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*The Earned Income Tax Credit (EITC): Percentage of Total
Tax Returns and Credit Amount by State*

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Abstract. The earned income tax credit (EITC), established in the tax code in 1975, provides cash assistance to lower income working parents and individuals through the tax system. In tax year 2004, total EITC (EITC applied against tax liability and refunded EITC) was \$40.7 billion, with 22.4 million tax returns claiming the EITC. Geographically, the four largest states in terms of population - California, Texas, Florida, and New York - had 35.1% of all federal tax returns claiming an EITC and 35.8% of the total EITC amount. States with a higher percentage of federal tax returns claiming the EITC were located in the South, with Mississippi (32.1%) and Louisiana (28.9%) having the highest percentage of federal tax returns claiming the EITC.

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The Earned Income Tax Credit (EITC): Percentage of Total Tax Returns and Credit Amount by State

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Summary

The earned income tax credit (EITC), established in the tax code in 1975, provides cash assistance to lower income working parents and individuals through the tax system. In tax year 2004, total EITC (EITC applied against tax liability and refunded EITC) was \$40.7 billion, with 22.4 million tax returns claiming the EITC. Geographically, the four largest states in terms of population — California, Texas, Florida, and New York — had 35.1% of all federal tax returns claiming an EITC and 35.8% of the total EITC amount. States with a higher percentage of federal tax returns claiming the EITC were located in the South, with Mississippi (32.1%) and Louisiana (28.9%) having the highest percentage of federal tax returns claiming the EITC. This report will be updated when new data become available.

The Earned Income Tax Credit (EITC)¹

The earned income tax credit (EITC) is a refundable tax credit available to eligible workers earning relatively low wages. Under current law, two categories of EITC recipients exist: childless adults and families with children. Because the credit is refundable, an EITC recipient need not owe taxes to receive the benefits. Eligibility for, and the size of, the EITC is based on income, age (25 or older but less than 65 years of age), residence (U.S. resident unless military stationed overseas), and the presence of qualifying children.

The distribution of federal tax returns claiming the EITC by state can be shown in two simple ways. First, the largest four states in terms of population — California, Texas, Florida, and New York — had the largest number of federal tax returns claiming the EITC and the largest share of the total EITC amount. These four states accounted for 35.1% of

¹ A more detailed description of EITC eligibility and the calculation of the credit are in CRS Report RL31768, *The Earned Income Tax Credit (EITC): An Overview*, by Christine Scott.

all federal tax returns claiming the EITC and 35.8% of the total EITC amount in tax year 2004. Alternatively, the distribution can be shown using the percentage of federal total tax returns filed from a state claiming the EITC. In tax year 2004, for the United States (the sum of all states and the District of Columbia, not including outlying areas), 17.0% of total federal income tax returns claimed an EITC, with an average EITC of \$1,816.61.

The Percentage of Tax Returns Claiming the EITC

The percentage of federal tax returns filed from a state claiming the EITC is an indicator of the dependence of state residents on the EITC. It can also be viewed as an indicator of the relative income of states. States with a higher proportion of lower income working residents (particularly those with children) will have a higher percentage of federal tax returns filed from the state claiming the EITC. For tax year 2004, the District of Columbia and 18 states had a share of federal tax returns claiming the EITC that was greater than or equal to the U.S. average (for all states and the District of Columbia) of 17.0%. Thirty-two states had a percentage of federal tax returns with an EITC that was lower than the U.S. average.²

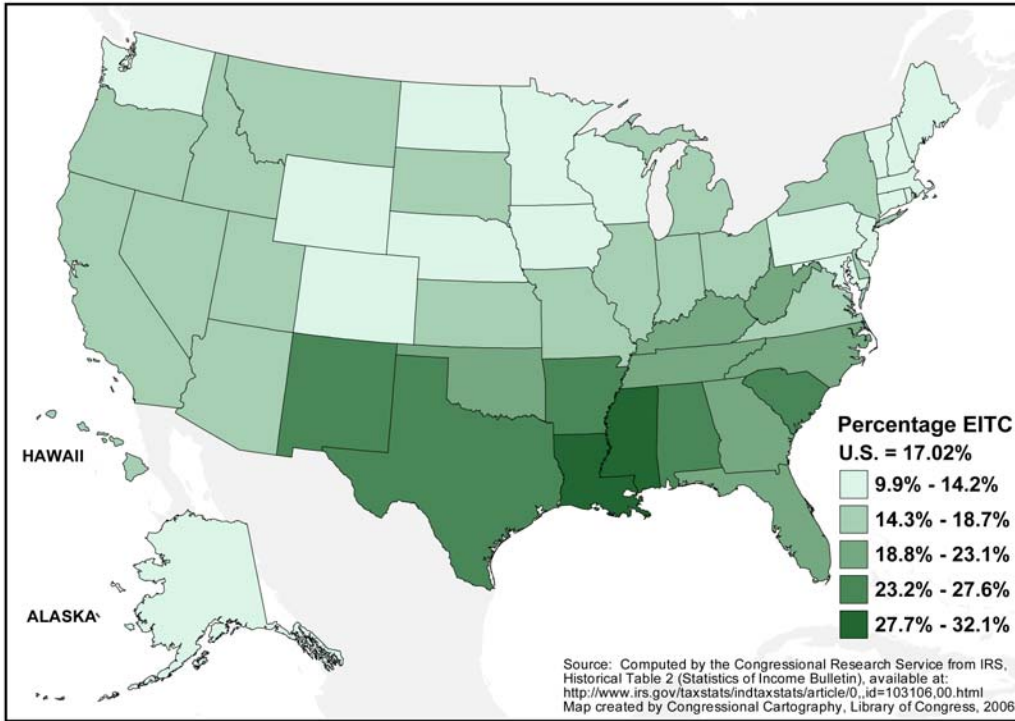
The percentage of federal tax returns claiming an EITC ranged from a low of 9.9% in New Hampshire to a high of 32.1% in Mississippi. **Map 1** shows a graphical presentation of the percentage of federal tax returns claiming the EITC by state. **Table 1** provides data on the number of federal tax returns filed by state and the percentage of federal tax returns claiming an EITC by state in tax year 2004.

The Average Amount of the EITC

The amount of the EITC depends upon income and the number of qualifying children. For tax year 2004, the maximum EITC for individuals and married couples was \$390 with no qualifying children, \$2,064 with one qualified child, and \$4,300 for two or more qualifying children. However, these maximum credit amounts are only for individuals and couples with incomes below the levels at which the credit begins to phase out. For tax year 2004, the income level at which the EITC began to phase out was \$6,390 if the tax filer had no qualifying children and \$14,040 if the tax filer had one or more qualifying children. For married tax filers filing a joint return, the income levels were \$1,000 higher. Tax filers received no EITC in tax year 2004 if they had an adjusted gross income of more than \$11,490 with no children, \$30,338 (\$31,338 if married) with one child, and \$34,458 (\$35,458 if married) with two or more children. **Map 2** shows a graphical presentation of the average EITC amount by state.

² All percentages and dollar amounts in this report were prepared by the Congressional Research Service using Internal Revenue Service's Historical table 2 (Statistics of Income Bulletin) for all states and the United States, available at [<http://www.irs.gov/pub/irs-soi/04in54cm.xls>]. EITC includes the EITC applied against tax liability and the excess (refunded) EITC.

Map 1. Percentage of Tax Year 2004 Tax Returns with an Earned Income Tax Credit, by State



Map 2. The Average Earned Income Tax Credit Amount for Tax Year 2004, by State

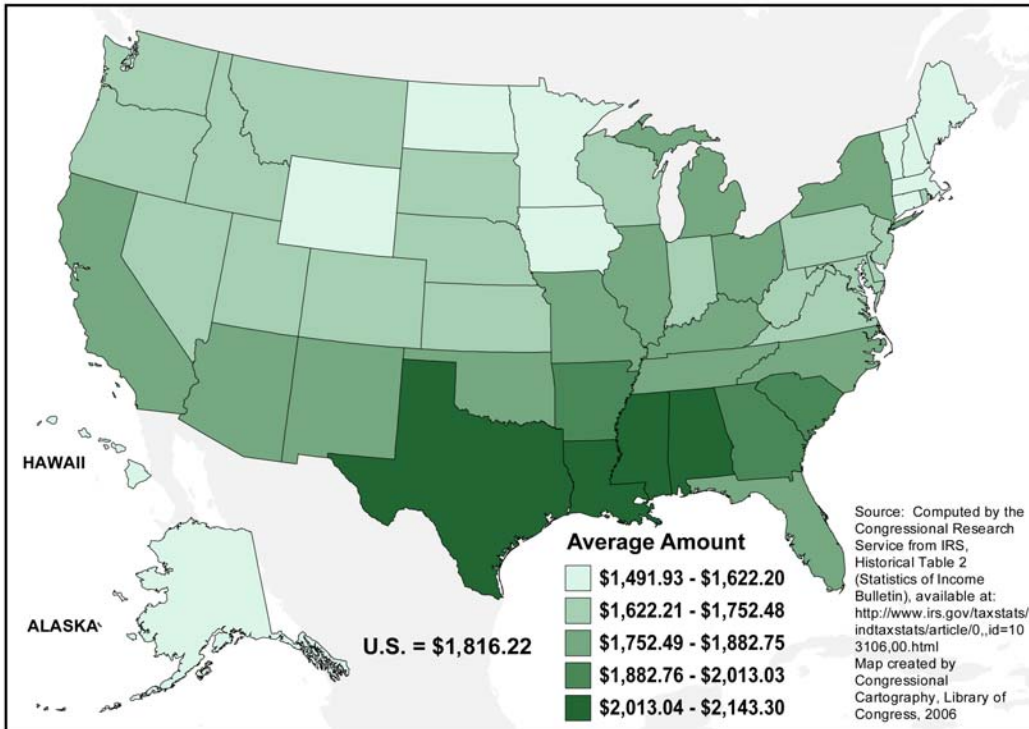


Table 1. Total Number of Tax Returns, Percentage of Federal Tax Returns Claiming an Earned Income Tax Credit (EITC), and Average EITC by State, Tax Year 2004

	Number of Federal Tax Returns	Percentage of Federal Tax Returns Claiming the EITC	Average EITC^a
Alabama	1,910,403	25.7%	\$2,083.52
Alaska	345,209	11.8	1,527.60
Arizona	2,372,519	17.2	1,813.15
Arkansas	1,136,031	24.8	1,938.93
California	15,327,238	16.4	1,775.02
Colorado	2,110,355	12.8	1,627.89
Connecticut	1,665,154	10.2	1,608.43
Delaware	395,657	14.7	1,750.03
District of Columbia	277,884	18.0	1,725.99
Florida	8,173,271	19.8	1,816.56
Georgia	3,782,867	22.9	2,001.57
Hawaii	606,129	14.6	1,594.50
Idaho	594,282	17.4	1,732.28
Illinois	5,762,889	15.1	1,817.03
Indiana	2,854,911	15.2	1,740.50
Iowa	1,334,499	13.0	1,615.21
Kansas	1,229,497	14.5	1,711.95
Kentucky	1,757,624	19.7	1,763.12
Louisiana	1,869,153	28.9	2,143.30
Maine	618,852	14.1	1,582.82
Maryland	2,635,590	13.3	1,709.19
Massachusetts	3,061,220	10.3	1,571.31
Michigan	4,561,087	14.5	1,763.87
Minnesota	2,407,792	11.0	1,562.35
Mississippi	1,165,951	32.1	2,129.79
Missouri	2,585,513	17.2	1,765.92
Montana	439,714	17.0	1,648.58
Nebraska	808,780	13.8	1,690.85
Nevada	1,092,600	15.0	1,684.36
New Hampshire	643,076	9.9	1,535.66
New Jersey	4,107,118	12.1	1,726.92
New Mexico	827,182	24.1	1,826.27
New York	8,625,432	17.5	1,774.26
North Carolina	3,769,920	20.3	1,871.83
North Dakota	305,030	13.1	1,611.43
Ohio	5,447,064	14.7	1,755.28
Oklahoma	1,476,128	21.4	1,849.53
Oregon	1,604,383	14.4	1,631.29
Pennsylvania	5,811,227	13.5	1,666.53
Rhode Island	500,314	13.3	1,702.78

	Number of Federal Tax Returns	Percentage of Federal Tax Returns Claiming the EITC	Average EITC ^a
South Carolina	1,844,497	23.4	1,911.35
South Dakota	362,240	15.4	1,656.80
Tennessee	2,606,931	21.2	1,852.89
Texas	9,431,995	23.5	2,030.83
Utah	996,414	14.4	1,743.63
Vermont	306,271	12.6	1,491.93
Virginia	3,491,196	14.3	1,747.99
Washington	2,860,940	12.7	1,653.12
West Virginia	747,838	19.4	1,702.65
Wisconsin	2,621,165	11.4	1,626.33
Wyoming	243,718	13.9	1,612.45
U.S. Total	1,579,815	17.0%	\$1,816.22

Source: Table Prepared by the Congressional Research Service from Internal Revenue Service, Historical table 2 (Statistics of Income Bulletin), available at [<http://www.irs.gov/pub/irs-soi/04in54cm.xls>].

a. Earned income tax credit is total EITC and reflects both the portion applied against tax liability and any excess refunded to tax filers.