work pay," gave way to a decline after 2000.[1]

These labor market difficulties coincided with changes to the federal tax system for low-income working families. The tax system looms especially large for these workers, as it includes the Earned Income Tax Credit (EITC), the largest antipoverty program targeted to families with children. In 2003, the federal EITC provided more than $38 billion to low-wage workers and their families.

In 2001, a massive new tax cut package tilted largely toward higher-income individuals included a small but meaningful provision that extended some of the benefits of the Child Tax Credit (CTC) to a wider group of working families. The same law also slightly expanded eligibility for the EITC for married couples.[2] These changes increased the value of tax benefits for working families but may have created additional filing complexity for lower-income workers.

At the state level, meanwhile, a fiscal crisis spurred cuts in services such as public health insurance and subsidized child care that disproportionately affect lower-income populations.[3] Yet between 2000 and 2003, three states also introduced new refundable earned income credits tied to the federal EITC, and another six states with existing refundable EITCs expanded those credits.[4] During the same period, a growing number of local government, business, and civic leaders joined forces to promote the availability of federal and state EITCs to low-income workers who might be missing out on these important benefits. They also worked to create a robust network of volunteer tax assistance programs across the country.[5]

Reconciling how these competing, dynamic forces affected the well-being of low-income families and their communities is difficult at best. One useful view, however, emerges from federal income tax data during the past few years. The number and characteristics of taxpayers receiving the EITC, and how they differ across the United States, provide valuable insights into the changing incidence and nature of low-wage work in the 2000s, and the critical role the EITC played in supporting families during tough economic times. These trends indicate that as fiscal pressures continue to constrain public expenditures on lower-income families, the EITC increasingly constitutes a large part of a new safety net for the low-wage workforce.

After briefly reviewing the methodology, this paper examines national, regional, and local trends in receipt of the EITC from 2000 to 2003, and its financial value to recipients. It explores recent changes in the ways that EITC recipients and other low-income taxpayers file their taxes and claim their refund dollars. It also offers a first look at the extent to which low-income working families access other tax credits designed to offset child care and education expenses. The paper concludes with a discussion of the policy implications arising from these recent low-income tax trends.

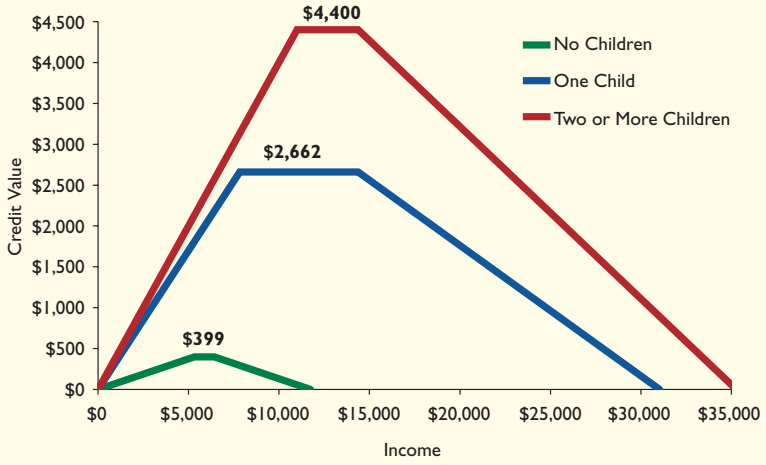
Methodology

The primary data source for this analysis is the IRS–Stakeholder Partnerships, Education, and Communication (SPEC) Return Information Database, which contains data extracted annually by the IRS's Wage and Investment Research Unit from the Electronic Tax Administration Marketing Database. Original return data are summarized to provide counts of individual income tax return characteristics for all U.S. ZIP codes and then grouped by geographic levels, including places, counties, and states. The analysis draws on databases for tax years 2000 to 2003, which correspond to returns filed in calendar years 2001 to 2004.[6] Throughout the paper, the term "tax year" is implied in each reference to a particular year.

The IRS–SPEC database contains return information aggregated within each geographic area by "market segment." Market segments include, among others, all individual income tax returns, returns for which the taxpayer received the EITC, and returns for which the taxpayer's adjusted gross income was less than the income ceiling for the EITC in that year. This paper makes use of all three of these market segments at various points in the analysis.

The EITC is a tax credit and wage supplement for low-income workers. Most EITC dollars (97 percent in 2003) are directed to families with children that have incomes below $35,000. In 2005, families with earnings between $7,800 and $14,400 were eligible for the largest credits (Figure 1).[7] Unlike most other credits in the tax code, the EITC is refundable, meaning that taxpayers receive the full amount of the credit for which they are eligible (in the form of a tax refund) even if it exceeds their tax liability. A new review of research on the EITC highlights the program's long-standing effectiveness in reducing poverty, encouraging work, and help-

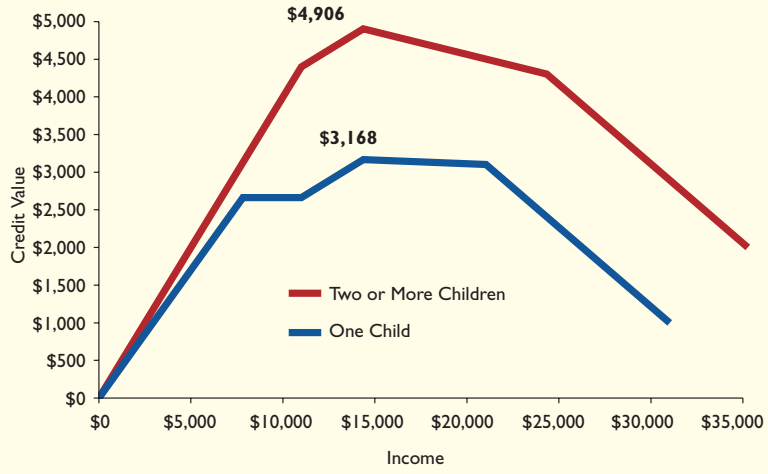
Figure 1. Value of the Earned Income Credit by Income, Unmarried Filers*, 2005



Source: Internal Revenue Service

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

Value of the EITC + Child Tax Credit by Income, Unmarried Filers with One or Two Children, 2005



Source: Internal Revenue Service

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

ing low-income families to make ends meet.[8]

A portion of the CTC is now refundable for taxpayers with earnings exceeding $11,000 in 2005.[9] The CTC effectively boosts the value of the EITC for low- and moderate-income workers with children (Figure 1). This paper refers to the refundable portion of the CTC as the Additional Child Tax Credit (ACTC).[10]

In addition to analyzing trends at the national level, this report examines patterns within 88 large metropolitan areas with populations greater than 500,000 in 2000.[11] The 88 metro areas include 122 large cities and their suburbs.[12] Because the EITC supports families with working members, it is helpful to view use dynamics within metropolitan areas, which most closely resemble local labor markets.

The geographic building blocks of the IRS data (ZIP codes) often do not conform to the boundaries of smaller municipalities. We use Geographic Information System (GIS) software to assign ZIP codes to cities. This technique effectively splits ZIP codes along city and town boundaries, and filers within those ZIP codes are allocated on the basis of the distribution of population (at the census block level) inside and outside those boundaries.[13] In large cities, which typically contain a dozen or more ZIP codes, two or three ZIP codes that cross city borders can be split without introducing a high degree of potential error into the analysis.

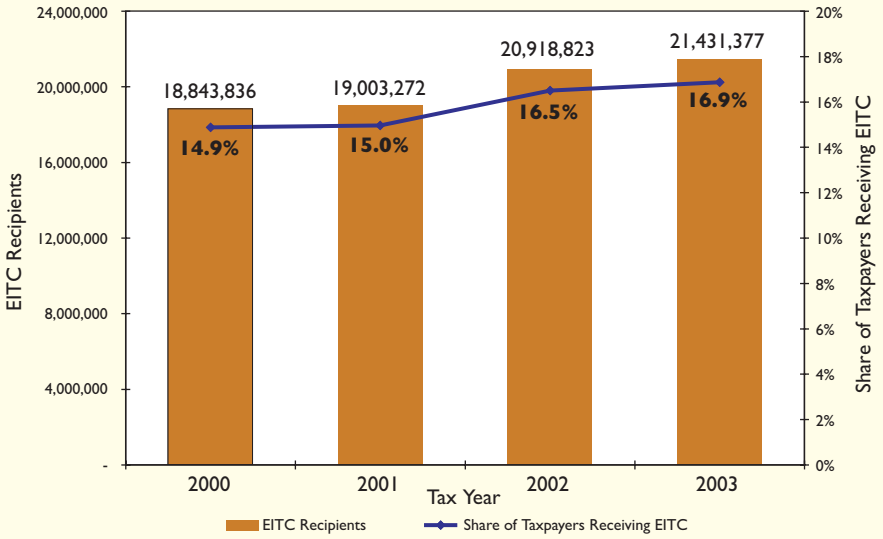
Findings

A. The number of taxpayers receiving the EITC rose to 21.4 million in 2003, up 14 percent from 2000.

The most striking pattern to emerge from the data at the national level is the dramatic increase between 2000 and 2003 in the number of taxpayers receiving the EITC. Throughout the late 1990s, subsequent to the last major expansion of the credit in 1993, EITC claims held fairly steady at approximately 19 million per year.[14] Two opposing forces were at play to keep the overall numbers steady. On the one hand, more people than ever before entered the workforce during this time, many at low wages, which may have served to increase the number of people eligible for the EITC. On the other hand, moderate-income workers enjoyed wage increases that lifted many above the credit's income eligibility ceiling.[15]

Beginning in 2001, however, things changed. The economy officially

Figure 2. EITC Receipt, United States, Tax Years 2000 to 2003



Source: Brookings Institution analysis of Internal Revenue Service data

entered a recession in March, ending in November 2001. The after-effects for low-wage workers, however, lingered. The number of taxpayers receiving the EITC climbed modestly from 2000 to 2001, before jumping by nearly 2 million in 2002. An additional 500,000 taxpayers earned the EITC in 2003, lifting the total to 21.4 million. Nearly 17 percent of taxpayers that year benefited from the EITC, up from 15 percent in 2000 (Figure 2).

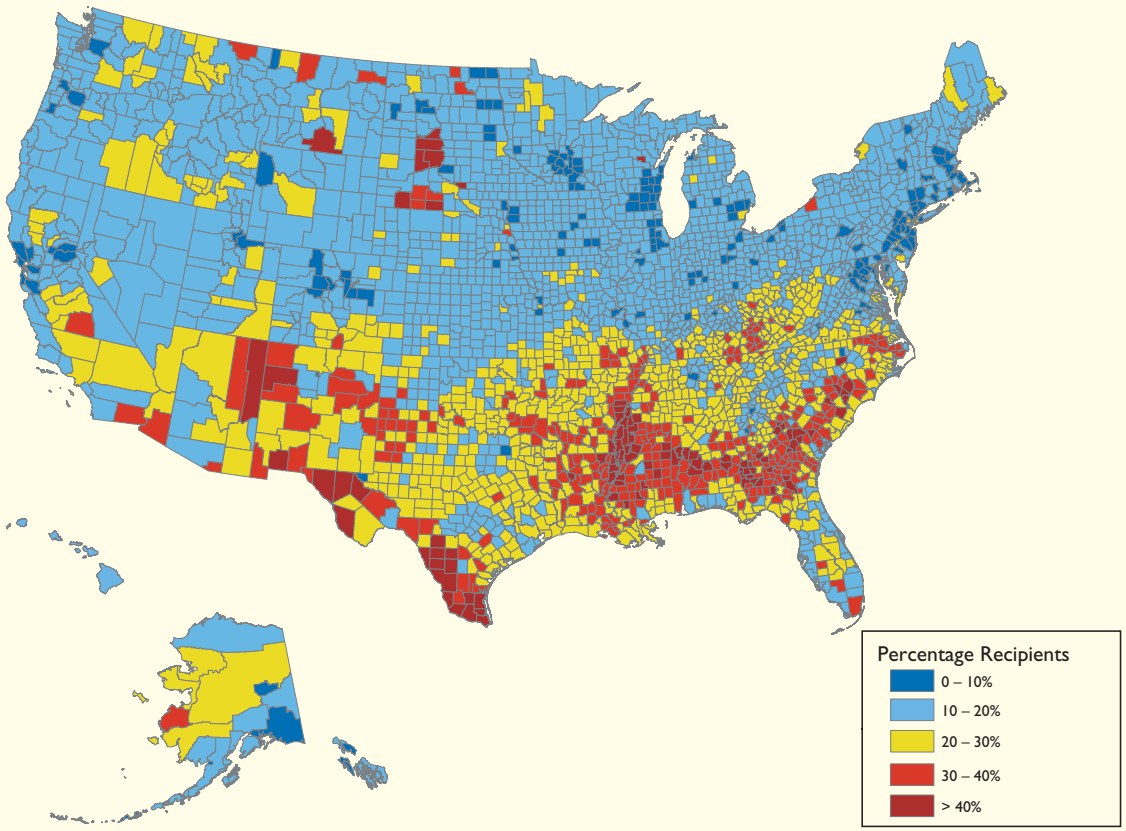
EITC receipt increased in nearly every corner of the nation. Each region (Northeast, Midwest, South, and West), and 49 of the 50 states and the District of Columbia (New Mexico was the exception) experienced an increase in the absolute number and percentage of taxpayers receiving the EITC. At the local level, the proportion of taxpayers receiving the EITC increased by at least one-half percentage point in 113 of 122 large cities,

Table 1. Top and Bottom Cities/Suburbs by Share of Taxpayers Receiving EITC, and Change in Share 2000–2003

Rank		Share, 2003 (%)		Change 2000–03 (% pts)	Rank		Share, 2003 (%)		Change 2000–03 (% pts)
	Cities					**Suburbs of metro area**			
1	New Orleans, LA	38.5	Allentown, PA	5.3	1	McAllen-Edinburg-Pharr, TX	54.2	Colorado Springs, CO	4.2
2	McAllen, TX	37.9	Warren, MI	4.9	2	El Paso, TX	51.3	El Paso, TX	3.6
3	Birmingham, AL	37.3	Memphis, TN	4.2	3	Bakersfield, CA	28.1	Orlando, FL	3.1
4	Detroit, MI	36.9	Baton Rouge, LA	4.0	4	Fresno, CA	27.7	Miami-Fort Lauderdale-Miami Beach, FL	3.0
5	Miami, FL	36.9	Orlando, FL	3.8	5	New Orleans-Metairie-Kenner, LA	24.9	McAllen-Edinburg-Pharr, TX	2.8
6	El Paso, TX	36.7	Detroit, MI	3.7	6	Baton Rouge, LA	22.9	Honolulu, HI	2.8
7	Memphis, TN	36.1	Hartford, CT	3.6	7	Miami-Fort Lauderdale-Miami Beach, FL	22.6	Salt Lake City, UT	2.8
8	Newark, NJ	35.7	Cleveland, OH	3.6	8	Albuquerque, NM	21.3	Atlanta-Sandy Springs-Marietta, GA	2.8
9	Hartford, CT	35.5	Arlington, TX	3.6	9	Charleston-North Charleston, SC	21.2	Greensboro-High Point, NC	2.8
10	San Bernardino, CA	35.0	Greensboro, NC	3.5	10	Little Rock-North Little Rock, AR	20.4	Greenville, SC	2.7
113	Cambridge, MA	7.9	Ontario, CA	0.5	79	Toledo, OH	9.4	Providence-New Bedford-Fall River, RI-MA	1.2
114	Santa Clara, CA	7.4	Atlanta, GA	0.4	80	Worcester, MA	8.7	Poughkeepsie-Newburgh-Middletown, NY	1.2
115	Fremont, CA	7.3	Arlington, VA	0.4	81	Boston-Cambridge-Quincy, MA-NH	8.1	Baltimore-Towson, MD	1.1
116	Arlington, VA	7.0	Washington, DC	0.4	82	San Francisco-Oakland-Fremont, CA	8.1	Los Angeles-Long Beach-Santa Ana, CA	1.0
117	Thousand Oaks, CA	6.4	San Bernardino, CA	0.4	83	Madison, WI	7.9	Sacramento--Arden-Arcade--Roseville, CA	0.8
118	Scottsdale, AZ	6.3	Riverside, CA	0.3	84	Hartford-West Hartford-East Hartford, CT	7.8	Stockton, CA	0.7
119	Sunnyvale, CA	5.8	Albuquerque, NM	0.2	85	Minneapolis-St. Paul-Bloomington, MN-WI	7.6	Riverside-San Bernardino-Ontario, CA	0.6
120	Bellevue, WA	5.6	Santa Ana, CA	0.1	86	San Jose-Sunnyvale-Santa Clara, CA	7.5	Bakersfield, CA	0.0
121	Livonia, MI	4.6	Sacramento, CA	0.0	87	Milwaukee-Waukesha-West Allis, WI	6.2	Albuquerque, NM	-0.1
122	Naperville, IL	4.2	Oxnard, CA	0.0	88	Bridgeport-Stamford-Norwalk, CT	5.5	Fresno, CA	-1.2
	Total - 122 cities	21.7%		2.2%		Total - 88 metropolitan suburbs	13.3%		1.8%

Source: Brookings Institution analysis of Internal Revenue Service data

Map 1. EITC Recipients as a Percentage of Total Returns by County, TY 2003



and in 85 of 88 large metropolitan suburbs (tax data for individual cities and suburbs can be found in Appendix Tables A and B). The overall rise in cities (in percentage point terms) outpaced that in suburbs by only a small amount (2.2 versus 1.8 percentage points) (Table 1).

Two geographic patterns add texture to the overall trend. First, Southern cities and suburbs, as well as some in the Midwest, experienced the most rapid rises in EITC receipt from 2000 to 2003. These regions saw the largest declines in poverty during the 1990s, and apparently were the first to suffer during the recession of the early 2000s. Notably, New Orleans exhibited the highest rate of EITC receipt among major cities in 2003, signaling that much of the poverty evident in the aftermath of Hurricane Katrina was, in fact, working poverty. As Map 1 demonstrates, EITC receipt remains higher in the South than elsewhere, with many counties seeing at least 30 percent of their filers earn the credit in 2003.

Second, increases in EITC receipt throughout southern and central California were much more muted during the 2000–2003 period. These areas, which seemed to weather the recent recession relatively well, contained four of the five cities and four of the five suburbs that witnessed the smallest increases in the proportion of their taxpayers receiving the EITC. During this same period, many of these places experienced an influx of middle-class households from more expensive coastal areas such as San Francisco and Los Angeles, a factor that may have lowered the proportion of taxpayers eligible for the EITC.[16]

Rising EITC receipt also altered the spatial distribution of working poverty at the community level. Paul Jargowsky's analysis of census data revealed that the 1990s saw a dramatic decline in concentrated poverty. Tax data also reflect this trend. Between 1997 and 2000, the number and proportion of EITC recipients living in ZIP codes with high concentrations of working poor (where more than 40 percent of taxpayers received the credit) dropped (Figure 3).[17] During the next three years, however, the concentration of EITC recipients in such ZIP codes increased. By 2003, approximately one in eight low-income working families lived in a community with high numbers of working poor.[18] This raises the possibility that some of the progress

made against concentrated neighborhood poverty in the 1990s may have eroded during the first part of the 2000s.

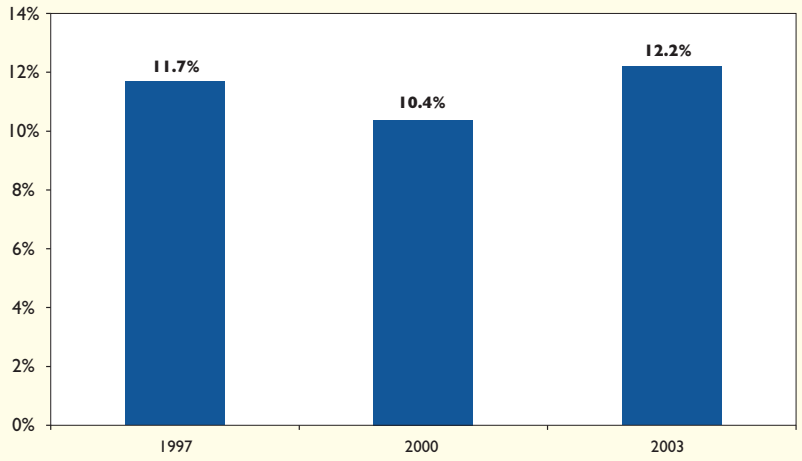
Faltering economic conditions do not necessarily dictate such widespread increases in EITC receipt. In theory, the proportion of taxpayers receiving the credit could move in either direction during an economic downturn. To qualify for the EITC, a taxpayer must have earnings from work. Thus, workers who are unemployed for an entire tax year as a result of an economic downturn would be ineligible for the credit, which could fuel a decline in the number of families claiming it. However, these effects can be outweighed by other labor market changes that increase the number of families who qualify for the EITC. For example, families with multiple earners may lose one earner during the recession, or poor economic conditions may force full-time workers to either cut back their hours or take a lower-paying job. Both types of changes could have contributed to a rise in taxpayers newly eligible for the EITC. In addition, fewer low-wage workers experienced wage gains during the early part of the decade, suggesting that more taxpayers remained eligible for the EITC during this period than they did during the stronger economy of the late 1990s.[19]

Changing economic conditions were an important influence, although not the only one, on the number of taxpayers receiving the EITC in the early 2000s. In addition to simplifying certain eligibility rules, legislative changes to the EITC in 2001 expanded eligibility for married-couple families by increasing the credit's income ceiling for joint filers by $1,000.[20] Between 2001 and 2003, the percentage of EITC recipients who filed joint returns increased from 22 percent to 24 percent, suggesting that these statutory changes played some role (although not a predominant one) in expanding the reach of the EITC.

These economic and statutory changes likely affected the number of taxpayers eligible for the credit. A third possibility is that the degree to which eligible workers and families actually file a claim for the credit—the *participation rate*—changed during the early part of this decade. An increase in the participation rate could stem from more intensive outreach efforts or from changes in the characteristics of eligible taxpayers that are associated with the likelihood of participation. The most reliable recent estimates from the late 1990s suggest that approximately 80 to 85 percent of EITC-eligible taxpayers received the credit; those who did not typically failed to file a tax return altogether.[21] The widespread rise, however, despite varied outreach efforts in different areas of the country, suggests that increases in credit eligibility rather than increases in the participation rate explain the bulk of the trend.

Regardless of which factors accounted for rising receipt of the EITC during the early 2000s, the credit clearly became an even more important support for working families during a time of economic uncertainty and public expenditure austerity.

Figure 3. Share of EITC Recipients Living in High Working-Poverty Communities*, United States, 1997 to 2003



** ZIP codes in which at least 40% of taxpayers receive the EITC*

Source: Brookings Institution analysis of Internal Revenue Service data

B. In 2003, the average EITC recipient earned a credit of $1,788, and EITC dollars accounted for 68 percent recipients' total tax refunds.

Despite increases in the number of taxpayers claiming the EITC, and probable accompanying changes in the characteristics of EITC recipients, the inflation-adjusted average value of the EITC held remarkably steady from 2000 to 2003.[22] In 2000, the average recipient claimed an EITC worth $1,778 (in 2003 dollars). The comparable figure for 2003 was $1,788.

The average credit masks a significant difference between the amounts received by EITC recipients with and without qualifying children. The former group is eligible for the largest credits, while those without children qualified for, at most, a $400 credit in 2005 (see Figure 1). The data employed for this study do not contain information on EITC receipt by number of qualifying children claimed. However, other IRS data indicate that for tax year 2003, the average EITC recipient who claimed qualifying children received a credit worth $2,139. These taxpayers made up 80 percent

Table 2. Top and Bottom Cities/Suburbs by Average Value of EITC*, 2003

Rank	City	Average Value, 2003 ($)	Rank	Suburbs of Metropolitan Area	Average Value, 2003 ($)
1	McAllen, TX	2,284	1	McAllen-Edinburg-Pharr, TX	2,483
2	Baton Rouge, LA	2,241	2	El Paso, TX	2,355
3	New Orleans, LA	2,205	3	Baton Rouge, LA	2,052
4	El Paso, TX	2,165	4	New Orleans-Metairie-Kenner, LA	2,046
5	Memphis, TN	2,126	5	Bakersfield, CA	2,009
6	San Bernardino, CA	2,109	6	Fresno, CA	1,993
7	Birmingham, AL	2,088	7	Memphis, TN-MS-AR	1,959
8	Atlanta, GA	2,061	8	Charleston-North Charleston, SC	1,907
9	Detroit, MI	2,050	9	Houston-Baytown-Sugar Land, TX	1,905
10	Bakersfield, CA	2,037	10	San Antonio, TX	1,896
113	Arlington, VA	1,412	79	Worcester, MA	1,520
114	Bellevue, WA	1,373	80	Springfield, MA	1,516
115	Santa Clara, CA	1,336	81	Minneapolis-St. Paul-Bloomington, MN-WI	1,497
116	Madison, WI	1,322	82	Boston-Cambridge-Quincy, MA-NH	1,493
117	Livonia, MI	1,298	83	Hartford-West Hartford-East Hartford, CT	1,491
118	Sunnyvale, CA	1,297	84	San Jose-Sunnyvale-Santa Clara, CA	1,464
119	Scottsdale, AZ	1,283	85	Madison, WI	1,462
120	San Francisco, CA	1,230	86	San Francisco-Oakland-Fremont, CA	1,441
121	Seattle, WA	1,224	87	Milwaukee-Waukesha-West Allis, WI	1,438
122	Cambridge, MA	1,219	88	Bridgeport-Stamford-Norwalk, CT	1,388
	Total - 122 cities	**$1,842**		**Total - 88 metropolitan suburbs**	**$1,732**

** includes credits to filers with and without qualifying children*

Source: Brookings Institution analysis of Internal Revenue Service data

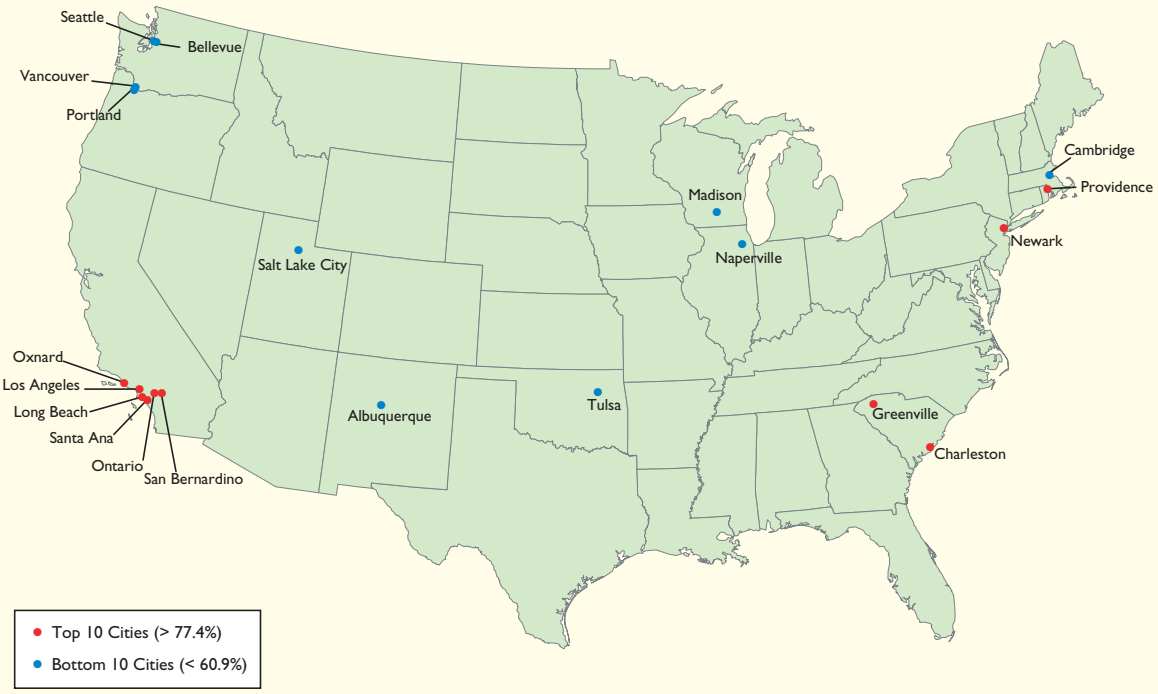
of those claiming the credit in 2003.[23]

Moreover, these figures conceal tremendous variation in the average value of the credit in different parts of the country. Among the 122 large cities, for instance, the average EITC (for all earners) in 2003 ranged from roughly $1,200 in Cambridge, MA, to $2,284 in McAllen, along the Texas-Mexico border (Table 2). Similar disparities were evident across metropolitan suburbs as well. These differences in average EITC value reflect underlying variation across places in several factors: average wage levels; the presence of children in low-wage workers' households; the relative availability of full- and part-time work; and the prevalence of single-earner versus multiple-earner households. Because most families with children who receive the EITC have incomes in the "phase-out" range of the credit (generally above $14,000 annually), a larger average credit at the community level generally indicates lower average household earnings there.[24]

Most families receive the majority of the EITC for which they qualify in the form of a tax refund. In 2003, 88 percent of EITC dollars claimed were refunded, while the remainder served to offset income taxes owed by these families. However, EITC recipients' tax refunds include more than the proceeds of the credit alone. In 2003, the total value of the EITC nationwide—including both the amount used to offset taxes and the amount refunded to filers—was $38.3 billion. Given that EITC recipients claimed tax refunds amounting to $56.9 billion, the value of the EITC accounted for 68 percent of recipients' total tax refunds that year.[25] In other words, the $1,788 value of the average EITC in 2003 represented 68 percent of the $2,626 average refund amount for EITC recipients.

Other components of tax refunds include wages withheld from paychecks and a refundable portion of the ACTC. Among a sample of 44,000 EITC recipients served at volunteer tax sites during 2005, the average taxpayer claimed $416 in withheld taxes as part of a refund.[26] Since 2001, a portion of the ACTC has been refundable for families with at least modest incomes (greater than $10,000 in 2001, increasing to more than $11,000 in 2005). The introduction of this refundable portion of the ACTC seems largely

Map 2. Top and Bottom Cities by Share of EITC Filers Using Paid Preparers, 2003



responsible for lowering the proportion of tax refunds attributable to the EITC itself, from 74 percent in 2000 to 68 percent in 2003.[27]

The relative importance of the EITC to recipients' overall tax refunds varies widely across the United States. In Miami, Los Angeles, and New York, the credit accounted for nearly 80 percent of recipients' total tax refunds. In Boston, MA; Seattle, WA; and Virginia Beach, VA, by contrast, EITC amounts equaled only about 60 percent of total refunds claimed by credit recipients. These differences suggest that local tax outreach efforts may wish to emphasize the availability of additional tax benefits to lower-income filers, depending on their area (Section D focuses on one such tax benefit). In any event, the data serve as a reminder that for low-income working families and the places they live, the financial benefits of filing tax returns stretch beyond the EITC.

C. The proportion of EITC recipients who filed their returns through paid tax preparers increased from 65 percent in 2000 to 71 percent in 2003.

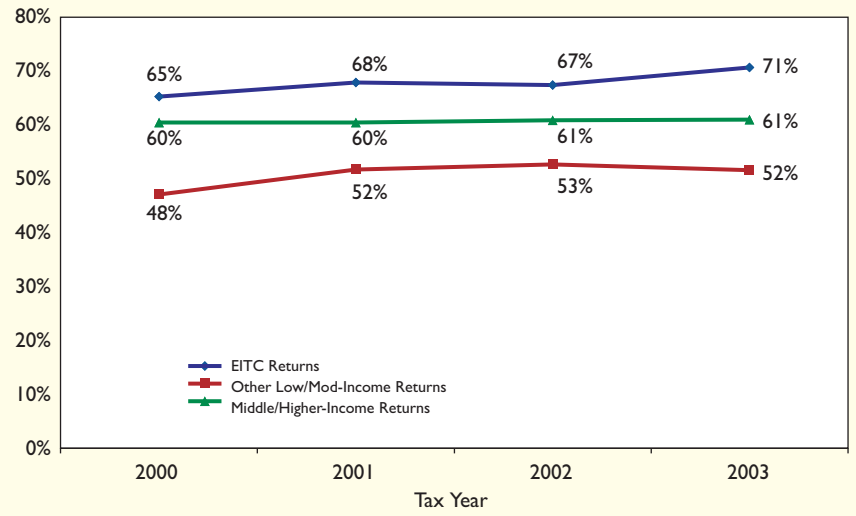
Although politicians make much ado about lessening the complexity of the federal tax code, the most recent changes they have enacted—the 2001 tax bill, in particular—have only tended to exacerbate that complexity.[28]

One useful measure of the code's intricacy is the percentage of tax filers who pay someone else to do their taxes.[29] In 2003, a majority of taxpayers nationwide—59 percent—retained the services of a paid preparer. In using a paid tax preparer, high-income taxpayers may obtain expertise in negotiating a thicket of tax code provisions on investments and deductions, and receive tax planning guidance. Fewer such provisions apply to lower-income taxpayers, but the sometimes conflicting rules regarding eligibility for dependent exemptions, the EITC, CTC, the CDCTC, and head-of-household filing status may lead these filers to seek added assurance from paid professionals that they are claiming the correct tax benefits.[30]

Of course, complexity is not the only reason that taxpayers seek assistance. Some turn to tax preparers to obtain their refund dollars faster, via electronic filing and associated financial products such as Refund Anticipation Loans (RALs). Language barriers and lack of familiarity with the U.S. tax system may also lead some to seek assistance in completing and filing their tax returns.[31]

The link between demographic composition and tax preparer use among EITC recipients is evident in Map 2. The cities with the highest proportion (above 80 percent) of lower-income workers and families who use tax preparers are home to

Figure 4. Percentage of Taxpayers Using Paid Preparer, United States, 2000 to 2003



Source: Brookings Institution analysis of Internal Revenue Service data

(with a few exceptions) significant immigrant populations, especially from Latin America and Asia. Cities that rank lowest on this measure, with 60 percent or fewer of EITC recipients using paid preparers, tend to have larger non-Hispanic white populations among their working poor.

Many lower-income taxpayers are well served by paid preparers, and high participation rates in the EITC owe in part to the widespread availability of commercial tax preparation assistance. Nevertheless, concerns persist regarding the professionalism and accuracy of paid preparers, stemming from the numerous "fly-by-night" preparers who operate each tax season, and limited IRS oversight of participants in its *e-file* program.[32] For low-income taxpayers, the typical fee incurred for preparing a federal and state income tax return exceeds $100, although that varies significantly by location. Preparers also charge incremental fees for each form and schedule they file. Therefore, taxpayers who claim the EITC with qualifying children, the ACTC, or the CDCTC can expect to pay additional amounts.[33]

EITC recipients, more so than other taxpayers, accessed paid preparers with increasing frequency from 2000 through 2003. As shown in Figure 4, the share of middle- and higher-income taxpayers—those with adjusted gross incomes above $35,000—using a paid preparer remained steady at 61 percent during this period.[34] For taxpayers receiving the EITC, however, the rate was higher and climbing—from 65 percent in 2000 to 71 percent in 2003. The increase was largest between 2002 and 2003. Other low- and moderate-income taxpayers who did not receive the EITC used paid preparers at a considerably lower rate: 47 percent in 2000, rising to approximately 52 percent from 2001 through 2003.

Shifts in the population eligible for the credit, increases in complexity for low-income families with children, or supply-side changes in the prevalence or marketing strategies of tax preparation firms could have contributed to this recent rise in paid preparer usage among EITC recipients.

The increased use of paid preparers among EITC recipients varied substantially by geography. Cities in the greater New York region exhibited the most dramatic increases from 2000 to 2003 in the share of low-income families using a paid preparer. Six of the ten cities with the largest increases in the share of EITC recipients using a preparer—Hartford, CT; Providence, RI; New York City; Bridgeport, CT; Newark, NJ; and New Haven, CT—are located within a 100-mile radius of southern Connecticut (Map 3). In New York City, the number of EITC recipients rose by nearly 100,000 during the three-year period, while the number of recipients using a paid preparer rose by roughly 200,000.

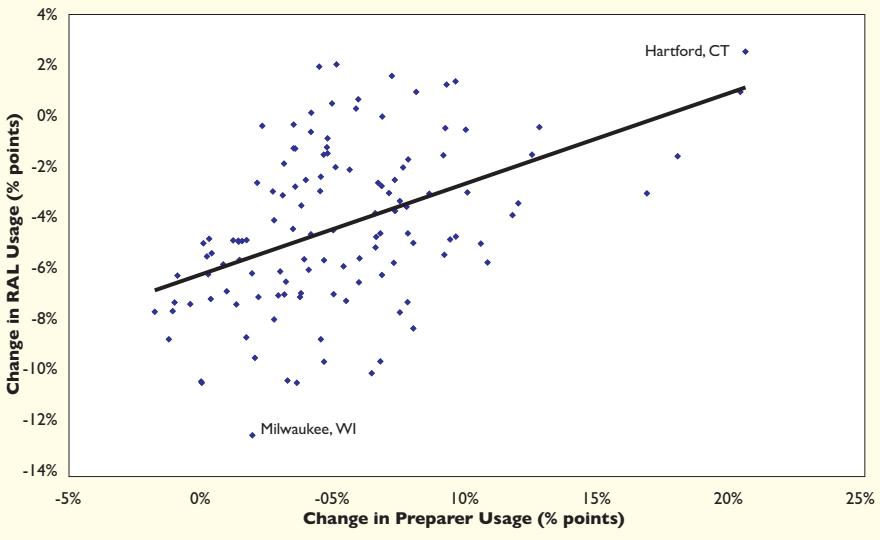
At the same time, several areas of the United States showed little change or even a decline in use of preparers among EITC earners. These cities were more dispersed geographically than those cities seeing rises in paid tax preparation, although a few in North and South Carolina rank among those experiencing the least change on this measure.

At the local level, trends were not confined to EITC recipients. Cities that saw a surge in the percentage of low-income filers using paid preparers also experienced an uptick—although generally smaller—in preparer use among other taxpayers.

The availability of RALs—high-cost loans that advance a taxpayer the proceeds of his or her tax refund net tax preparation costs and other fees—seems not to have contributed to more frequent use of preparers in 2003, even though EITC recipients are the most frequent users of RALs. By all indications, the share of EITC recipients using a RAL remained steady between 2002 and 2003, even as the share using a preparer rose. About 38 percent of EITC returns in 2003 were accompanied by a preparer request for the "debt indicator"—a tool that preparers and their partner banks use in underwriting refund loans[35] —the same percentage as in 2002. Never-

Map 3. Top and Bottom Cities by Change in Share of EITC Filers Using Paid Preparers, 2000–2003

Figure 5. Change in Preparer Usage vs. Change in RAL Usage Among EITC Recipients, Large Cities, 2000-2003



Source: Brookings Institution analysis of Internal Revenue Service data

theless, the cities that experienced larger increases in EITC recipients' use of paid preparers from 2000 to 2003 tended to experience smaller declines in those recipients' use of RALs during the same period (Figure 5).[36]

Nor did there appear to be any link between increased overall receipt of the EITC and changes in EITC recipients' use of preparers at the local level. Cities in the New York region experienced no greater rise in the share of taxpayers claiming the credit than big cities generally.[37] This indicates that to whatever extent economic, policy, or outreach changes boosted the share of filers claiming the EITC between 2000 and 2003, those new recipients did not appear to make disproportionate use of paid tax preparers.[38]

The early part of this decade also saw a mushrooming of state and local campaigns to connect low-income

Table 3. Cities with Highest Proportion, and Absolute Number, of EITC Returns Completed by Volunteer Preparers, 2003

Rank	City	Total EITC Filers	EITC Returns Filed by Volunteer Program	Share served by volunteer program (%)
	Highest Proportion			
1	Tulsa, OK	31,501	3,035	9.6
2	Albuquerque, NM	37,187	2,553	6.9
3	St. Paul, MN	18,748	1,216	6.5
4	Minneapolis, MN	25,382	1,634	6.4
5	San Antonio, TX	135,077	7,102	5.3
6	Milwaukee, WI	56,485	2,936	5.2
7	Bellevue, WA	2,994	151	5.1
8	Rochester, NY	24,312	1,153	4.7
9	Boston, MA	41,464	1,857	4.5
10	Cambridge, MA	3,763	165	4.4
11	New Orleans, LA	68,116	2,915	4.3
12	Denver, CO	36,555	1,562	4.3
13	Pittsburgh, PA	23,358	976	4.2
14	San Francisco, CA	37,974	1,422	3.7
15	Hartford, CT	15,800	584	3.7
	Highest Absolute Number			
1	New York, NY	803,798	14,865	1.8
2	San Antonio, TX	135,077	7,102	5.3
3	Chicago, IL	281,118	6,214	2.2
4	Philadelphia, PA	158,264	4,053	2.6
5	Tulsa, OK	31,501	3,035	9.6
6	Milwaukee, WI	56,485	2,936	5.2
7	New Orleans, LA	68,116	2,915	4.3
8	Houston, TX	205,383	2,781	1.4
9	Albuquerque, NM	37,187	2,553	6.9
10	El Paso, TX	83,705	2,316	2.8
11	Boston, MA	41,464	1,857	4.5
12	Los Angeles, CA	336,496	1,707	0.5
13	Minneapolis, MN	25,382	1,634	6.4
14	Phoenix, AZ	91,398	1,582	1.7
15	Denver, CO	36,555	1,562	4.3
	Total--122 cities	**5,150,771**	**100,161**	**1.9**

Source: Brookings Institution analysis of Internal Revenue Service data

filers to free tax preparation sites staffed by volunteers. These efforts helped more low-income working families to access their refunds at no cost. However, the percentage of EITC recipients nationwide served by volunteer programs remains low.[39] Just 1.5 percent of all EITC returns (327,000) were completed by volunteer programs in 2003, up from 0.9 percent in 2000. These programs, which include Volunteer Income Tax Assistance (VITA), Military VITA, and Tax Counseling for the Elderly (which includes AARP's Tax Aide program), serve more than EITC filers alone. However, EITC recipients are a natural target market for such volunteer efforts.

Although the national numbers remain rather low, some cities have established free tax preparation services in recent years that have begun to serve a noticeable share of EITC recipients (Table 3). In some cities, such as Tulsa, OK; Albuquerque, NM; and Denver, CO, existing volunteer tax preparation entities expanded their efforts between 2000 and 2003. As Map 2 indicates, efforts in Tulsa and Albuquerque may be responsible for the below-average rates of paid preparer use among EITC recipients. In other cities, such as San Antonio, TX; Rochester, NY; and Boston/Cambridge, MA, very small-scale efforts in 2000 to serve low-income taxpayers bloomed into full-fledged campaigns by 2003. Meanwhile, New York City, San Antonio, and Chicago led all cities in 2003 in the absolute number of EITC returns completed by volunteer programs.

The introduction of the ACTC and small expansions to the EITC between 2000 and 2003 were important for low-income working families. However, the recent rise in their use of paid tax preparers raises concerns about the increased amounts that families may be spending to secure their tax refunds, the effects of tax-code complexity on their understanding and receipt of the EITC and other tax benefits,[40] and whether differences in preparers' marketing practices might have contributed to such dramatic variation among cities in the magnitude of this trend.

D. Fewer than 8 percent of EITC recipients with qualifying children in 2003 received the CDCTC to offset their child care costs.

As noted above, the EITC and the ACTC are rather unique among tax credits for being (at least partially) refundable. Most credits, including the CDCTC, in the federal code only reduce tax owed, regardless of the size

Table 4. Top and Bottom Cities/Suburbs by Estimated Share of EITC Recipients with Children Using CDCTC,* 2003

Rank	City	Share, 2003 (%)	Rank	Suburbs of Metropolitan Area	Share, 2003 (%)
1	New York, NY	14.5	1	Washington-Arlington-Alexandria, DC-VA-MD-WV	10.7
2	Virginia Beach, VA	14.2	2	Minneapolis-St. Paul-Bloomington, MN-WI	10.5
3	Washington, DC	13.7	3	Atlanta-Sandy Springs-Marietta, GA	10.4
4	Baltimore, MD	13.5	4	Columbia, SC	10.4
5	Newark, NJ	13.0	5	Baltimore-Towson, MD	9.9
6	Raleigh, NC	12.9	6	Richmond, VA	9.7
7	Greensboro, NC	12.7	7	Sarasota-Bradenton-Venice, FL	8.9
8	Poughkeepsie, NY	12.5	8	Harrisburg-Carlisle, PA	8.6
9	Jacksonville, FL	12.5	9	Raleigh-Cary, NC	8.5
10	Charlotte, NC	12.4	10	Greensboro-High Point, NC	8.4
113	Miami, FL	5.0	79	Milwaukee-Waukesha-West Allis, WI	3.4
114	Salt Lake City, UT	5.0	80	Albuquerque, NM	3.3
115	Providence, RI	4.9	81	Stockton, CA	3.3
116	San Antonio, TX	4.8	82	Youngstown-Warren-Boardman, OH-PA	3.2
117	Scranton, PA	4.7	83	Fresno, CA	2.8
118	Milwaukee, WI	4.5	84	Toledo, OH	2.8
119	El Paso, TX	3.7	85	San Jose-Sunnyvale-Santa Clara, CA	2.8
120	San Francisco, CA	3.4	86	San Antonio, TX	2.5
121	Youngstown, OH	3.4	87	McAllen-Edinburg-Pharr, TX	1.9
122	McAllen, TX	3.0	88	El Paso, TX	1.0
	Total - 122 cities	**9.1**		**Total - Suburbs of 88 Metro Areas**	**6.5**

**See text for details on estimation technique*

Source: Brookings Institution analysis of Internal Revenue Service data

of the credit for which a family may qualify.

One tax benefit that could be especially useful to low-income working families is the CDCTC. The credit offsets a portion of taxpayers' costs for paid care for children or other dependents under the age of 13. The amount of credit for which a family qualifies depends on its income and its total child care expenses, but in general the credit ranges from 20 to 35 percent of expenses up to $3,000 per child (for up to two children).

A significant minority of low-income working families with children incur out-of-pocket child care expenses. One recent study puts the proportion at a little over 20 percent in 2002, with expenses for those families averaging $3,000.[41] Because the CDCTC is nonrefundable, however, relatively few EITC recipients are able to claim any benefit from it. A single parent with two children in 2005 must earn more than $23,700 to derive any benefit from the credit.[42]

Overall, just 6 percent of EITC recipients nationwide received the CDCTC in 2003. Assuming, as is reported in other IRS data, that one in five EITC recipients claims the credit for workers without qualifying children, this still implies that fewer than 8 percent of EITC earners with qualifying children benefit from the CDCTC.[43] Thus, a considerable gap exists between the number of low-income families who pay for child care and the number who receive the CDCTC.

Some places have much higher use of the CDCTC among EITC recipients.[44] As shown in Table 4, in a handful of cities, at least one in eight estimated EITC recipients with qualifying children receive the CDCTC, including in large Eastern cities such as New York City, Washington, DC; and Baltimore, MD. At the same time, in cities near the bottom of the list, 5 percent or fewer of estimated EITC filers with qualifying children receive the CDCTC, in places as diverse as Miami, FL; Scranton, PA; and San Francisco, CA.

Some of these differences in CDCTC use may reflect underlying income differences among EITC earners across cities and metropolitan areas. Higher-income EITC recipients

are more likely to be able to use the CDCTC because they are more likely to have a bottom-line tax liability after subtracting exemptions and deductions. Yet not all cities near the top of the list have disproportionately higher-income EITC recipients. The incomes of recipients in Baltimore, MD; Newark, NJ; and Jacksonville, FL do not differ greatly from the incomes of recipients elsewhere. Similarly, cities near the bottom of the list feature EITC earners with both above-average (San Francisco) and below-average (Miami) incomes.

Thus, taxpayer income differences alone cannot explain differences in CDCTC take-up among EITC recipients. The differing availability of direct child care subsidies among states (the CDCTC can only be used to offset unreimbursed expenses), or demographic differences among cities that correlate with families' propensity to use paid versus unpaid care (e.g., that provided by a relative) may explain some, though likely not all, of the remaining differences.[45] The availability and generosity of state-level versions of the CDCTC may also contribute to differences in take-up across cities.[46]

Use of the CDCTC among EITC recipients in metropolitan suburbs tends to follow city patterns. Both Washington, DC, and its suburbs, for example, exhibit above-average use, while San Antonio, TX, and its suburbs both rank low. Some differences between particular cities and suburbs, however, raise questions for researchers and outreach leaders. Why, for instance, do EITC recipients in the suburbs of Atlanta and San Francisco use the CDCTC more often than recipients in those cities? Why do the cities of New York and Newark rank high on this indicator, but their common suburbs do not? Such disparities may relate to city-suburb differences in wages or family structure, but nonetheless merit further investigation.

The IRS has for the first time reported use of two education tax benefits—the Hope and Lifetime Learner credits—among EITC recipients. These credits offset a portion of qualified postsecondary education expenses for a taxpayer or his or her dependents. As with the CDCTC, though, both are nonrefundable credits, and are thus useful to only some low-income working families. Nationwide in 2003, 4.2 percent of all taxpayers claimed one of these credits, as did just 2.7 percent of EITC recipients. Cities with the highest proportions receiving education credits included mainly wealthier areas with significant student populations, such as Cambridge, MA; Arlington, VA; and Madison, WI. But Newark, NJ, and Birmingham, AL, showed relatively high use of education credits among EITC recipients as well, demonstrating that these tax-based investments can be valuable to lower-income cities. Nevertheless, these credits reach a relatively limited proportion of low-income workers and their children.

Discussion and Implications

This review of federal income tax trends among low-income families in the early part of the current decade underscores the importance of local experience. The number and proportion of taxpayers who receive the EITC vary considerably across the United States as do recent changes in the expanded use of the credit. Even among EITC recipients, local dynamics shape the contribution of the EITC to overall tax refunds, the method by which filers gain access to the credit, and the financial value of other tax code benefits.

Even with such local variation, the analysis highlights a few key trends applicable across most U.S. cities and suburbs:

- Use of the EITC became more widespread between 2000 and 2003 as the proportion of all tax filers receiving the credit rose from 15 to 17 percent.
- The real average value of the EITC remained relatively constant, but the introduction of the refundable ACTC reduced the portion of tax refunds attributable to the EITC itself to 68 percent.
- Perhaps not coincidentally, more taxpayers claiming the EITC used a paid preparer to file their returns during this period. The national share rose from 65 to 71 percent in 2003, and the share in the greater New York area ballooned by 10–20 percentage points.
- Although research suggests that a significant minority of EITC-eligible families pay for child care, only 8 percent of EITC recipients with children appeared to receive the CDCTC in 2003.

Together, these trends suggest a few key considerations for policymakers and local leaders seeking to maximize the value of tax-code benefits for low-income workers and families:

1. Continue to support and expand federal and state EITCs

With more federal safety net programs delivered in the form of block grants to state and local governments, the EITC has emerged as a key safety net to support lower-wage workers during difficult economic times. Even though the economy slumped from 2000 to 2003, the number of families receiving cash assistance through the Temporary Assistance for Needy Families (TANF) program declined by 123,000. More low-income families used unemployment insurance in 2003 than in 2000, but the rise in EITC receipt among these families far outweighed the rise in unemployment benefits.[47] Indeed, the expanded reach of the EITC during this period helped offset job and income losses, continued to make work pay, and likely helped to keep labor force participation rates for less-skilled workers from eroding further. In this way, the credit provides critical labor market "insurance" for those near the bottom of the wage distribution.

The success of the EITC in good and bad economic times testifies to its responsiveness as a policy tool. Recognizing this, several states have created or expanded their own versions of the credit in recent years. Nonetheless, the EITC faces recurring challenges at the federal level. In 2005, the budget resolution passed by the House of Representatives proposed deep cuts in programs such as the EITC.[48] Although cuts to the credit were eventually forgone in favor of cuts to other low-income programs, continuing budget deficits and efforts to further cut taxes for higher-income Americans are likely to increase pressure on the EITC and perhaps the ACTC, the refundable portion of the Child Tax Credit. Proposals to simplify the tax code, such as those recommended by the President's Advisory Panel on Federal Tax Reform, could also change significantly the value of federal tax benefits for those currently receiving the EITC and ACTC.[49] Individuals and organizations interested in preserving (and eventually extending) supports for low-wage workers and families should thus continue to demonstrate the value of the tax code to this growing segment of the labor force.

At the state level, low-income families would benefit from efforts not only to introduce EITCs in states that lack them, but also to convert nonrefundable EITCs to refundable credits. States such as Illinois, Oregon, and Rhode Island initially adopted versions of the federal credit that did not refund excess dollars to eligible recipients, but migrated to small refundable credits within a few years. Maine, Delaware, Iowa, and Virginia all currently have nonrefundable state EITCs.

2. Expand support for volunteer tax preparation

The increased reach of the EITC during the economic downturn in the early 2000s was welcome news. The sharp rise in the proportion of EITC recipients using commercial preparers to access the credit, however, raises concerns. Many of these taxpayers now benefit from the ACTC as well as the EITC, but the complex interaction between these two credits and the slightly different rules that govern their eligibility and that of other child-related tax provisions may have induced more low-income filers to pay for tax preparation. Moreover, abnormally large increases in EITC recipients' use of paid preparers in the New York region suggest that the relation between filers in that region and the tax preparation industry deserves further scrutiny.

Regardless of the reasons why more taxpayers have flocked to paid tax preparers, the volunteer sector still serves only a tiny fraction of EITC recipients. Only 1.5 percent of low-income working families were served by either a conventional VITA site, a military VITA site, or a Tax Counseling for the Elderly project in tax year 2003—roughly one-fiftieth the market share of paid preparers. This proportion has nearly doubled since 2000, but remains very low. Volunteer efforts remain highly dependent on local and philanthropic funding to sustain and increase the number of clients they serve each year.

Although efficiency considerations suggest that these volunteer programs need not serve the bulk of EITC filers, additional support could help more cities and metropolitan areas to join the ranks of Tulsa, OK; Albuquerque, NM; and Minneapolis-St. Paul, MN, in reaching a significant minority of EITC recipients through volunteer efforts. The IRS does not provide any direct monetary support to these programs. Even a modest $10 million annual appropriation for qualified return preparation clinics could greatly expand the number of low-income clients served and sustain these programs over the long run.[50] Federal grants for these services could include a matching requirement to leverage public, private, and philanthropic dollars at the state and local level.

A handful of states provide annual appropriations to community-based organizations that conduct outreach to low-income tax filers and provide free tax preparation. Illinois, Maryland, Michigan, Minnesota, and Pennsylvania have all provided varying levels of support for these activities. Additional states could provide modest ongoing support to these campaigns to boost family self-sufficiency and to increase use of tax credits and other federally funded public benefits such as food stamps and subsidized health insurance for eligible families.[51]

3. Increase the value of the Child and Dependent Care Tax Credit for low-income working families

As currently designed, the CDCTC is largely a subsidy to middle- and higher-income families. In 2005, two-thirds of the credit's benefits accrued to households with incomes above $50,000. Only about 8 percent of EITC filers with qualifying children claim the CDCTC, despite evidence suggesting that far more of these families incur out-of-pocket child care costs.

Traditionally, low-income families have accessed direct subsidy programs to pay for child care costs. These programs are typically funded by states through the TANF block grant or the Child Care and Development Block Grant. Yet direct child care subsidies for low-income families are chronically underfunded. State expenditures on child care declined between 2003 and 2004.[52] Most states further restricted eligibility for subsidies during the time period examined here.[53] Moreover, if Congress adopts changes to the TANF program included in the 2006 budget reconciliation agreement, even fewer children in low-income working families not receiving cash welfare will receive assistance in coming years.[54]

Certainly, direct child care subsidies for cash-constrained, low-income, working families deserve greater support from federal and state governments and cannot be replaced by a tax

credit. Congress, however, should nonetheless consider extending the benefits of the CDCTC to more families by making the credit refundable. Researchers at the Urban-Brookings Tax Policy Center estimate that if the CDCTC were made fully refundable, an additional 1.3 million families with incomes under $20,000 could benefit from the credit, at a cost of $1.6 billion in 2005 (over and above the credit's $3.2 billion cost under current law). These families would receive average CDCTC amounts of $700 to $900 under a refundable credit.[55] Such a change would recognize the significant, and increasing, child care cost burdens borne by low-income workers, and move toward a system that ties the CDCTC to a family's actual child care expenses, rather than its level of income tax liability.[56]

Even under current law, some eligible families may be missing out on the assistance that the CDCTC provides. The significant differences across cities in the degree to which EITC recipients use the CDCTC suggest that outreach and free tax preparation programs in some markets might focus on providing information and assistance to eligible lower-income filers and their child care providers. Importantly, helping a family claim the nonrefundable CDCTC can increase the refund that family receives from the ACTC.[57] Moreover, 26 states and the District of Columbia offer versions of the CDCTC through their own income tax codes, which help to bolster filing benefits for working parents.

Conclusion

The nation's economic struggles during the early years of the 2000s created a difficult environment for low-wage workers and their families. Employment opportunities became scarce, and family incomes stagnated. Fortunately, the EITC and, increasingly, the CTC responded by supplementing low-income families' earnings, forming the foundation of a new safety net designed to make work pay. The EITC's expanded reach was evident across the United States, especially in its hard-hit Midwestern and Southern regions. This analysis demonstrates the continuing value of refundable tax credits to low-income workers and their local communities. It also highlights potential areas of concern for EITC recipients; namely, increasing use of paid tax preparers and low use of the CDCTC. These areas merit further investigation and possible policy responses. Careful attention to these issues will ensure that the tax code continues to reward work and to help parents care for their children in a hopefully more robust economy in the years to come.

Appendix A. EITC Profile for Large Metropolitan Cities, 2000–2003

City	EITC Filers 2003	EITC Filers 2003 (%)	EITC Filers 2000	EITC Filers 2000 (%)	Change EITC 2000–03 (%)	EITC Sum 2003 ($1000s)	Average EITC 2003 ($)	EITC % of Refunds 2003
Akron, OH	20,444	22.4	19,140	19.5	2.9	36,309	1,776	67.2
Albany, NY	8,346	20.2	7,677	18.3	1.9	14,359	1,721	66.2
Albuquerque, NM	37,187	18.1	32,330	17.9	0.2	61,736	1,660	67.7
Alexandria, VA	7,255	10.2	6,539	9.2	1.0	11,083	1,528	66.3
Allentown, PA	10,449	23.9	8,289	18.5	5.3	19,625	1,878	65.6
Arlington, VA	7,287	7.0	6,830	6.6	0.4	10,291	1,412	69.4
Arlington, TX	26,511	18.5	21,652	15.0	3.6	49,232	1,857	66.7
Atlanta, GA	41,642	24.8	43,164	24.3	0.4	85,838	2,061	72.6
Aurora, CO	18,482	15.8	15,830	12.9	2.9	31,751	1,718	67.7
Austin, TX	42,516	15.4	36,533	12.7	2.7	71,332	1,678	66.2
Bakersfield, CA	24,028	25.2	21,942	23.9	1.3	48,941	2,037	75.7
Baltimore, MD	72,706	29.1	72,965	27.7	1.4	134,243	1,846	65.3
Baton Rouge, LA	28,023	32.7	25,123	28.6	4.0	62,796	2,241	75.1
Bellevue, WA	2,994	5.6	2,435	4.3	1.3	4,112	1,373	70.0
Birmingham, AL	34,328	37.3	34,287	34.4	2.9	71,682	2,088	68.0
Boston, MA	41,464	15.8	38,783	14.1	1.7	64,738	1,561	62.0
Bridgeport, CT	14,660	25.9	13,451	23.1	2.8	25,650	1,750	61.8
Buffalo, NY	29,989	28.2	28,847	25.6	2.6	55,701	1,857	68.5
Cambridge, MA	3,763	7.9	3,099	6.4	1.6	4,588	1,219	60.7
Charleston, SC	7,945	18.7	7,131	17.1	1.5	14,194	1,787	70.8
Charlotte, NC	46,631	18.4	38,627	15.5	2.9	86,323	1,851	68.3
Chicago, IL	281,118	25.0	273,880	23.2	1.8	540,636	1,923	68.8
Cincinnati, OH	30,929	22.6	30,461	20.1	2.5	57,443	1,857	67.5
Clearwater, FL	7,106	15.3	6,301	13.1	2.2	11,813	1,662	67.3
Cleveland, OH	58,635	32.5	57,817	28.9	3.6	114,298	1,949	69.2
Colorado Springs, CO	23,362	14.5	18,599	11.3	3.2	38,917	1,666	66.9
Columbia, SC	10,484	23.7	9,988	21.4	2.3	19,511	1,861	69.1
Columbus, OH	60,416	17.9	52,410	15.0	2.8	107,226	1,775	65.6
Dallas, TX	115,041	25.5	109,297	22.6	2.9	222,031	1,930	66.5
Dayton, OH	17,005	26.3	16,395	23.0	3.3	30,967	1,821	66.4
Denver, CO	36,555	15.3	36,179	13.6	1.7	58,420	1,598	68.2
Detroit, MI	106,580	36.9	106,653	33.2	3.7	218,447	2,050	71.1
El Paso, TX	83,705	36.7	75,936	33.2	3.5	181,197	2,165	74.3
Fort Lauderdale, FL	14,522	20.2	13,325	17.9	2.3	25,434	1,751	69.0
Fort Worth, TX	55,825	25.4	50,047	22.5	3.0	109,042	1,953	65.6
Fremont, CA	6,380	7.3	4,244	4.6	2.8	9,276	1,454	70.4
Fresno, CA	42,064	26.7	39,863	25.8	0.8	82,823	1,969	73.9
Grand Rapids, MI	15,153	18.7	13,519	15.9	2.8	27,406	1,809	66.8
Greensboro, NC	18,051	18.8	15,032	15.3	3.5	32,077	1,777	66.7
Greenville, SC	4,997	21.6	4,541	18.7	2.8	8,831	1,767	69.0
Harrisburg, PA	6,482	28.6	6,193	26.4	2.2	11,329	1,748	63.0
Hartford, CT	15,800	35.5	15,061	31.9	3.6	28,614	1,811	63.4
Honolulu, HI	22,332	12.7	17,744	10.1	2.6	32,874	1,472	65.6
Houston, TX	205,383	26.4	188,274	23.8	2.6	411,916	2,006	71.7

EITC Paid Preparer 2003	EITC Paid Preparer 2003 (%)	EITC Paid Preparer 2000 (%)	Change EITC Paid Preparer 2000–03 (%)	EITC Vol. Preparer* 2003	EITC Vol. Preparer 2003 (%)	EITC w/ CDCTC 2003	EITC w/ CDCTC** 2003 (%)	EITC w/Educ. Credit*** 2003	EITC w/ Educ. Credit 2003 (%)
13,061	63.9	60.3	3.5	467	2.3	861	5.4	374	1.8
6,092	73.0	66.2	6.8	270	3.2	767	11.8	248	3.0
20,683	55.6	52.1	3.5	2,553	6.9	2,210	7.6	923	2.5
5,191	71.6	61.0	10.5	80	1.1	482	8.5	337	4.6
8,048	77.0	72.0	5.0	135	1.3	520	6.3	215	2.1
4,980	68.3	55.6	12.7	72	1.0	355	6.4	298	4.1
18,639	70.3	67.6	2.7	201	0.8	2,069	9.6	1,140	4.3
29,960	71.9	68.2	3.7	359	0.9	2,649	7.8	728	1.7
12,762	69.1	65.6	3.5	355	1.9	1,494	10.0	521	2.8
27,047	63.6	59.0	4.6	956	2.2	2,368	7.2	1,014	2.4
18,552	77.2	69.2	8.0	133	0.6	1,462	7.5	420	1.7
49,993	68.8	62.1	6.6	342	0.5	7,984	13.5	1,644	2.3
20,652	73.7	67.3	6.4	297	1.1	1,222	5.3	662	2.4
1,571	52.5	50.2	2.3	151	5.1	161	7.1	105	3.5
24,575	71.6	59.7	11.9	198	0.6	2,681	9.5	1,378	4.0
26,241	63.3	56.7	6.6	1,857	4.5	3,377	10.6	1,471	3.5
11,244	76.7	59.9	16.8	204	1.4	848	7.3	401	2.7
22,333	74.5	67.0	7.5	1,018	3.4	2,349	9.9	762	2.5
2,096	55.7	52.6	3.1	165	4.4	269	9.5	202	5.4
6,148	77.4	77.1	0.3	83	1.0	443	7.0	211	2.7
36,080	77.4	77.4	0.0	440	0.9	4,695	12.4	1,605	3.4
205,852	73.2	65.3	8.0	6,214	2.2	25,037	10.9	8,900	3.2
22,193	71.8	68.6	3.1	346	1.1	1,701	7.0	593	1.9
4,872	68.6	65.8	2.7	101	1.4	499	9.2	185	2.6
40,753	69.5	62.3	7.2	714	1.2	3,246	6.9	975	1.7
14,387	61.6	61.5	0.1	578	2.5	1,745	9.5	666	2.9
7,862	75.0	74.8	0.2	80	0.8	834	10.0	264	2.5
40,280	66.7	66.4	0.2	410	0.7	3,785	8.0	1,916	3.2
87,891	76.4	69.6	6.8	582	0.5	6,284	6.7	4,060	3.5
11,339	66.7	59.9	6.8	310	1.8	759	5.6	282	1.7
23,539	64.4	62.9	1.5	1,562	4.3	1,872	6.6	849	2.3
80,458	75.5	67.7	7.8	1,195	1.1	6,917	7.9	2,975	2.8
61,365	73.3	69.7	3.6	2,316	2.8	2,489	3.7	2,071	2.5
10,629	73.2	66.1	7.1	139	1.0	817	7.2	509	3.5
42,455	76.1	73.1	3.0	282	0.5	3,040	6.7	1,390	2.5
4,161	65.2	61.1	4.1	204	3.2	333	6.7	245	3.8
28,460	67.7	58.1	9.6	533	1.3	1,829	5.4	681	1.6
10,196	67.3	61.8	5.4	320	2.1	699	5.8	351	2.3
12,856	71.2	69.9	1.3	161	0.9	1,833	12.7	687	3.8
4,049	81.0	82.1	-1.1	5	0.1	297	7.5	152	3.0
4,577	70.6	66.5	4.1	136	2.1	506	9.9	93	1.4
11,471	72.6	52.1	20.5	584	3.7	967	7.6	440	2.8
14,333	64.2	57.0	7.2	565	2.5	1,176	6.9	901	4.0
156,273	76.1	69.5	6.5	2,781	1.4	10,588	6.3	7,144	3.5

Appendix A (continued). EITC Profile for Large Metropolitan Cities, 2000–2003

City	EITC Filers 2003	EITC Filers 2003 (%)	EITC Filers 2000	EITC Filers 2000 (%)	Change EITC 2000–03 (%)	EITC Sum 2003 ($1000s)	Average EITC 2003 ($)	EITC % of Refunds 2003
Indianapolis, IN	68,909	19.4	61,516	16.8	2.5	123,659	1,795	63.8
Jacksonville, FL	76,277	22.1	66,082	19.7	2.4	139,900	1,834	63.0
Joliet, IL	7,689	14.5	6,336	13.0	1.5	13,840	1,800	62.7
Kansas, MO	37,989	19.7	35,875	17.8	1.9	67,168	1,768	66.0
Knoxville, TN	14,313	20.1	13,300	18.4	1.7	24,307	1,698	67.4
Las Vegas, NV	35,794	16.6	30,754	14.7	1.9	61,046	1,705	62.7
Little Rock, AR	18,055	22.8	16,295	19.8	3.1	35,306	1,955	69.6
Livonia, MI	2,295	4.6	1,709	3.4	1.3	2,980	1,298	61.4
Long Beach, CA	37,907	21.3	36,395	20.4	0.9	71,430	1,884	74.2
Los Angeles, CA	336,496	23.4	323,476	22.9	0.5	613,667	1,824	79.9
Louisville, KY	27,280	25.7	26,472	23.1	2.7	48,079	1,762	65.6
Madison, WI	8,247	8.4	7,096	7.1	1.2	10,896	1,321	65.7
McAllen, TX	15,556	37.9	13,791	35.3	2.6	35,530	2,284	81.7
Memphis, TN	95,283	36.1	90,870	31.9	4.2	202,591	2,126	67.9
Mesa, AZ	24,292	15.2	20,348	12.9	2.3	41,778	1,720	66.6
Metairie, LA	10,089	15.2	8,463	12.2	2.9	17,477	1,732	70.9
Miami, FL	54,475	36.9	49,972	34.5	2.3	103,859	1,907	80.4
Milwaukee, WI	56,485	23.4	54,289	21.3	2.1	105,940	1,876	69.0
Minneapolis, MN	25,382	15.4	23,271	13.4	2.0	40,082	1,579	70.5
Naperville, IL	2,553	4.2	1,600	2.6	1.6	3,709	1,453	65.4
Nashville-Davidson, TN	47,795	19.2	42,532	16.7	2.4	82,118	1,718	63.5
New Haven, CT	11,291	24.0	10,283	21.7	2.3	19,341	1,713	62.7
New Orleans, LA	68,116	38.5	66,971	36.2	2.3	150,214	2,205	73.1
New York, NY	803,798	24.5	717,200	22.1	2.4	1,471,327	1,830	77.3
Newark, NJ	34,719	35.7	33,783	35.0	0.7	67,103	1,933	65.3
Newport News, VA	19,415	24.4	16,643	21.1	3.3	37,021	1,907	65.0
Norfolk, VA	25,987	27.7	23,350	25.0	2.7	50,008	1,924	66.2
Oakland, CA	26,556	16.7	26,647	15.4	1.3	43,230	1,628	72.8
Oklahoma City, OK	46,167	21.8	41,538	19.5	2.3	85,110	1,844	70.9
Omaha, NE	26,431	15.1	23,061	12.7	2.4	44,855	1,697	64.6
Ontario, CA	14,674	24.6	13,911	24.1	0.5	28,201	1,922	71.5
Orlando, FL	22,617	26.4	19,484	22.6	3.8	43,658	1,930	67.6
Oxnard, CA	13,085	23.4	14,882	23.5	0.0	24,495	1,872	70.9
Philadelphia, PA	158,264	26.9	149,989	24.8	2.1	288,752	1,824	63.8
Phoenix, AZ	91,398	19.2	84,197	17.1	2.1	168,218	1,841	67.2
Pittsburgh, PA	23,358	16.9	23,147	15.7	1.3	37,407	1,601	63.6
Portland, OR	32,050	13.8	28,948	11.5	2.2	46,694	1,457	72.0
Poughkeepsie, NY	2,016	17.2	1,786	15.4	1.8	3,332	1,653	62.4
Providence, RI	18,000	26.5	16,483	24.7	1.8	34,162	1,898	69.6
Raleigh, NC	17,311	13.5	13,584	10.8	2.7	29,577	1,709	67.5
Richmond, VA	20,651	23.9	19,827	22.1	1.9	37,352	1,809	66.2
Riverside, CA	19,712	19.0	18,121	18.7	0.3	36,249	1,839	71.4
Rochester, NY	24,312	28.5	23,307	25.5	3.1	45,267	1,862	69.1
Sacramento, CA	32,103	18.1	31,209	18.1	0.0	57,120	1,779	70.5

EITC Paid Preparer 2003	EITC Paid Preparer 2003 (%)	EITC Paid Preparer 2000 (%)	Change EITC Paid Preparer 2000–03 (%)	EITC Vol. Preparer* 2003	EITC Vol. Preparer 2003 (%)	EITC w/ CDCTC 2003	EITC w/ CDCTC** 2003 (%)	EITC w/Educ. Credit*** 2003	EITC w/ Educ. Credit 2003 (%)
48,202	70.0	69.0	0.9	761	1.1	4,748	8.7	1,600	2.3
54,306	71.2	67.2	4.0	1,206	1.6	7,704	12.5	2,244	2.9
5,659	73.6	72.4	1.2	131	1.7	525	8.5	217	2.8
27,009	71.1	69.1	2.0	549	1.4	2,456	8.1	879	2.3
10,228	71.5	68.0	3.4	197	1.4	684	6.2	244	1.7
26,131	73.0	67.1	5.9	382	1.1	2,698	9.4	812	2.3
13,346	73.9	69.4	4.5	394	2.2	1,448	9.9	643	3.6
1,449	63.1	58.4	4.7	38	1.6	128	7.3	121	5.3
29,637	78.2	70.9	7.3	167	0.4	2,928	9.5	1,256	3.3
274,013	81.4	73.6	7.8	1,707	0.5	21,525	7.9	9,030	2.7
19,326	70.8	71.9	-1.0	772	2.8	1,368	6.4	568	2.1
4,278	51.9	52.3	-0.4	142	1.7	441	7.3	321	3.9
11,988	77.1	67.8	9.2	214	1.4	384	3.0	259	1.7
71,202	74.7	67.0	7.7	1,001	1.1	7,078	9.0	2,414	2.5
15,945	65.6	64.3	1.4	377	1.6	1,588	8.1	885	3.6
6,870	68.1	61.5	6.6	113	1.1	723	9.0	365	3.6
38,972	71.5	59.8	11.7	884	1.6	2,187	5.0	2,032	3.7
40,061	70.9	69.0	1.9	2,936	5.2	2,037	4.5	1,471	2.6
16,674	65.7	61.6	4.1	1,634	6.4	1,434	7.2	923	3.6
1,535	60.1	54.3	5.8	11	0.4	180	9.1	126	4.9
33,786	70.7	67.5	3.2	818	1.7	3,325	8.9	1,162	2.4
8,280	73.3	62.5	10.8	303	2.7	710	7.9	321	2.8
48,880	71.8	65.0	6.7	2,915	4.3	3,383	6.0	2,117	3.1
600,705	74.7	56.8	17.9	14,865	1.8	95,079	14.5	24,544	3.1
27,217	78.4	65.9	12.5	63	0.2	3,697	13.0	1,708	4.9
12,778	65.8	65.5	0.3	445	2.3	1,633	10.4	544	2.8
18,357	70.6	67.9	2.7	460	1.8	1,878	9.0	555	2.1
18,577	70.0	60.4	9.6	958	3.6	1,510	7.2	687	2.6
32,835	71.1	65.2	6.0	1,193	2.6	2,345	6.4	1,063	2.3
17,711	67.0	66.6	0.4	398	1.5	2,465	11.9	768	2.9
11,864	80.9	75.3	5.6	37	0.2	1,044	8.7	428	2.9
16,486	72.9	67.9	5.0	101	0.4	1,432	7.9	604	2.7
10,569	80.8	76.0	4.7	101	0.8	948	8.8	296	2.3
99,958	63.2	54.0	9.1	4,053	2.6	12,766	9.9	4,800	3.0
65,632	71.8	66.5	5.3	1,582	1.7	5,330	7.2	2,269	2.5
14,363	61.5	59.8	1.7	976	4.2	1,146	6.4	712	3.0
17,618	55.0	51.0	3.9	976	3.0	1,847	7.6	885	2.8
1,433	71.1	63.6	7.5	8	0.4	200	12.5	57	2.9
14,854	82.5	62.2	20.3	148	0.8	706	4.9	505	2.8
11,116	64.2	66.0	-1.8	170	1.0	1,782	12.9	612	3.5
13,982	67.7	61.0	6.7	43	0.2	1,661	10.2	433	2.1
14,892	75.6	71.1	4.5	320	1.6	1,376	8.6	629	3.2
17,772	73.1	74.3	-1.2	1,153	4.7	1,591	8.1	519	2.1
22,369	69.7	61.1	8.6	372	1.2	1,990	7.8	764	2.4

Appendix A (continued). EITC Profile for Large Metropolitan Cities, 2000–2003

City	EITC Filers 2003	EITC Filers 2003 (%)	EITC Filers 2000	EITC Filers 2000 (%)	Change EITC 2000–03 (%)	EITC Sum 2003 ($1000s)	Average EITC 2003 ($)	EITC % of Refunds 2003
Salt Lake City, UT	11,236	15.2	9,621	12.5	2.7	18,100	1,611	68.4
San Antonio, TX	135,077	27.3	120,230	24.5	2.8	268,014	1,984	67.9
San Bernardino, CA	22,852	35.0	20,684	34.6	0.4	48,195	2,109	75.0
San Buenaventura, CA	4,910	11.1	4,598	10.3	0.8	7,475	1,522	70.7
San Diego, CA	76,723	14.0	70,639	13.1	0.9	127,747	1,665	70.1
San Francisco, CA	37,974	9.9	31,622	7.6	2.3	46,721	1,230	73.4
San Jose, CA	38,529	10.7	31,285	7.9	2.8	58,932	1,530	69.8
Santa Ana, CA	27,871	24.5	27,791	24.4	0.1	53,073	1,904	71.6
Santa Clara, CA	3,411	7.4	2,231	4.5	3.0	4,557	1,336	67.3
Sarasota, FL	4,222	18.2	3,918	16.4	1.8	7,054	1,671	67.6
Scottsdale, AZ	6,413	6.3	4,959	5.0	1.3	8,228	1,283	70.0
Scranton, PA	5,696	18.1	4,874	15.0	3.1	9,436	1,657	62.8
Seattle, WA	24,161	8.5	22,061	7.3	1.2	29,581	1,224	65.0
Springfield, MA	15,463	26.2	14,020	23.1	3.1	28,043	1,813	66.1
St. Louis, MO	41,691	29.9	42,406	28.4	1.5	79,421	1,905	70.1
St. Paul, MN	18,748	15.8	16,554	13.2	2.6	30,818	1,644	67.7
St. Petersburg, FL	22,958	20.3	21,297	18.3	2.0	40,326	1,757	65.3
Stamford, CT	5,009	8.9	4,155	7.3	1.6	7,394	1,476	66.3
Stockton, CA	22,310	23.6	20,691	22.7	0.8	41,820	1,875	70.4
Sunnyvale, CA	2,993	5.8	2,065	3.5	2.3	3,881	1,297	68.9
Syracuse, NY	14,500	26.8	13,592	24.0	2.8	26,816	1,849	68.5
Tacoma, WA	12,371	16.2	11,783	15.0	1.3	20,831	1,684	64.1
Tampa, FL	31,700	23.6	29,107	21.6	2.0	58,804	1,855	66.5
Thousand Oaks, CA	3,579	6.4	3,087	5.6	0.8	5,266	1,471	79.2
Toledo, OH	28,092	21.4	26,081	18.3	3.1	50,631	1,802	67.1
Tucson, AZ	41,679	21.8	36,722	19.1	2.7	75,321	1,807	69.8
Tulsa, OK	31,501	20.1	28,497	17.2	2.9	55,854	1,773	70.9
Vancouver, WA	9,636	15.1	7,911	12.5	2.5	16,123	1,673	69.7
Virginia Beach, VA	27,108	14.6	23,899	12.3	2.3	46,192	1,704	59.5
Warren, MI	7,683	14.1	6,158	9.2	4.9	12,854	1,673	65.9
Washington, DC	48,933	18.9	48,707	18.5	0.4	82,997	1,696	65.1
Wichita, KS	25,228	17.1	21,310	14.1	3.0	43,430	1,721	65.7
Worcester, MA	12,330	17.0	10,993	14.8	2.2	20,937	1,698	62.5
Youngstown, OH	8,424	28.0	8,291	24.8	3.2	15,957	1,894	70.7
Total – 122 cities	**5,150,771**	**21.7%**	**4,747,068**	**19.6%**	**2.2%**	**9,489,933**	**1,842**	**70.2%**
NATIONAL	**21,431,377**	**16.9%**	**18,843,836**	**14.9%**	**2.0%**	**38,309,902**	**1,788**	**67.4%**

**VITA, Military VITA, or TCE*

***As percentage of estimated EITC recipients with qualifying children; see text*

****Hope or Lifetime Learner credit*

*****Statistics are from the old city of Louisville, pre-merger in 2003*

Source: Brookings Institution analysis of Internal Revenue Service data

EITC Paid Preparer 2003	EITC Paid Preparer 2003 (%)	EITC Paid Preparer 2000 (%)	Change EITC Paid Preparer 2000–03 (%)	EITC Vol. Preparer* 2003	EITC Vol. Preparer 2003 (%)	EITC w/ CDCTC 2003	EITC w/ CDCTC** 2003 (%)	EITC w/Educ. Credit*** 2003	EITC w/ Educ. Credit 2003 (%)
6,583	58.6	54.8	3.8	319	2.8	429	5.0	362	3.2
91,472	67.7	66.9	0.8	7,102	5.3	5,236	4.8	3,226	2.4
18,733	82.0	74.7	7.3	139	0.6	1,334	7.1	573	2.5
3,431	69.9	65.3	4.6	111	2.3	375	9.7	141	2.9
55,877	72.8	65.2	7.6	1,394	1.8	3,577	5.9	2,139	2.8
24,467	64.4	60.0	4.5	1,422	3.7	941	3.4	1,038	2.7
28,827	74.8	65.6	9.2	439	1.1	1,696	5.6	1,188	3.1
22,930	82.3	77.5	4.7	59	0.2	1,812	7.9	560	2.0
2,279	66.8	62.4	4.4	57	1.7	173	6.7	123	3.6
3,046	72.2	70.7	1.4	16	0.4	280	8.6	67	1.6
3,924	61.2	59.1	2.1	95	1.5	420	8.5	228	3.6
3,670	64.4	61.3	3.1	57	1.0	203	4.7	161	2.8
14,182	58.7	50.9	7.8	715	3.0	960	5.6	775	3.2
9,931	64.2	62.1	2.1	379	2.5	980	8.0	318	2.1
31,014	74.4	68.5	5.9	558	1.3	1,692	5.1	824	2.0
12,013	64.1	59.0	5.1	1,216	6.5	1,209	8.2	603	3.2
15,693	68.4	65.5	2.9	579	2.5	1,827	10.3	586	2.6
3,715	74.2	65.1	9.1	75	1.5	336	8.5	161	3.2
16,921	75.8	65.8	10.0	166	0.7	1,015	5.6	336	1.5
1,930	64.5	61.0	3.5	62	2.1	142	6.3	149	5.0
10,476	72.2	69.1	3.2	440	3.0	1,138	9.8	316	2.2
8,074	65.3	60.6	4.6	292	2.4	761	7.9	277	2.2
22,375	70.6	70.6	0.0	268	0.8	2,110	8.5	715	2.3
2,644	73.9	63.9	10.0	10	0.3	214	7.5	86	2.4
18,725	66.7	62.8	3.9	447	1.6	1,391	6.3	615	2.2
27,990	67.2	65.5	1.7	908	2.2	2,256	6.9	1,068	2.6
19,192	60.9	59.0	1.9	3,035	9.6	1,572	6.2	654	2.1
5,709	59.2	54.3	4.9	238	2.5	659	8.6	262	2.7
16,518	60.9	61.8	-0.9	762	2.8	3,090	14.2	1,014	3.7
5,508	71.7	66.6	5.1	16	0.2	399	6.6	205	2.7
33,992	69.5	60.1	9.4	1,284	2.6	5,325	13.7	1,735	3.5
17,166	68.0	66.7	1.4	697	2.8	1,705	8.6	776	3.1
7,984	64.8	56.7	8.1	135	1.1	738	7.6	442	3.6
5,591	66.4	62.6	3.8	141	1.7	223	3.4	120	1.4
3,707,646	**72.0%**	**64.5%**	**7.5%**	**100,161**	**1.9%**	**374,841**	**9.1%**	**146,222**	**2.8%**
15,146,008	**70.7%**	**65.3%**	**5.4%**	**327,050**	**1.5%**	**1,333,171**	**7.8%**	**572,005**	**2.7%**

Appendix B. EITC Profile for Large Metropolitan Suburbs, 2000–2003

City	EITC Filers 2003	EITC Filers 2003 (%)	EITC Filers 2000	EITC Filers 2000 (%)	Change EITC 2000–03 (%)	EITC Sum 2003 ($1000s)	Average EITC 2003 ($)	EITC % of Refunds 2003
Akron, OH	21,994	9.4	17,831	7.6	1.9	33,856	1,539	63.4
Albany-Schenectady-Troy, NY	38,997	11.1	34,143	9.8	1.3	63,396	1,626	63.5
Albuquerque, NM	28,303	21.3	24,973	21.4	-0.1	49,425	1,746	66.8
Allentown-Bethlehem-Easton, PA-NJ	32,341	9.9	26,037	8.2	1.7	50,753	1,569	61.0
Atlanta-Sandy Springs-Marietta, GA	321,344	17.6	257,726	14.9	2.8	600,760	1,870	69.5
Austin-Round Rock, TX	43,595	13.8	33,420	11.5	2.3	76,070	1,745	64.9
Bakersfield, CA	43,722	28.1	40,679	28.0	0.0	87,845	2,009	75.9
Baltimore-Towson, MD	94,271	10.2	83,009	9.0	1.1	153,078	1,624	63.0
Baton Rouge, LA	47,360	22.9	41,413	20.6	2.2	97,187	2,052	71.0
Birmingham-Hoover, AL	63,448	17.8	57,110	16.2	1.6	119,447	1,883	66.6
Boston-Cambridge-Quincy, MA-NH	141,875	8.1	118,433	6.7	1.5	211,790	1,493	63.7
Bridgeport-Stamford-Norwalk, CT	16,361	5.5	13,059	4.3	1.3	22,702	1,388	64.8
Buffalo-Niagara Falls, NY	43,034	10.4	36,616	8.8	1.7	67,592	1,571	62.6
Charleston-North Charleston, SC	45,114	21.2	39,934	19.6	1.6	86,035	1,907	68.7
Charlotte-Gastonia-Concord, NC-SC	67,739	17.5	57,681	15.5	2.1	122,126	1,803	65.8
Chicago-Naperville-Joliet, IL-IN-WI	305,872	10.8	249,545	8.8	2.0	519,154	1,697	64.5
Cincinnati-Middletown, OH-KY-IN	96,421	11.8	80,297	9.8	2.0	162,533	1,686	62.9
Cleveland-Elyria-Mentor, OH	85,263	10.3	70,215	8.2	2.1	139,976	1,642	64.8
Colorado Springs, CO	12,977	14.1	9,022	9.9	4.2	22,468	1,731	64.8
Columbia, SC	49,992	20.3	43,946	18.2	2.2	92,619	1,853	67.4
Columbus, OH	49,951	10.8	39,457	8.7	2.1	82,572	1,653	63.2
Dallas-Fort Worth-Arlington, TX	227,336	15.1	180,247	12.5	2.5	407,027	1,790	65.3
Dayton, OH	39,458	11.7	32,199	9.4	2.3	64,824	1,643	62.2
Denver-Aurora, CO	60,071	9.4	47,532	7.5	1.9	93,293	1,553	66.8
Detroit-Warren-Livonia, MI	152,518	9.7	120,454	7.6	2.1	245,475	1,609	66.2
El Paso, TX	26,706	51.3	22,960	47.6	3.6	62,885	2,355	75.3
Fresno, CA	41,910	27.7	42,208	28.9	-1.2	83,513	1,993	75.2
Grand Rapids-Wyoming, MI	29,410	11.8	23,513	9.4	2.4	48,513	1,650	61.6
Greensboro-High Point, NC	38,628	19.8	33,626	17.1	2.8	69,306	1,794	65.7
Greenville, SC	42,536	18.7	36,929	16.0	2.7	75,081	1,765	67.6
Harrisburg-Carlisle, PA	23,354	9.6	19,588	8.1	1.5	35,526	1,521	57.3
Hartford-West Hartford-East Hartford, CT	39,690	7.8	33,702	6.5	1.3	59,196	1,491	60.4
Honolulu, HI	33,677	14.1	26,265	11.3	2.8	55,749	1,655	59.3
Houston-Baytown-Sugar Land, TX	234,156	17.9	192,270	15.7	2.2	446,169	1,905	68.7
Indianapolis, IN	38,428	10.3	29,883	8.4	1.9	63,035	1,640	61.2
Jacksonville, FL	30,452	14.5	25,611	13.1	1.4	51,032	1,676	62.7
Kansas City, MO-KS	77,048	11.6	63,222	9.6	2.0	127,736	1,658	63.7
Knoxville, TN	31,069	15.0	26,994	13.3	1.7	52,635	1,694	66.6
Las Vegas-Paradise, NV	77,412	16.1	61,913	14.6	1.4	130,802	1,690	61.8
Little Rock-North Little Rock, AR	39,280	20.4	34,055	18.2	2.2	72,155	1,837	67.6
Los Angeles-Long Beach-Santa Ana, CA	566,611	16.9	522,938	15.9	1.0	1,001,500	1,768	75.6
Louisville, KY-IN	61,488	14.1	52,038	12.0	2.1	102,482	1,667	61.8
Madison, WI	12,612	7.9	9,991	6.6	1.4	18,434	1,462	62.8
McAllen-Edinburg-Pharr, TX	95,076	54.2	82,589	51.4	2.8	236,092	2,483	82.0

EITC Paid Preparer 2003	EITC Paid Preparer 2003 (%)	EITC Paid Preparer 2000 (%)	Change EITC Paid Preparer 2000–03 (%)	EITC Vol. Preparer* 2003	EITC Vol. Preparer 2003 (%)	EITC w/ CDCTC 2003	EITC w/ CDCTC** 2003 (%)	EITC w/Educ. Credit*** 2003	EITC w/ Educ. Credit 2003 (%)
13,048	59.3	55.8	3.6	311	1.4	951	3.8	564	2.6
26,805	68.7	66.4	2.3	608	1.6	2,537	7.6	1,004	2.6
17,054	60.3	56.5	3.7	1,315	4.6	1,209	3.3	384	1.4
21,289	65.8	61.8	4.0	317	1.0	1,846	6.2	859	2.7
227,629	70.8	66.0	4.9	1,600	0.5	28,699	10.4	9,129	2.8
27,201	62.4	58.4	4.0	731	1.7	2,818	5.6	906	2.1
33,206	75.9	68.4	7.6	513	1.2	1,973	4.2	514	1.2
60,204	63.9	60.2	3.7	932	1.0	9,888	9.9	3,053	3.2
32,459	68.5	62.0	6.5	307	0.6	2,650	5.3	1,005	2.1
47,042	74.1	67.3	6.8	222	0.4	4,181	6.3	1,672	2.6
93,453	65.9	58.7	7.1	1,685	1.2	8,194	6.4	4,207	3.0
11,431	69.9	55.9	14.0	248	1.5	895	4.4	445	2.7
29,904	69.5	65.0	4.5	571	1.3	2,732	6.0	1,545	3.6
34,767	77.1	76.9	0.2	680	1.5	3,072	7.9	1,033	2.3
53,804	79.4	78.0	1.4	485	0.7	5,615	8.1	1,512	2.2
214,760	70.2	64.4	5.8	3,695	1.2	22,090	6.7	11,064	3.6
65,596	68.0	66.9	1.1	695	0.7	5,040	5.7	2,139	2.2
52,599	61.7	57.3	4.4	1,096	1.3	5,301	5.8	2,563	3.0
7,487	57.7	60.1	-2.4	244	1.9	803	4.4	276	2.1
36,860	73.7	73.3	0.4	412	0.8	4,604	10.4	1,218	2.4
31,435	62.9	62.1	0.8	374	0.7	2,864	4.7	1,150	2.3
156,981	69.1	66.1	2.9	1,518	0.7	16,325	6.3	7,449	3.3
24,171	61.3	59.7	1.6	791	2.0	2,235	5.9	848	2.1
36,742	61.2	58.6	2.6	1,621	2.7	4,156	6.3	1,585	2.6
106,707	70.0	65.0	4.9	1,006	0.7	7,644	4.7	4,748	3.1
20,788	77.8	75.4	2.4	578	2.2	550	1.0	370	1.4
28,223	67.3	55.4	12.0	330	0.8	1,534	2.8	483	1.2
18,870	64.2	61.6	2.6	206	0.7	1,591	5.4	718	2.4
29,098	75.3	74.0	1.3	283	0.7	3,107	8.4	764	2.0
33,975	79.9	79.8	0.1	139	0.3	2,578	7.2	950	2.2
14,365	61.5	59.2	2.3	480	2.1	1,789	8.6	588	2.5
25,263	63.6	57.3	6.3	733	1.8	2,771	7.4	1,221	3.1
20,441	60.7	54.2	6.5	1,191	3.5	2,028	6.0	1,202	3.6
164,223	70.1	64.7	5.4	2,445	1.0	13,815	5.3	7,214	3.1
25,451	66.2	66.1	0.1	351	0.9	2,385	4.3	808	2.1
20,372	66.9	64.4	2.5	442	1.5	2,264	4.8	646	2.1
53,107	68.9	68.2	0.7	1,442	1.9	5,595	7.2	1,959	2.5
21,946	70.6	69.1	1.5	621	2.0	1,405	4.8	480	1.5
55,302	71.4	66.1	5.3	1,064	1.4	5,809	8.0	1,879	2.4
28,511	72.6	69.9	2.7	1,044	2.7	2,615	6.9	825	2.1
439,653	77.6	70.1	7.5	3,460	0.6	38,891	6.6	18,127	3.2
43,707	71.1	71.3	-0.2	879	1.4	3,730	6.3	1,361	2.2
7,997	63.4	60.6	2.8	104	0.8	817	6.6	317	2.5
76,629	80.6	71.8	8.8	603	0.6	1,566	1.9	976	1.0

Appendix B. (continued) EITC Profile for Large Metropolitan Suburbs, 2000–2003

City	EITC Filers 2003	EITC Filers 2003 (%)	EITC Filers 2000	EITC Filers 2000 (%)	Change EITC 2000–03 (%)	EITC Sum 2003 ($1000s)	Average EITC 2003 ($)	EITC % of Refunds 2003
Memphis, TN-MS-AR	54,781	19.8	46,530	17.8	1.9	107,339	1,959	65.7
Miami-Fort Lauderdale-Miami Beach, FL	477,003	22.6	399,642	19.6	3.0	869,496	1,823	72.0
Milwaukee-Waukesha-West Allis, WI	28,812	6.2	22,024	4.7	1.5	41,437	1,438	62.5
Minneapolis-St. Paul-Bloomington, MN-WI	87,551	7.6	66,643	5.8	1.7	131,063	1,497	65.3
Nashville-Davidson--Murfreesboro, TN	55,025	14.8	45,254	12.7	2.1	92,203	1,676	63.9
New Haven-Milford, CT	33,485	9.9	29,264	8.5	1.4	53,277	1,591	62.0
New Orleans-Metairie-Kenner, LA	76,128	24.9	67,681	22.3	2.6	155,728	2,046	71.9
New York-Northern New Jersey-Long Island, NY-NJ-PA	493,751	10.3	433,312	9.0	1.3	812,089	1,645	66.6
Oklahoma City, OK	44,887	17.0	38,673	14.9	2.2	79,021	1,760	68.8
Omaha-Council Bluffs, NE-IA	19,615	10.4	15,396	8.6	1.9	31,803	1,621	60.3
Orlando, FL	151,193	20.1	120,216	17.0	3.1	282,205	1,867	66.8
Oxnard-Thousand Oaks-Ventura, CA	22,479	12.4	18,442	10.9	1.5	37,866	1,684	70.7
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	193,933	9.5	167,626	8.2	1.3	313,103	1,614	62.0
Phoenix-Mesa-Scottsdale, AZ	95,050	13.8	74,744	12.5	1.4	164,895	1,735	65.6
Pittsburgh, PA	113,091	11.5	101,384	10.1	1.4	174,770	1,545	62.4
Portland-Vancouver-Beaverton, OR-WA	65,077	11.1	53,744	9.4	1.8	106,285	1,633	69.7
Poughkeepsie-Newburgh-Middletown, NY	28,967	10.7	25,170	9.5	1.2	49,904	1,723	65.7
Providence-New Bedford-Fall River, RI-MA	73,726	11.1	66,141	10.0	1.2	115,696	1,569	61.8
Raleigh-Cary, NC	35,419	13.3	28,657	11.6	1.7	62,355	1,760	67.1
Richmond, VA	58,783	13.5	50,882	12.0	1.5	100,943	1,717	63.1
Riverside-San Bernardino-Ontario, CA	227,575	19.9	199,418	19.3	0.6	429,882	1,889	73.4
Rochester, NY	42,114	10.9	34,634	8.8	2.1	67,913	1,613	63.6
Sacramento--Arden-Arcade--Roseville, CA	79,244	11.9	70,260	11.1	0.8	130,667	1,649	71.0
Salt Lake City, UT	45,564	13.2	35,385	10.4	2.8	76,643	1,682	66.4
San Antonio, TX	55,177	19.4	46,326	17.6	1.9	104,641	1,896	66.4
San Diego-Carlsbad-San Marcos, CA	104,062	14.2	93,630	13.0	1.2	176,078	1,692	69.3
San Francisco-Oakland-Fremont, CA	101,315	8.1	84,495	6.5	1.6	146,023	1,441	69.4
San Jose-Sunnyvale-Santa Clara, CA	22,364	7.5	18,004	5.7	1.8	32,748	1,464	69.0
Sarasota-Bradenton-Venice, FL	35,662	12.7	30,261	11.4	1.4	58,650	1,645	65.3
Scranton--Wilkes-Barre, PA	29,173	13.0	25,335	11.2	1.9	45,331	1,554	60.3
Seattle-Tacoma-Bellevue, WA	108,415	10.4	89,731	8.6	1.8	171,899	1,586	63.2
Springfield, MA	26,756	10.8	22,780	9.2	1.7	40,566	1,516	64.3
St. Louis, MO-IL	144,533	12.9	126,482	11.2	1.7	248,777	1,721	64.2
Stockton, CA	22,514	15.7	20,000	15.0	0.7	39,475	1,753	69.8
Syracuse, NY	28,542	12.1	24,684	10.4	1.7	46,216	1,619	63.3
Tampa-St. Petersburg-Clearwater, FL	140,096	16.4	117,197	14.3	2.1	238,308	1,701	65.7
Toledo, OH	16,219	9.4	13,012	7.5	1.9	25,555	1,576	61.7
Tucson, AZ	23,907	13.6	20,040	12.2	1.5	41,886	1,752	68.5
Tulsa, OK	37,747	18.7	32,231	16.1	2.6	67,025	1,776	68.1
Virginia Beach-Norfolk-Newport News, VA-NC	62,576	17.4	51,649	15.6	1.9	114,970	1,837	64.4
Washington-Arlington-Alexandria, DC-VA-MD-WV	203,949	10.3	171,533	9.0	1.3	334,505	1,640	65.8

EITC Paid Preparer 2003	EITC Paid Preparer 2003 (%)	EITC Paid Preparer 2000 (%)	Change EITC Paid Preparer 2000–03 (%)	EITC Vol. Preparer* 2003	EITC Vol. Preparer 2003 (%)	EITC w/ CDCTC 2003	EITC w/ CDCTC** 2003 (%)	EITC w/Educ. Credit*** 2003	EITC w/ Educ. Credit 2003 (%)
40,979	74.8	71.5	3.3	308	0.6	4,566	5.5	1,167	2.1
345,369	72.4	64.4	8.0	5,445	1.1	32,181	8.1	22,478	4.7
17,092	59.3	57.9	1.4	597	2.1	1,596	3.4	988	3.4
54,930	62.7	58.7	4.1	2,830	3.2	8,806	10.5	3,135	3.6
40,441	73.5	74.0	-0.5	305	0.6	3,380	5.2	961	1.7
23,489	70.1	60.2	10.0	339	1.0	1,890	6.2	991	3.0
53,122	69.8	63.3	6.5	899	1.2	4,283	4.5	2,280	3.0
374,566	75.9	64.6	11.3	3,286	0.7	38,774	6.3	19,499	3.9
29,886	66.6	61.9	4.7	929	2.1	2,556	4.9	1,072	2.4
12,947	66.0	66.8	-0.8	539	2.7	2,039	7.6	540	2.8
105,216	69.6	65.6	4.0	862	0.6	10,505	8.1	3,951	2.6
17,391	77.4	72.6	4.7	193	0.9	1,534	5.6	640	2.8
127,903	66.0	61.1	4.8	2,337	1.2	14,950	7.0	6,396	3.3
63,562	66.9	63.5	3.3	1,629	1.7	6,217	5.1	2,789	2.9
69,922	61.8	59.0	2.8	1,552	1.4	3,575	3.8	3,033	2.7
35,250	54.2	49.8	4.3	1,530	2.4	4,809	7.8	1,509	2.3
20,505	70.8	63.6	7.2	186	0.6	1,990	8.3	719	2.5
51,982	70.5	62.1	8.4	737	1.0	4,534	7.3	2,035	2.8
23,890	67.4	66.9	0.5	209	0.6	2,962	8.5	881	2.5
37,408	63.6	60.4	3.3	530	0.9	5,336	9.7	1,295	2.2
172,668	75.9	68.6	7.3	2,812	1.2	14,227	6.8	6,170	2.7
28,199	67.0	66.9	0.1	748	1.8	2,327	5.7	1,287	3.1
52,841	66.7	59.5	7.2	1,155	1.5	5,081	7.0	1,939	2.4
27,479	60.3	57.6	2.7	766	1.7	2,360	5.9	1,439	3.2
35,765	64.8	62.9	1.9	1,649	3.0	2,514	2.5	1,203	2.2
75,778	72.8	66.3	6.5	2,499	2.4	5,727	5.2	2,570	2.5
68,205	67.3	60.8	6.5	2,389	2.4	5,325	5.2	2,997	3.0
15,221	68.1	60.0	8.0	352	1.6	912	2.8	585	2.6
24,912	69.9	68.4	1.4	339	1.0	2,605	8.9	610	1.7
18,940	64.9	59.7	5.2	157	0.5	1,083	4.4	894	3.1
67,232	62.0	57.1	4.9	2,720	2.5	6,957	7.1	2,609	2.4
16,132	60.3	56.3	3.9	463	1.7	1,383	4.9	607	2.3
101,051	69.9	68.1	1.8	2,046	1.4	9,064	6.8	3,825	2.6
16,322	72.5	62.9	9.6	198	0.9	939	3.3	350	1.6
19,423	68.1	65.5	2.6	439	1.5	1,338	5.1	919	3.2
93,673	66.9	64.7	2.2	1,527	1.1	9,842	7.4	3,113	2.2
9,636	59.4	57.7	1.7	181	1.1	684	2.8	357	2.2
15,535	65.0	65.4	-0.4	701	2.9	1,331	3.7	591	2.5
24,852	65.8	62.6	3.2	1,553	4.1	1,762	4.4	655	1.7
39,503	63.1	62.1	1.0	975	1.6	5,216	6.8	1,723	2.8
135,651	66.5	58.2	8.3	2,112	1.0	19,504	10.7	8,464	4.2

Appendix B. (continued) EITC Profile for Large Metropolitan Suburbs, 2000–2003

City	EITC Filers 2003	EITC Filers 2003 (%)	EITC Filers 2000	EITC Filers 2000 (%)	Change EITC 2000–03 (%)	EITC Sum 2003 ($1000s)	Average EITC 2003 ($)	EITC % of Refunds 2003
Wichita, KS	12,784	12.4	9,912	9.7	2.7	21,442	1,677	63.7
Worcester, MA	24,171	8.7	20,536	7.4	1.3	36,743	1,520	61.4
Youngstown-Warren-Boardman, OH-PA	32,849	13.7	28,968	11.6	2.1	54,801	1,668	65.0
Total – 88 metropolitan suburbs	**7,504,964**	**13.3%**	**6,353,199**	**11.4%**	**1.8%**	**12,996,064**	**1,732**	**67.3%**

Suburbs include all metropolitan territory located outside cities listed in Appendix A
**VITA, Military VITA, or TCE*
***As percentage of estimated EITC recipients with qualifying children; see text*
****Hope or Lifetime Learner credit*
Source: Brookings Institution analysis of Internal Revenue Service data

EITC Paid Preparer 2003	EITC Paid Preparer 2003 (%)	EITC Paid Preparer 2000 (%)	Change EITC Paid Preparer 2000–03 (%)	EITC Vol. Preparer* 2003	EITC Vol. Preparer 2003 (%)	EITC w/ CDCTC 2003	EITC w/ CDCTC** 2003 (%)	EITC w/Educ. Credit*** 2003	EITC w/ Educ. Credit 2003 (%)
8,517	66.6	66.3	0.3	273	2.1	825	4.0	317	2.5
15,027	62.2	57.3	4.9	164	0.7	1,416	6.0	474	2.0
21,337	65.0	61.4	3.5	408	1.2	954	3.2	779	2.4
5,240,305	**69.8%**	**64.6%**	**5.2%**	**90,240**	**1.2%**	**503,023**	**6.5%**	**222,597**	**3.0%**

Endnotes

1. Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, *The State of Working America 2004/2005* (Ithaca, NY: Cornell University Press, 2005).

2. Anne Kim and Jeff Lemieux, "2001 Tax Cut Contains Tax Breaks for Working Families" (Washington: Progressive Policy Institute, 2001).

3. Elizabeth McNichol and Makeda Harris, "Many States Cut Budgets as Fiscal Squeeze Continues" (Washington: Center on Budget and Policy Priorities, 2004).

4. States introducing a refundable EITC included Illinois (which converted from a nonrefundable credit) Indiana, and Oklahoma. Those expanding refundable EITCs included Kansas, Maryland, Massachusetts, New Jersey, New York, and the District of Columbia. Bob Zahradnik, Nicholas Johnson, and Michael Mazerov, "State Income Tax Burdens on Low-Income Families: Assessing the Burdens and Opportunities for Relief" (Washington: Center on Budget and Policy Priorities, 2001); Joseph Llobrera and Bob Zahradnik, "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2004" (Washington: Center on Budget and Policy Priorities, 2004).

5. Alan Berube, "EITC Outreach Campaigns." Presentation to the EITC Funders Network, Chicago, June 21, 2004.

6. "SPEC Return Information Database: Technical Documentation and Data Dictionary" (IRS W&I Research Group 2, July 2004).

7. The maximum credit in tax year 2003 for families with one qualifying child was $2,547, and $4,204 for families with more than one qualifying child.

8. Steve Holt, "The EITC at Age 30: What We Know" (Washington: Brookings Institution, 2006).

9. A very small tax credit to help economically displaced workers purchase health insurance is also refundable; 17,000 taxpayers claimed credits totaling $33 million in 2003. IRS Statistics of Income, "Table 3.3—2003, Individual Income Tax, All Returns: Tax Liability, Tax Credits, and Tax Payments, by Size of Adjusted Gross Income," available at **www.irs.gov/pub/irs-soi/03in33ar.xls** (December 2005).

10. To claim this credit, taxpayers must file IRS form 8812, "Additional Child Tax Credit."

11. All are metropolitan statistical areas (MSAs) defined by the Office of Management and Budget as of June 2003.

12. These 122 cities include those that are the first city named in the MSA name; or are named elsewhere in the MSA name and had a population of at least 100,000 in 2000. Paradise, NV, an unincorporated township in the Las Vegas-Paradise MSA is collapsed into the city of Las Vegas for this analysis. Newark, NJ, was also identified as a city in the New York-Northern New Jersey-Long Island, NY-NJ-CT-PA MSA.

13. The MABLE/Geocorr2k website at the Missouri Census Data Center (**http://mcdc2.missouri.edu/websas/geocorr2kt.html**) provided the correspondence between 2000 ZIP code tabulation areas and 2000 census blocks.

14. Based on analysis of data from IRS Statistics of Income (SOI) division. SOI-reported data on the EITC differ slightly from those contained in the SPEC database; therefore the presentation of data in this report is confined wherever possible to those reported by SPEC.

15. Wages in the bottom 30 percent of the wage distribution increased faster from 1995 to 2000 than wages in any other part of the distribution. Mishel, Bernstein, and Allegretto, *The State of Working America*.

16. William Frey, "Metro America in the New Century: Metropolitan and Central City Demographic Shifts Since 2000" (Washington: Brookings Institution, 2005).

17. ZIP codes contain on average 9,000 people, but vary in size and population. In densely populated areas, they may span 15 to 20 city blocks, while in remote rural areas they may spread over a significant portion of a county. Thus, they are larger than the census tracts that typically form the basis for research on concentrated poverty. See Paul Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s." In A. Berube, B. Katz, and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000, Volume II* (Washington: Brookings Institution, 2005).

18. The number of taxpayers living in these ZIP codes with high rates of working poor increased by 34 percent between 2000 and 2003 (from 1.95 million to 2.61 million), while the number of ZIP codes meeting the 40 percent threshold increased by 26 percent (from 1,402 to 1,761).

19. Notably, however, labor force participation and employment rates among never-married mothers—many of whom have earnings in the EITC-eligible range—remained fairly stable between 2000 and 2002, which likely contributed to increasing EITC receipt. Gary Burtless, "The Labor Force Status of Mothers Who Are Most Likely to Receive Welfare: Changes Following Reform" (Washington: Brookings Institution, 2004).

20. Beginning in 2005, the adjusted gross income at which the EITC begins to phase out for joint filers is $2,000 higher than for single or head-of-household filers; the amount will increase again in 2008 to $3,000.

21. SB/SE Research, "Participation in the Earned Income Tax Credit for Tax Year 1996" (Internal Revenue Service, 2002).

22. The parameters of the EITC itself—the income amounts at which the "plateau" begins and ends—are updated annually to reflect inflation.

23. Analysis of data from IRS Statistics of Income (SOI) division.

24. In 2003, the average amount of EITC received and the percentage of EITC recipients with adjusted gross incomes under $15,000 exhibited a positive, though not strong, correlation at the ZIP code level (R = 0.08).

25. This figure counts both EITC amounts used to offset tax and amounts refunded to recipients toward the credit's overall contribution to tax refunds because each dollar of tax the EITC offsets effectively increases tax refunds by one dollar (and refunds here are measured net of balances due).

26. Analysis of data collected from the National Tax Assistance for Working Families campaign, compiled by Steve Holt for the Annie E. Casey Foundation.

27. Other IRS statistics indicate that roughly $5.6 billion in ACTC was claimed by taxpayers with

incomes under $35,000 in 2003, a group likely to overlap substantially with taxpayers claiming the EITC. IRS Statistics of Income, "Table 3.3." The requirements for claiming the EITC and ACTC differ slightly, however. To claim the EITC, taxpayers must furnish a Social Security number for themselves and their qualifying children; ACTC claimants may use an Individual Taxpayer Identification Number (ITIN). A qualifying child for purposes of the EITC must be under age 19, or under age 24 and a full-time student, or disabled and of any age. For purposes of the ACTC, a qualifying child must be under age 17.

28. C. Eugene Steuerle, "Tax Simplification." Testimony before the House Subcommittee on Oversight, Committee on Ways and Means, July 17, 2001.

29. William Gale, "Tax Preparer Usage Rises Significantly Since 1981," available at **www.taxpolicycenter.org/Uploaded-PDF/1000690_TaxFacts_092004.pdf** (December 2005). The percentages cited in this report differ from those reported by Gale as they are derived from data extracted from a different IRS database.

30. Recent tax law changes have sought to harmonize the definition of "child" for purposes of these tax provisions, but important differences remain. See, e.g., National Community Tax Coalition, "(There Is No Such Thing as) Uniform Definition of Child," available at **www.tax-coalition.org** (January 2006).

31. Alan Berube, "¿Tienes EITC? A Study of the Earned Income Tax Credit in Immigrant Communities" (Washington: Brookings Institution, 2005).

32. National Taxpayer Advocate, *2005 Annual Report to Congress* (Internal Revenue Service, 2005).

33. For evidence of this pricing scheme, see Alan Berube and others, "The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC" (Washington: Brookings Institution and Progressive Policy Institute, 2002).

34. The lower adjusted gross income threshold for this group was $34,678 in 2003 and $31,152 in 2000 (the income ceilings for EITC eligibility in each year for families with two children).

35. About 38 percent of EITC returns in 2003 were accompanied by a preparer request for the "debt indicator," a tool that preparers and their partner banks use in underwriting refund loans— the same percentage as in 2002. Chi Chi Wu, "Corporate Welfare for the RAL Industry: The Debt Indicator, IRS Subsidy, and Tax Fraud" (Boston: National Consumer Law Center, 2005).

36. This does not mean that greater usage of tax preparers *caused* greater use of RALs among EITC recipients, or vice versa, but merely that the trends in these two measures at the local level are correlated.

37. Across all 122 cities, the correlation between the change in the share of taxpayers receiving the EITC and the change in the share of EITC recipients using a paid preparer between 2000 and 2003 was -0.03.

38. A significant, though not strong, relation exists at the county level between the increase in the proportion of EITC recipients using paid preparers between 2000 and 2003 and the proportion of those filers who have incomes over $10,000, which puts them into the eligibility range for the ACTC. This signals that, at the margin, the availability of the ACTC and associated complexity may have induced more EITC recipients to seek assistance in filing their returns.

39. The numbers reported by IRS may undercount total returns prepared by volunteer programs, although such undercounts are probably smaller than in previous years when most volunteer returns were completed on paper. See Michael O'Connor, "Tax Preparation Services for Lower-Income Filers: A Glass Half Full, or Half Empty?" *Tax Notes* 5 (106) (January 5, 2001). Comparing the IRS data to data collected by volunteer return preparation programs that participated in the National Tax Assistance for Working Families campaign in 2004 indicates that the IRS may understate EITC returns filed by volunteer programs in Baltimore, MD; Louisville, KY; San Diego, CA: and Tulsa, OK. Steve Holt, "National Tax Assistance for Working Families Campaign: Report to the Annie E. Casey Foundation, 2004 Data" Baltimore: Casey Foundation)..

40. One study from 2002 (prior to the most significant recent expansion in EITC recipients' use of paid preparers) finds that some low-income parents who used a tax preparer were less likely to know about the EITC than those who received no assistance, but that among those who had heard of the credit, those who used a preparer were more likely to report having received the credit. Elaine Maag, "Paying the Price? Low-Income Parents and the Use of Paid Tax Preparers" (Washington: Urban Institute, 2005).

41. Gregory Acs and Austin Nichols, "Working to Make Ends Meet: Understanding the Income and Expenses of America's Low-Income Families" (Washington: Urban Institute, 2005). The figures include all families with incomes under 200 percent of the applicable poverty threshold and with children under age 18, a group that mirrors closely those eligible for the EITC with qualifying children.

42. This is the equivalent of full-time, year-round work at $13 per hour. Leonard E. Burman, Elaine Maag, and Jeffrey Rohaly, "Tax Credits to Help Low-Income Families Pay for Child Care" (Washington: Urban-Brookings Tax Policy Center, 2005).

43. This calculation implicitly assumes that all EITC recipients who also received the CDCTC claimed the EITC for workers with qualifying children.

44. Our data do not distinguish among EITC recipients with no, one, and two or more qualifying children. This paper uses the number of EITC filers who use a form 1040 or 1040A, combined with other IRS data on the number of EITC filers claiming qualifying children, to derive a proxy for the number of EITC recipients with qualifying children. Taxpayers claiming the EITC for childless workers may use form 1040EZ (and those claiming qualifying children may not).

45. In 2002, black and Hispanic children of preschool age with employed mothers showed very little difference in their propensity to be in family-based versus center-based child care according to U.S. Census Bureau, Survey of Income and Program Participation data. However, it may be that among families receiving the EITC, a greater proportion of Hispanic children than black children are cared for by a nonemployed parent, thus making the CDCTC more valuable in general to black families.

46. Sixty-nine of the 122 cities studied are located in states (or the District of Columbia) that offer their own income tax credits for child care expenses; in these cities, 10 percent of estimated EITC recipients with qualifying children claim the CDCTC, compared with 8 percent in the other 53 cities. The availability of these state-level credits may correlate

with other factors that influence federal CDCTC eligibility or take-up among EITC recipients, however.

47. Between 2000 and 2003, the number of low-income single women with children reporting unemployment insurance income at any point in the year rose by 164,000. Hoffman and Seidman find that these households account for 46 percent of EITC-eligible filers, implying that the number receiving the EITC rose by 1.2 million between 2000 and 2003. Assistant Secretary for Planning and Evaluation, "Receipt of Unemployment Insurance Among Low-Income Single Mothers" (Department of Health and Human Services, 2005); Saul Hoffman and Laurence Seidman, *Helping Working Families: The Earned Income Tax Credit* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2003).

48. See Sharon Parrott, Arloc Sherman, and Bradley Hardy, "House Budget Resolution Would Require Much Deeper Cuts in Key Low-Income Programs than Senate Budget Plan" (Washington: Center on Budget and Policy Priorities, 2005).

49. President's Advisory Panel on Tax Reform, *Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System* (Government Printing Office, 2005).

50. S. 832, the *Taxpayer Protection and Assistance Act of 2005,* would authorize such an appropriation.

51. Matthew Fellowes and Alan Berube, "Leaving Money (and Food) on the Table: Food Stamp Participation in Major Metropolitan Areas and Counties" (Washington: Brookings Institution, 2005).

52. Hannah Matthews and Danielle Ewen, "Child Care Assistance in 2004: States Have Fewer Funds for Child Care" (Washington: Center on Law and Social Policy, 2005).

53. Karen Schulman and Helen Blank, "Child Care Assistance Policies 2005: States Fail to Make Up Lost Ground, Families Continue to Lack Critical Supports" (Washington: National Women's Law Center, 2005).

54. Sharon Parrot, Edwin Park, and Robert Greenstein, "Assessing the Effects of the Budget Conference Agreement on Low-Income Families and Individuals" (Washington: Center on Budget and Policy Priorities, 2006).

55. Leonard E. Burman, Elaine Maag, and Jeffrey Rohaly, "Tax Subsidies to Help Low-Income Families Pay for Child Care" (Washington: Urban-Brookings Tax Policy Center, 2005).

56. Importantly, making the CDCTC refundable would not necessarily induce greater error in credit claims. Taxpayers must furnish a taxpayer identification number for the child care provider to claim the credit. In addition, virtually no taxpayers would file a return solely to claim a refundable CDCTC. For a more detailed discussion, see Burman, Maag, and Rohaly, "Tax Subsidies to Help Low-Income Families Pay for Child Care."

57. A family that claims the CDCTC reduces the tax it owes. As a result, a smaller portion of the family's Child Tax Credit is used to reduce tax owed, and a larger portion can be refunded to the family. For an example, see Center on Budget and Policy Priorities, "Facts About Tax Credits for Working Families" (2005).

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