CENTER ON BUDGET AND POLICY PRIORITIES

September 14, 1998

RISING NUMBER OF STATES OFFER EARNED INCOME TAX CREDITS
In the Last Two Years, Five States Have Enacted New State EITCs or Expanded Existing Credits

by Nicholas Johnson and Ed Lazere

The Earned Income Tax Credit — a credit for low- and moderate-income working families — is attracting increased interest among policymakers at the state level. Since 1997, five states have enacted new Earned Income Tax Credits or expanded existing state EITCs. Kansas, Massachusetts and Oregon have enacted new EITCs. Minnesota and Maryland substantially expanded existing EITCs.

Altogether, 10 states now offer EITCs. Such credits have gained support across the political spectrum. EITCs have been enacted in states led by Republicans, in states led by Democrats, and in states with bipartisan leadership. The credits are supported by businesses as well as by social service advocates. Several developments explain the popularity of state EITCs in the late 1990s.

- Despite the current economic expansion, many children in families with working parents remain poor. State EITCs can help reduce poverty among workers with children.

- With large numbers of welfare recipients entering the workforce, state EITCs complement welfare reform by helping low-wage workers support their families as they leave public assistance.

- A number of states are responding to strong fiscal conditions by enacting tax cuts. Enacting a state EITC is a way to ensure that low- and moderate-income families share in the benefits of those tax cuts. This is particularly important because most states levy substantial taxes, including sales and property taxes, on the poor.

State EITCs are based on the federal Earned Income Tax Credit. The federal EITC was established in 1975 to offset the adverse effects of Social Security and Medicare payroll taxes on working-poor families and to strengthen work incentives. Since then it has been expanded several times to offset further the effects of federal taxes on low-income families and to assist welfare recipients who are joining the workforce and others attempting to support a family on low wages. Support for the EITC has come from across the political spectrum, with conservatives such as former President Ronald Reagan among its strong supporters; Reagan called the EITC "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress."[1]

State Earned Income Tax Credits

Refundable credits
Kansas
Maryland
Massachusetts
Minnesota
New York
Wisconsin
Vermont

Non-refundable credits
Iowa
Oregon
Rhode Island

The federal EITC is a refundable credit that is administered through the income tax. Because it is refundable, a family receives the full amount of its credit even if the credit amount is greater than its income tax liability. The amount by which the credit exceeds taxes owed is paid as a refund. If a family has no income tax liability, the family receives the entire EITC as a refund.

The effectiveness of the federal EITC both in supporting work and in alleviating child poverty has been confirmed by a number of recent studies. The EITC now lifts more than four million people — including over two million children — out of poverty each year; it is the nation's most effective antipoverty program for working families. The EITC has received international acclaim as a successful anti-poverty tool, so much so that a number of countries are considering adopting similar credits. In addition, recent research shows that the credit has contributed to a significant increase in labor force participation among single mothers.

State EITCs further the goals of the federal EITC in three key ways.

- State EITCs support welfare reform by further boosting the incomes of families that move from welfare to work.

- State EITCs reduce poverty among working families. Even with the substantial expansions of the federal EITC and the minimum wage in recent years, millions of working families fall into poverty. EITCs can help combat persistently high poverty rates among children.

- State EITCs relieve state and local taxes on poor families. Most state tax systems rely heavily on regressive sales and excise taxes, and nearly half of the states impose an income tax on working-poor families. State EITCs help prevent states from taxing families deeper into poverty.

[1] "Sweeping Tax Overhaul Now the Law," *Chicago Tribune*, October 23, 1986.

Creating a state EITC is relatively simple. Nine of the 10 state EITCs piggyback on the federal EITC; those nine states use federal eligibility rules and express the state credit as a specified percentage of the federal credit. The tenth state EITC, Minnesota, also uses federal eligibility rules, and the structure of its EITC is very closely related to that of the federal credit.

In designing a state EITC, a state must make two major decisions: whether to make the credit refundable, and the percentage of the federal credit at which the state credit will be set. These design features will determine how broadly the credit applies, how effectively the credit functions as a wage supplement, and the cost of the credit.

A *refundable* EITC is fully available to all eligible families regardless of their tax liability under the state income tax. Thus, it builds fully on the strengths of the federal credit by allowing all low-income working families with children to participate. A *non-refundable* credit is available only to the extent that it offsets a family's income tax. Depending on the structure of a state's tax system, a non-refundable EITC can provide substantial tax relief to families with incomes near or above the poverty line, but may provide little or no benefits to families with earnings below the poverty line because those families are too poor to owe any income taxes. A non-refundable credit assists somewhat fewer working-poor families with children and is likely to be less effective as a work incentive.

Seven of the 10 state EITCs, including four new or recently expanded EITCs, are refundable. Among the states enacting or expanding EITCs in 1997 and 1998, Massachusetts and Kansas enacted new refundable credits, Minnesota expanded its existing refundable credit by about two-thirds, and Maryland took action to add a refundable component to an existing non-refundable EITC.[2] The EITCs in New York, Vermont and Wisconsin are also refundable. The remaining three states with EITCs — Iowa, Oregon and Rhode Island — offer only non-refundable credits.

The Problem: Poverty Despite Work

It is common to believe that most poor families with children include parents who could work but do not. Yet this is not an accurate picture of poor families in the United States. To the contrary, work is the norm among poor families with children.

[2] Appendix I on page 22 contains case studies of the enactment of the Kansas EITC and the addition of the refundable component to the Maryland EITC.

- In 1996, some 5.5 million families with children in which the parents were not elderly or disabled had incomes below the federal poverty line. Of these families, 3.9 million — or 71 percent — had a working parent.[3]

- Some 15.1 million people — including 8.8 million children — lived in a working-poor family in 1996. In 1998 dollars, that means living on an income of less than $13,022 for a family of three. For a family of four, the federal poverty line equals $16,684 in 1998.

- Among all poor families with children in which one or both parents were employed, the parents worked a combined average of 41 weeks throughout the year, or nine and one-half months.

- Even among families that received welfare income at some point in 1995 — either AFDC, SSI, or general assistance — 51 percent had a parent who worked at least part of that year. These include families that used public assistance when a parent's job was lost, families that left welfare when a parent found work, and families in which a parent worked but remained eligible for welfare due to low earnings.

For a number of reasons, the problem of poverty despite work has grown substantially over the past two decades. The poverty rate among all workers in 1996, including those without children, was nearly 20 percent higher than in 1979.[4] (A comparison of these two years is appropriate because they were at similar points in the economic cycle and had similar unemployment levels.) During that period, the number of families with children in which a parent worked but the family remained poor rose from 2.2 million to 3.6 million.

Helping Make Work Pay: The Federal Earned Income Tax Credit

The federal EITC is a tax credit for low- and moderate-income workers, primarily those with children, designed to offset the burden of Social Security payroll taxes, supplement earnings, and complement efforts to help families make the transition from welfare to work. The EITC was enacted in 1975 primarily as a means of tax relief; for a

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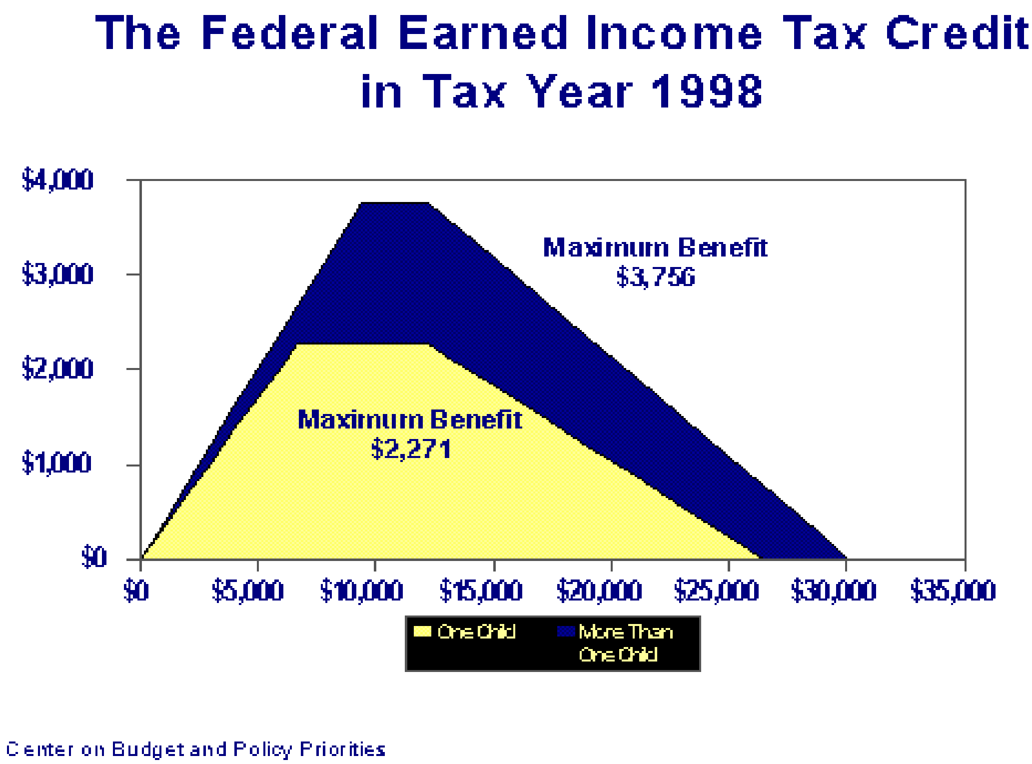
[3] Some 900,000 poor families had parents who were ill, retired or disabled, and thus were not able to work.

[4] The poverty rate for workers rose from 5.7 percent in 1979 to 6.7 percent in 1996.

Figure 1



decade, the credit received little attention and was not altered significantly. Starting in the mid-1980s, however, the EITC was expanded three times, in 1986, 1990, and 1993.

Through these expansions, the EITC became a central element of federal efforts to boost income from work and lessen poverty among families with children, often called the "make work pay" strategy.

The maximum EITC benefit in 1998 is $3,756 for families with two or more children and $2,271 for families with one child. The greater EITC benefit for larger families reflects a recognition that larger families face higher living expenses than smaller families. Workers without a qualifying child also may receive an EITC, but the maximum credit for individuals or couples without children is $341 in 1998, much lower than the credit for families with children.

The actual EITC benefit that an eligible family receives depends on the family's income. For families with very low earnings, the value of the EITC *increases* as earnings rise. For example, families with two or more children receive an EITC equal to 40 cents for each dollar up to $9,390 earned in 1998, for a maximum benefit of $3,756. Families with one child receive an EITC equal to 34 cents for each dollar earned up to $6,680 of earnings, for a maximum benefit of $2,271. Both types of families continue to be eligible for the maximum credit until income reaches $12,260.

For families with incomes above $12,260, the EITC phases out as earnings rise. Families with two or more children are eligible for some EITC benefit until income exceeds $30,095, while families with one child remain eligible for some EITC benefit until income exceeds $26,473. Figure 1 shows the EITC benefit structure for families with children.

Table 1
Number of Families and Individuals That Received the EITC for Tax Year 1996

State	EITC Recipients	State	EITC Recipients
Alabama	455,700	Montana	67,001
Alaska	29,163	Nebraska	98,577
Arizona	340,744	Nevada	117,550
Arkansas	254,655	New Hampshire	58,305
California	2,328,577	New Jersey	445,771
Colorado	238,004	New Mexico	175,797
Connecticut	140,434	New York	1,246,779
Delaware	53,842	North Carolina	662,627
District of Columbia	49,660	North Dakota	38,489
Florida	1,266,063	Ohio	690,866
Georgia	688,637	Oklahoma	285,195
Hawaii	61,172	Oregon	201,743
Idaho	81,449	Pennsylvania	688,393
Illinois	750,567	Rhode Island	58,322
Indiana	373,038	South Carolina	378,979
Iowa	155,775	South Dakota	49,495
Kansas	150,022	Tennessee	484,909
Kentucky	304,952	Texas	1,873,158
Louisiana	486,498	Utah	109,620
Maine	82,654	Vermont	36,913
Maryland	342,050	Virginia	434,177
Massachusetts	277,594	Washington	301,827
Michigan	564,631	West Virginia	137,000
Minnesota	219,805	Wisconsin	259,276
Mississippi	354,459	Wyoming	33,549
Missouri	391,513	**U.S. Total**	19,375,976

Source: Internal Revenue Service, *Statistics of Income Bulletin*, Spring 1998.

For tax year 1996, about 19.4 million U.S. families and individuals claimed the federal EITC. The average benefit for families with children was about $1,650. Table 1 shows state-by-state participation levels.

The federal EITC is a *refundable* credit, which means that if the credit amount is larger than a family's income tax bill, the family receives a refund check. This refundability allows families to take full advantage of the credit even if they owe little or nothing in federal income taxes, as is the case for most poor working families. Because the EITC is administered through the tax code, most recipients claim the credit when they file an income tax form. Families also have the option to receive a portion of their EITC benefit throughout the year with each paycheck.

The EITC is available to both single-parent and two-parent families with children. Two-parent families can receive the EITC whether both parents work or whether one parent works while the other parent stays home to care for the children, as long as the family's income is below the EITC limit. In this respect the credit differs from some other tax benefits for working families, such as the dependent care credit, where only families in which both parents work are eligible for the credit.

How the Federal EITC Achieves Its Goals

The structure of the federal EITC enables it to accomplish several policy goals, as illustrated by the following examples.

- The federal EITC reduces the tax burden on low- and moderate-income families both by offsetting federal income taxes and by offsetting some or all of the federal payroll taxes that finance Social Security and Medicare programs.

  Example One. A single parent with one child, working full time throughout the year at a wage of $8 per hour, earns $16,600 per year. This worker owes $342 in 1998 federal income taxes which are withheld from the paycheck during the year. The family also qualifies for an EITC of $1,577. The EITC allows the family to get back the $342 it paid in income taxes and to receive an additional refund of $1,235. The EITC refund serves to offset some of the worker's $2,540 in payroll taxes that also were paid during the year.[5]

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[5] This calculation includes both the portion of the payroll tax deducted from the worker's wages (the employee share) and the portion paid directly by the employer, which together total 15.3 percent of earnings. Although the employer share of the tax is not reflected in workers' nominal earnings — in this case $8 an hour — economists generally hold that both the employer and employee share of the payroll tax are in effect reductions in employee wages. The history of the EITC indicates it was designed specifically to offset both shares of the payroll tax.

- For many recipients, especially those just entering the workforce and those with very low earnings, the EITC goes beyond offsetting taxes paid to act as a wage supplement — in effect, a reward for work.

  Example Two. A single parent with one child working full-time at the minimum wage of $5.15 per hour earns about $10,700 annually. This worker does not owe any federal income tax, but qualifies for a 1998 EITC of $2,271. The parent pays $1,637 in payroll taxes, so the EITC refund offsets those taxes and provides an additional $634 as a wage supplement.

- As a result of recent expansions of the EITC and of 1996 legislation to raise the federal minimum wage, a minimum-wage job plus the EITC provide enough cash income to some families to support a family at a level above the poverty line.

  Without the federal EITC, the full-time minimum-wage worker with one child described above would have after-tax income of $9,881, about $750 below the federal poverty line of $10,636. The EITC lifts the family's cash income to $12,152, about $1,500 *above* the poverty line.[6] Similarly, for a single parent of two children with a full-time, minimum-wage job, the EITC is sufficient to lift the family's after-tax earnings above the poverty line.

These examples also help illustrate the importance of the refundability of the EITC. If it were not refundable, the EITC could not offset payroll taxes — which represent a much larger burden on low-income working families than the income tax — nor serve as a wage supplement to families with little or no income tax liability.

Research evidence confirms that the EITC has been effective at meeting the goals of making work pay better and reducing poverty among working families. Academic studies show that the federal EITC has contributed to a substantial increase in work among single mothers over the past decade. For instance, a study by Stacy Dickert, Scott Hauser and John Karl Scholz of the University of Wisconsin estimated that the

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[6] This calculation reflects earnings of $10,700, minus $819 for the employee share of payroll tax, plus the $2,271 EITC. This income measurement differs from the measurement used by the Census Bureau in its official poverty calculations. The official federal poverty threshold is based on cash income, both earned and unearned, but does not include the value of in-kind benefits or the effects of taxes on disposable income. Nevertheless, many analysts agree that the payroll taxes and EITC benefits should be counted in addition to wages for the purpose of determining how far a family with a full-time minimum wage worker falls below the poverty line.

1993 EITC expansion would induce approximately 500,000 families to move from welfare into the workforce. (See box on page 9).

In addition, data from the Census Bureau's most recent Current Population Survey show that in 1996, the EITC lifted out of poverty 4.6 million people, including 2.4 million children, that would have been poor without it. The EITC lifts more working families out of poverty than any other government program.[7]

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[7] See the Center on Budget and Policy Priorities publication *Strengths of the Safety Net: How the EITC, Social Security, and Other Government Programs Affect Poverty*, March 1998.

Research Findings on the Effectiveness of the EITC

Several recent academic studies indicate that the EITC has positive effects in inducing more single parents to go to work, reducing welfare receipt, and moderating the growing income gaps between rich and poor Americans.

Harvard economist Jeffrey Liebman, who has conducted a series of studies on the EITC, has noted that workforce participation among single women with children has risen dramatically since the mid-1980s.[a] In 1984, some 72.7 percent of single women with children worked during the year. In 1996, some 82.1 percent did. The increase has been most pronounced among women with less than high school education. During this same period there was *no* increase in work effort among single women *without* children.

A number of researchers have found that the large expansions of the EITC since the mid-1980s — which have resulted in substantial increases in income for parents who work — have been a major factor behind this trend. Studies by Liebman and University of California economist Nada Eissa find a sizable EITC effect in inducing more single women with children to work.[b] In addition, a new study by Northwestern University economists Bruce Meyer and Dan Rosenbaum finds that a large share of the increase in employment of single mothers in recent years can be attributed to expansions of the EITC. They find that the EITC expansions explain more than half of the increase in employment among single mothers over the 1984-1996 period.[c]

These findings are consistent with an earlier study by Stacy Dickert, Scott Hauser, and John Karl Scholz of the University of Wisconsin, which projected that the EITC expansions in the 1993 budget law would generate a reduction in welfare receipt. Dickert, Hauser, and Scholz estimated that the 1993 EITC expansions would induce approximately 500,000 families to move from welfare to the workforce.[d]

Finally, Liebman also has found that the EITC moderates the gap between rich and poor. During the past 20 years, the share of national income received by the poorest fifth of households with children has declined, while the share of income received by the top fifth has risen sharply. Liebman found that the EITC offsets between one-fourth and one-third of the decline that occurred during this period in the share of income the poorest fifth of households with children receive.

A discussion of these and other studies on the EITC's effectiveness may be found in the Center on Budget and Policy Priorities publication *New Research Findings on the Effects of the Earned Income Tax Credit*, March 16, 1998.

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[a] Jeffrey B. Liebman, "The Impact of the Earned Income Tax Credit on Incentives and Income Distribution," in James M. Poterba, ed., *Tax Policy and the Economy, Vol. 12*, MIT Press, 1998.

[b] Nada Eissa and Jeffrey B. Liebman, "Labor Supply Response to the Earned Income Tax Credit," *Quarterly Journal of Economics*, May 1996, 112(2), pp. 605-637

[c] Bruce D. Meyer and Dan T. Rosenbaum, "Welfare, The Earned Income Tax Credit, and the Labor Supply of Single Mothers," March 7, 1998.

[d] Stacy Dickert, Scott Hauser, and John Karl Scholz, "The Earned Income Tax Credit and Transfer Programs: A Study of Labor Market and Program Participation," in James M. Poterba, ed., *Tax Policy and the Economy, Vol. 9*, MIT Press, 1995.

Federal EITC Does Not Lift All Working Families Out of Poverty

Despite the success of the federal EITC in reducing poverty among working families, wages plus the EITC do not guarantee an escape from poverty for all families. Even many families with a full-time, year-round worker remain poor. Other families with working parents remain poor because parents are unable to find full-time, year-round employment.

- Full-time, year-round work, even at wages above the minimum wage, is not always sufficient to bring a family above the poverty line even after the federal EITC is taken into account.

  Example Three. A family of four with two or three children and a full-time, year-round worker earning $6.75 per hour — well above the current minimum wage — has earnings of about $14,000 per year. After subtracting the employee share of payroll taxes and adding the 1998 EITC for which that family qualifies of $3,390, the family's cash income equals $16,319, or $365 below the poverty line for a family of four.
  If the worker earned the minimum wage, or if the family had five or more members, the "poverty gap"— the amount by which income falls short of the poverty line — would be several thousand dollars.[8]

- Many low-wage working parents are unable to work every day of the year or are unable to work full-time. Census Bureau data indicate that in 1995 nearly half of the working parents in poor families with children —

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[8] This estimate of the "poverty gap" and the one that follows do not include the value of food stamps, which are nearly equivalent to cash, because most working-poor families do not receive food stamp benefits. For example, just 35 percent of poor families with children with a full-time worker received food stamps in 1995. The low rate of food stamp participation partly reflects the fact that many working-poor families do not meet the program's somewhat stringent asset limits, including a limit on the value of a family car. In addition, some eligible families do not apply for food stamps, in part because they face barriers to participation such as a limited number of food stamp offices and limited hours of operation at these offices.

For some families that receive food stamps, the EITC plus the cash value of food stamps can lift them above the poverty line. For instance, in 1998, after-tax income including the EITC and food stamps is above the poverty line for a family of four or smaller with a full-time worker at the minimum wage. After 1999 only families of three or fewer people with a full-time year-round worker are guaranteed to have incomes above the poverty line when both the EITC and food stamp benefits are counted. These calculations are based on the minimum wage under current law — $5.15 an hour.

2.1 million working-poor parents — either worked part-time because they could not find full-time work or spent a portion of the year unemployed. In addition to economic factors, many parents lose earnings when they take unpaid leave to fulfil their child-rearing responsibilities. Families in which parents work less than full time or less than all year can fall into poverty even if they receive the federal EITC and even if the parent earns above the minimum wage.

Example Four. A single parent with two children working nearly full-time — 48 weeks per year at 37 hours per week — at the minimum wage of $5.15 per hour has an annual income of about $9,100. After subtracting payroll tax and adding the $3,640 federal EITC for which that family qualifies, the family's cash income totals $12,044, or $978 below the 1998 poverty line for a family of three.[9] If the parent works fewer weeks in the year or fewer hours per week, the poverty gap is larger.

State EITCs Build on the Strengths of the Federal EITC

State Earned Income Tax Credits can further the goals of the federal EITC by bringing working families closer to or above the poverty line. And just as the federal EITC helps offset *federal* taxes paid by low-income working families, state EITCs can help relieve the substantial burden of *state and local* taxes levied on working-poor families in every state.

State EITCs Lift Additional Families Out of Poverty and Complement Welfare Reform

State EITCs can build on the success of the federal EITC in combating poverty among working families with children. Closing or at least substantially reducing the poverty gap for many working families, such as the families described in the examples above, is well within the reach of most states.

- The family of four earning $14,000 per year described in Example Three above falls $365 below the federal poverty line even with the federal EITC.

[9] This example does not include cash assistance a family may receive either while working or unemployed. In a majority of states, such a family would be ineligible for cash assistance while the parent is working. If the parent received cash assistance during a period of unemployment, the typical state's welfare benefits would fail to make up for the lost wages, leaving the family well below poverty for the year.

A state EITC equal to 15 percent of the federal EITC would lift the family's income above the poverty line.

- The family of three with annual earnings of $9,100 described in Example Four falls $978 below the poverty line. A state EITC equal to 30 percent of the federal EITC would lift that family's income above the poverty line.

The details of how such state EITC programs work is described in the section beginning on page 14.

The use of state EITCs to enable low-wage workers to escape poverty is of particular relevance to state welfare reform efforts. Many welfare recipients that take jobs continue to have very low incomes, often below poverty. Recent evidence from several states shows that although most welfare recipients who find jobs are employed close to full-time, many of them earn wages at or only slightly above the minimum wage. Moreover, many do not qualify for paid vacation or sick leave, forcing them to take unpaid leave for reasons such as a child's illness. A number of studies show that welfare recipients who find jobs have average earnings of $2,100 to $2,500 per quarter, or $8,400 to $10,000 per year; many earn less.[10] Earnings in that income range are insufficient to lift a single-parent family of three above the poverty line even with the federal EITC. A combination of the federal EITC *and* a state EITC, however, can close the poverty gap for many welfare recipients as they move into the workforce.

States have demonstrated a strong policy interest in subsidizing the efforts of welfare recipients to enter and remain in the workforce. For example, the vast majority of states have adopted "enhanced earnings disregards" in their welfare programs, under which welfare benefits phase out gradually as family earnings increase, thereby helping ease the transition from welfare to work. Many states also have expanded access to child care and to health insurance for working-poor families.

States also have an interest in supporting the work efforts of low- and moderate-income families who have long since left the welfare rolls or who have never received welfare benefits. EITCs help meet the ongoing expenses associated with working — such as transportation — and may allow families to cope with unforeseen costs that otherwise might drive them onto public assistance.

State EITCs Provide Needed Tax Relief

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[10] These studies are summarized in a forthcoming Center on Budget and Policy Priorities publication entitled *The Earnings and Job Characteristics of Welfare Recipients Who Find Jobs.*

In addition to reducing poverty among working families, state EITCs can play an important role in providing relief from state and local taxes paid by low-income working families, just as the federal EITC serves to relieve the burden of payroll taxes on such families. In every state, low-income working families pay a substantial share of their income in state and local taxes. State EITCs thus can help ensure that state tax systems do not push poor working families deeper into poverty.

In 1997, income taxes were levied on below-poverty families in 21 of the 41 states with a personal income tax. In the states that imposed a tax on poor families of four, the average income tax threshold for a family of that size — the point at which families began owing tax — was $10,176, or roughly $6,200 below the 1997 poverty line of $16,405 for a family of four. The average tax burden in these states was $243 for a family of four with earnings at the poverty line.

While the personal income tax burden on poor families is notable in many states, other parts of state and local tax codes often contribute even more to the tax burden on poor families. Most states rely to a large extent on revenue from sales and excise taxes. These taxes are regressive, which means they absorb a much larger proportion of the incomes of lower-income households than of higher-income households. In 1995, the average state and local tax burden on the poorest fifth of married, non-elderly families was 12.5 percent of income. By contrast, the wealthiest one percent of such families spent an average of 7.9 percent of income for state and local taxes.[11] Sales and excise taxes alone accounted for half of the state and local tax burden on the poorest families.

Changes in state tax systems in the early and mid-1990s have increased the need to provide tax relief for low-income residents. In many states, taxes were raised in the early 1990s in response to the recession and were reduced more recently as the economy improved. The net effect of these changes was to push state tax systems in a more regressive direction.

- In the early 1990s, as many states experienced recession-induced fiscal crises, 43 states raised taxes to balance their budgets. Nearly half of the additional revenues came from regressive sales and excise taxes.

- Many states have cut taxes in recent years in response to the strong economy, but they generally have not reversed the sales and excise tax increases of the early 1990s. Less than one percent of the net state tax cuts

[11] Citizens for Tax Justice and the Institute on Taxation and Economic Policy, *Who Pays?: A Distributional Analysis of the Tax Systems in All 50 States*, June 1996, Appendix I, p. 52.

enacted from 1994 through 1997 were reductions in sales and excise taxes.[12]

Because sales and excise taxes fall heavily on low-income residents, the increases in sales and excise taxes in many states are likely to have increased the tax burden on working-poor families in many states. State EITCs could serve to offset recent increases in taxes on low-income families in many states.

Creating a State Earned Income Tax Credit

Ten states have state EITCs that build on the strengths of the federal EITC. Several of those EITCs are new or recently have been expanded. New York's credit was enacted in 1994. In 1997 and 1998, Kansas, Massachusetts and Oregon enacted new EITCs. Minnesota expanded its average EITC for families with children by about two-thirds, and Maryland augmented its existing EITC to provide a refundable credit. Table 2 describes the structures of the 10 existing state EITCs.[13]

Nine of the 10 state EITCs piggy-back on the federal EITC; these nine states use federal eligibility rules and express the state credit as a specified percentage of the federal credit. The only state that does not express its credit as a percentage of the federal credit is Minnesota. Minnesota follows federal eligibility rules, but for families with children the benefit structure is slightly different from the structure of federal credit.[14]

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[12] For more information see Nicholas Johnson and Iris Lav, *Are State Taxes Becoming More Regressive?*, Center on Budget and Policy Priorities, October 29, 1997.

[13] An additional state, Virginia, passed legislation in 1998 to create a new non-refundable tax credit based in part on the federal EITC. However, the legislation provided that the credit would take effect only if the U.S. Department of Health and Human Services certifies that the cost of the credit could be counted as part of the "maintenance of effort" spending Virginia must make in order to receive federal Temporary Aid to Needy Families block grant funds. The Department of Health and Human Services declined to issue that certification on the grounds that the credit was non-refundable and therefore would not qualify as an "expenditure" under the TANF regulations. As a result of the letter, the tax credit will not take effect.

[14] Before 1998, Minnesota's credit, like those in other states, was expressed as a simple percentage of the federal credit. The credit was expanded and redesigned for tax year 1998. The 1998 changes increased the credit for all families with children by one-third, and provided additional benefits for families with incomes in the $13,000 to $17,000 range. These additional benefits are intended to offset partially the loss of welfare benefits that Minnesota families in that income range face as their incomes
(continued...)

Table 2
State Earned Income Tax Credits

State	Percentage of Federal Credit	Workers Without Qualifying Children Eligible?
Refundable credits:		
Kansas	10%	Yes
Maryland[a]	10% in 1998 12.5% in 1999 & 2000 15% in 2001	No
Massachusetts	10%	Yes
Minnesota	15% — no qualifying children About 25% — families with children[b]	Yes
New York	20%	Yes
Vermont	25%	Yes
Wisconsin	4% — one child 14% — two children 43% — three children	No
Non-refundable credits:		
Iowa	6.5%	Yes
Maryland[a]	50%	Yes
Oregon	5%	Yes
Rhode Island	27%[c]	Yes

Notes.
[a] A Maryland taxpayer may claim either the refundable credit or the larger non-refundable credit, but not both credits.
[b] Minnesota's credit for families with children, unlike the other credits shown in this table, is not expressly structured as a percentage of the federal credit. Depending on income level, the credit may range from 20 percent to 42 percent of the federal credit; the average state credit is about 25 percent of the federal credit.

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14 (...continued)
rise. For a family with one child, the Minnesota credit equals 6.8 percent of a family's first $6,680 of earnings, plus 8.5 percent of earnings between $11,650 and $12,990; the maximum credit is $568 and the phase-out rate is 4.77 percent of income over $14,560. For a family with two or more children, the credit equals 8 percent of a family's first $9,390 in earnings, plus 20 percent of earnings between $14,350 and $16,230; the maximum credit is $1,127 and the phase-out rate is 8.8 percent of income over $17,280. The effect of the credit's somewhat complex structure is that every family with children receives at least 20 percent of its federal EITC, and some families receive as much as 42 percent of their federal credit; the average benefit for all families with children is about 25 percent of the federal EITC.

An EITC that piggybacks on the federal credit is relatively easy for a state to administer and also is easy for families claiming the EITC. To determine its state EITC benefit, a family need only write its federal benefit on its state return and then multiply the federal amount by the state EITC percentage.

If a state chooses to piggy-back on the federal credit, it has two additional decisions to make for designing a state EITC: whether the credit will be refundable or non-refundable, and the percentage of the federal credit at which to set the state credit.

Refundable Versus Non-Refundable EITCs

Under a refundable state EITC, a family receives a refund check if the size of its EITC exceeds its tax bill. For example, if a taxpayer owes $80 in state income taxes and qualifies for a $200 state EITC, the first $80 of the EITC offsets the income tax and the remaining $120 is received as a refund check. (If the $80 of income tax were withheld during the year, the taxpayer would receive the entire $200 as a check. Nevertheless, the EITC would offset $80 in tax liability and provide a $120 income supplement.)

If the credit were non-refundable, the family's income tax liability would be eliminated. The remaining $120 of the credit, however, would be forfeited.

The distinction between refundable and non-refundable credits is important because families with very low earnings, such as most families moving off welfare, owe little or nothing in state income taxes in many states. These families thus would receive little or no benefit from a non-refundable EITC. Moreover, because it only can offset taxes owed, a non-refundable EITC does not supplement a family's income above its earnings and thus does not lift any families with poverty-level wages out of poverty. A refundable EITC, by contrast, can be used to boost the incomes of low-income working families, including those making the transition from welfare to work, as the federal EITC does. Making a state EITC refundable also allows it to be used to offset sales and excise taxes paid by low-income families.

The importance of refundability is reflected in the decision of most states to make their EITCs refundable. Seven of the 10 states with a state EITC — Kansas, Maryland, Massachusetts, Minnesota, New York, Vermont, and Wisconsin — offer refundable credits. The number and value of refundable EITCs have increased in the last two years.

- The new credits enacted in Massachusetts and Kansas are refundable.

Table 3
Earned Income Tax Credit Benefit Levels by Family Income Levels, 1998

	Gross Earnings	Federal EITC	25% State EITC	15% State EITC
Family of four with two children				
Half-time minimum wage	$5,350	$2,140	$535	$321
Full-time minimum wage	$10,700	$3,756	$939	$563
Wages equal federal poverty line	$16,700	$2,821	$705	$423
Wages equal 150% of poverty line	$25,000	$1,073	$268	$161
Family of three with one child				
Half-time minimum wage	$5,350	$1,819	$455	$273
Full-time minimum wage	$10,700	$2,271	$568	$341
Wages equal federal poverty line	$13,000	$2,153	$538	$323
Wages equal 150% of poverty line	$19,500	$1,114	$279	$167

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- Minnesota substantially expanded its refundable credit for families with children. The credit, which had been set at 15 percent of the federal credit, now equals 20 to 42 percent of the federal credit depending on family size and income. The amount of the credit remains 15 percent for workers that do not have children. The change increased the average EITC recipient's state credit by about two-thirds.

- Maryland, which previously offered a non-refundable credit that benefitted only those families with incomes above the poverty line, enacted a refundable credit as well. The new, refundable credit is set at 10 percent of the federal EITC, increasing to 15 percent over the next four years.[13]

[13] Maryland taxpayers now have the option of choosing either the new, refundable credit or the previously existing non-refundable credit. The non-refundable credit is set at 50 percent; the refundable credit is set at 10 percent of the federal credit, rising to 15 percent over the next four years. Most families with incomes below the poverty line are likely to receive greater benefit from the smaller, refundable credit; most families with incomes above the poverty line are likely to receive greater benefit from the larger, non-refundable credit.

Among states with new EITCs, only Oregon enacted a non-refundable credit. A refundable version of Oregon's EITC received bipartisan support but was not enacted due to last-minute budget constraints.

Setting the Size of a State EITC

Choosing the percentage of the federal EITC at which the state credit is set should be based on several considerations. One consideration is the cost that can be afforded. Another is the level of state income tax relief desired. A third factor is the size of the desired income boost for poor families that qualify for a refund. The state may wish, for example, to enact a credit that lifts particular types of families above the poverty line.

The EITCs in the states with refundable credits generally range from 10 percent to 25 percent of the federal credit. The two exceptions are the credits in Wisconsin and Minnesota. The Wisconsin EITC ranges from four percent of the federal credit for families with one child to 43 percent of the federal credit for families with three or more children. The Minnesota EITC for families with children, which is structured independently of the federal credit, effectively ranges from 20 percent to 42 percent of the federal credit.

Table 3 shows the benefit of a refundable EITC set at 15 percent or 25 percent of the federal credit for various low-income working families. For example, a family of four with two or three children and one minimum-wage worker qualifies for a federal EITC of $3,756 in 1998. If the family lives in a state with a 25 percent state EITC, the family receives a state credit of $939. If the state credit is set at 15 percent of the federal credit, the family's state credit is $563.

Cost

Understanding the potential costs of a state EITC is important, because any such proposal will be considered in the context of the state's budget situation. There is a simple way to approximate the cost of a *refundable* state EITC that is set as a percentage of the federal credit. The method for estimating the cost of a *non-refundable* state EITC is not included here because it is much more complicated and depends to a great extent on the parameters of a given state's income tax.

The procedure for estimating the costs of a refundable EITC first requires estimating the total amount of *federal* EITC benefits that residents of a given state will receive in a given year. This figure is then multiplied by the percentage of the federal credit at which the state credit will be set. The result is an estimate of what the state credit would cost if everyone who receives the federal credit also receives the state credit. Appendix III includes estimates of the total federal EITC benefits that will be received by each state's residents for fiscal years 1999 through 2003.[14]

Because this procedure assumes full participation in the state credit among residents who receive the federal EITC, it provides an upper-bound estimate of the cost of a state EITC at a given percentage of the federal credit. In practice, state EITC costs typically have been lower than the estimates derived from the above procedure, and this seems to be true for several reasons. First, not all families who file for the federal EITC claim the state EITC, especially in the first few years after enactment of the state credit when awareness of the credit may be limited. Second, some EITC recipients are part-year residents; all of the state EITC statutes either allow part-year residents to claim only a part of the state EITC or make part-year residents ineligible for the state credit entirely. Finally, some eligible families have the IRS compute their federal credit; such families may not receive a state EITC if the state does not compute the credit amount for them.

For these and other reasons, the costs of refundable state EITCs in their initial years of existence are likely to be lower than the costs estimated using the above procedure. In New York, for example, where the state EITC was implemented in 1994, the cost of the credit in the first year was roughly 83 percent of the cost the state would

[14] These figures for EITC costs in federal fiscal years can be matched in every state except New York with the same state fiscal year. That is because the overwhelming majority of EITC benefits are paid out between January and April as workers file their tax returns. The period from January through April 1998, for example, falls within the 1998 federal fiscal year and within the 1997-98 fiscal year for most states. The federal fiscal year runs from October through September, while most state fiscal years are from July through June.

have incurred if every family claiming the federal credit also claimed the state credit. In the second year of the New York EITC, the cost equaled 90 percent of the full-participation cost.[15]

Other Considerations

There are two other design features that are important for states considering a state EITC: whether to adjust the EITC for family size beyond the adjustments included in the federal credit and whether to include workers without a qualifying child.

Although the federal EITC provides higher benefits to families with two or more children than to families with one child, it does not fully compensate for the higher poverty line for larger families. The poverty line for a family of four is roughly $3,500 higher than for a family of three, while the maximum federal EITC for families with two children is about $1,500 higher than for families with one child. The federal credit also provides no distinction between families with two children and families with three or more children.

Because wages do not adjust for family size, larger low- and moderate-income working families fall further and further behind an adequate standard of living than smaller families with the same number of workers. Adjusting a state EITC for family size beyond the federal family-size adjustment thus can help larger working families keep pace with the cost of basic living expenses.

In most states with an EITC, the state EITC is set at the same percentage of the federal credit for all family sizes. In these states, the state EITC does not alter the family-size differential in the federal credit.

By contrast, Wisconsin varies its state EITC by family size. The Wisconsin EITC is set at four percent of the federal credit for families with one child, 14 percent for families with two children, and 43 percent of the federal credit for families with three or more children. This approach directs a greater share of EITC benefits to large families, while adding only modestly to the credit's complexity. Because large families are a modest share of all EITC-eligible families, Wisconsin's approach does not necessarily make the credit more costly. The average Wisconsin EITC benefit is roughly 18 percent of the federal credit, a level well within the range of other refundable state EITCs.

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[15] New York state EITC figures are from New York State Department of Taxation and Revenue, Office of Tax Policy Analysis, *Earned Income Tax Credit: Analysis of Credit Claims for 1995,* February 1997, p. 9.

Minnesota's EITC also varies as a percentage of the federal credit depending on the presence and number of children.

Another decision that must be made in designing a state EITC is whether or not to extend the credit to low-income workers who do not have a qualifying child living with them. Such workers between the ages of 25 and 64 were made eligible for a modest federal EITC for the first time as part of the 1993 expansion.

On one hand, state EITCs for workers without qualifying children are very small because the federal credit is modest. For example, in a state with an EITC established at 15 percent of the federal credit, the maximum state credit for a worker without a qualifying child is $51. Thus, some low-income workers without a qualifying child may find a state credit not worth the effort required to claim it, particularly if they owe no state income tax and are not otherwise required to file a state tax return. On the other hand, the cost of including workers without qualifying children in a state EITC is likely to be small, and some people are helped by it.

Ease of administration may be the key factor in a decision whether or not to include workers without a qualifying child in a state EITC. Excluding workers without qualifying children from a state EITC requires additional instructions on state tax forms, and it is likely that some workers without children miss the instructions and claim the credit anyway. At the same time, states may face an increase in the number of returns it must process if a refundable state EITC is extended to these residents, since federal EITC recipients without qualifying children have very low incomes and in many states owe no income tax.

At present, Wisconsin and Maryland are the only states where the refundable EITCs are unavailable to workers without qualifying children. Maryland's non-refundable credit covers workers without qualifying children, but any such workers with incomes low enough to qualify for the non-refundable credit are likely to be too poor to receive any benefit from it.

APPENDIX I:
Two Case Studies

One factor that makes a state Earned Income Tax Credit attractive as a strategy for assisting low-wage workers is its ability to generate support from policymakers and constituencies across the political spectrum. Examinations of how the Kansas EITC came to be adopted and how the Maryland EITC was expanded to include a refundable component illustrate the broad range of support that EITCs can generate.

Kansas: Cutting Taxes to Combat Poverty

Kansas enacted a state EITC in April 1998 as part of a tax cut package. Its passage reflects a desire to allow low-income families to share the benefits of the state's revenue surplus and to help families making the transition from welfare to work.

A refundable EITC was first considered by the Kansas legislature during the state legislature's 1997 session. A 10 percent refundable state EITC was included in an education bill passed by the state House of Representatives, but was taken out during conference committee.

Following the 1997 session, several factors led to increased support for an EITC. Faced with a substantial budget surplus and mounting political desire to cut taxes, the legislature appointed a bipartisan interim legislative committee to make recommendations on tax policy. At the urging of committee member Bruce Larkin, a Democratic House member, the committee included an EITC in its final recommendations. The recommendations cited, among other reasons, Kansas' relatively heavy income tax burden on working-poor families.

In September 1997, a coalition of human service advocates released a study entitled *Kansas Families: Poverty Despite Work*.[16] The report, which received substantial news coverage, showed that the vast majority of poor children in Kansas had working parents. The report included a state EITC as one of its major policy recommendations.

With the encouragement of the interim legislative committee and human services providers, Republican Governor Bill Graves included the EITC among a package of tax cuts in his 1998 budget submission. In his State of the State address, Graves said:

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[16] The report was based on information in *The Poverty Despite Work Handbook,* Center on Budget and Policy Priorities, April 1997.

> "When the federal Earned Income Tax Credit was expanded in 1986, President Ronald Reagan called it '...the best anti-poverty, the best job creation, the best pro-family measure to come out of Congress.' I agree and ask your support for a state credit equal to 10 percent of the federal amount for Kansans."

In the State Senate, the Republican leadership ignored the governor's proposal and issued a tax package that included no assistance for working-poor families. But the EITC was included in the tax bill crafted in the House of Representatives, also controlled by Republicans. "Kansas has numerous taxpayers who are below the poverty level who still must pay Kansas income taxes," Representative Phill Kline, the chairman of the Taxation Committee, wrote to the House Republican Caucus. "This is poor policy and the EITC corrects this problem." For a number of weeks, a House-Senate conference committee deadlocked over the tax bill, with the refundable EITC among the sticking points.

Supporters of the credit, including the Kansas Catholic Conference (which assigned a lobbyist to work full-time on the issue), United Community Services of Johnson County, Kansans Respond, and Kansas Action for Children, stressed the importance of making the credit refundable in order to ensure that benefits reached a large number of poor children. The fact that Kansas levies a sales tax on food — a tax that is particularly burdensome on low-income families — helped underscore the point that a refundable credit would not be a giveaway but rather would offset other taxes paid by the poor. In addition, the governor's office distributed to legislators research showing that the EITC actually induces single mothers to work and therefore may reduce welfare spending.

One issue that arose during debate over the tax bill was the extent to which ineligible families claim the EITC. In response, advocates presented analysis explaining that many EITC errors reflect honest mistakes and highlighted new federal initiatives that hold promise for reducing EITC errors.[17]

The House-Senate deadlock was broken in April, when a higher-than-anticipated revenue estimate persuaded legislative leaders that the state could afford the major tax provisions in both the House and Senate bills. The governor submitted another tax plan that included a refundable EITC, and this time both houses passed it without changes.

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[17] Two publications from the Center on Budget and Policy Priorities contain further discussion of EITC error rates: *The Earned Income Tax Credit and Error Rates,* February 25, 1998, and *State Earned Income Tax Credits and Error Rates*, February 18, 1998.

Maryland: An Emphasis on Refundability

Maryland's refundable EITC, enacted in 1998, is unique in that it complements a previously existing non-refundable EITC. To families with incomes somewhat above the poverty line, the pre-existing non-refundable credit is an important source of tax relief.[18] But without refundability, the credit offers no benefit to families with incomes below the poverty line, because poor Marylanders have little or no state income tax liability. As a result, the non-refundable credit is out of reach of most families coming off the welfare rolls. It also is ineffective as an anti-poverty tool.

In late 1996, advocates from the Maryland Catholic Conference and the Homeless Persons Representation Project began discussing how to correct this lack of refundability. The existing non-refundable credit is set at 50 percent of the federal credit, higher than any other state EITC, and the cost to the state treasury of making it refundable was judged to be prohibitively expensive. On the other hand, repealing the existing credit and replacing it with a smaller, refundable credit would result in a tax increase for many moderate-income taxpayers. The solution was to seek a smaller refundable credit equal to 15 percent or 20 percent of the federal credit that taxpayers could choose as an alternative to the larger non-refundable credit.

At that time, however, the legislature's attention was focused on a proposal to reduce Maryland's income tax rate by 10 percent. In its original form as proposed by Governor Parris Glendening, a Democrat, the tax cut would have largely benefitted upper-income taxpayers and was projected to require major cuts in public services. Many potential EITC supporters among human service advocates therefore concentrated their efforts on making the tax cut smaller and less weighted toward the top. These efforts were partially successful; as finally passed in Spring 1997, the benefits of the tax cut were more equally divided among middle- and upper-income taxpayers than in the governor's proposal. Revenue estimates issued afterwards showed that the spending cuts would not need to be as deep as originally anticipated. In the intense debate around the tax cut, however, the refundable EITC was set aside.

Following adjournment of the legislature, backers of the refundable EITC expanded their campaign. A formal coalition was formed, with members including the Maryland Committee for Children — a longtime participant in successful outreach partnerships to help low-income workers claim the federal EITC — plus Catholic

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[18] A description of how the non-refundable Maryland credit came to be enacted in 1987, as well as case studies from New York and Wisconsin, may be found in the Center on Budget and Policy Priorities publication *A Hand Up: How State Earned Income Credits Help Working Families Escape Poverty, 1996 edition.*

Charities, the Maryland Food Committee, and a number of other organizations. The chairs of the Senate and House tax-writing committees, Senator Barbara A. Hoffman and Delegate Sheila Hixson, agreed to sponsor the bill. The state NAACP and members of the legislature's Black Caucus and Women's Caucus added their support. The coalition also secured support from major private corporations including two of the state's largest employers, Baltimore Gas and Electric Company and Bell Atlantic. Fully half of the state's Senators and one-fourth of members of the House of Delegates were cosponsors by the time the bill was filed early in the 1998 legislative session.

Supporters of the credit released two important reports, one showing that income inequality in Maryland was on the rise and another similar to the Kansas report, that large numbers of low-income children in Maryland live in working families. They also stressed the usefulness of the EITC as an inducement for work and a complement to welfare reform, and pointed out that the EITC would accomplish what the previous year's income tax cut had not, namely providing a share of the tax reductions to low-income families. The state's major newspaper, the *Baltimore Sun*, endorsed the EITC in an editorial.

Opposition to the credit in 1998 came from the state's Comptroller, who expressed concern about complexity and the potential for fraud. But the fact that Maryland already had a non-refundable credit helped to mute those concerns, and one key legislator pointed out during a hearing that the EITC was less susceptible to fraud than other parts of the tax system.

The General Assembly passed the EITC bill toward the end of the legislative session, and the governor signed it. As in Kansas, the final boost for the credit came in the form of a higher-than-expected revenue estimate, which enabled the state to enact a number of tax cuts. To moderate the fiscal cost of the credit, legislators chose to start the credit at 10 percent of the federal credit for tax year 1998, rising to 12.5 percent for 1999 and 2000 and to 15 percent for 2001 and thereafter. Legislators also agreed to language specifying that the credit should be increased more rapidly if state revenue growth remained strong.

APPENDIX II:
Federal EITC Parameters

There are different EITC parameters for families with one child, for families with two or more children, and for workers without qualifying children. The parameters are adjusted for inflation each year, in the same way that the exemptions, deductions and tax benefits in the federal tax code are adjusted. The EITC parameters are listed below for 1998 and 1999.

Year	Credit Percentage	Maximum Benefit	Phase-out Rate	Phase-out Range
Families with two or more children:				
1998	40% of first $9,390	$3,756	21.06%	$12,260 to $30,095
1999	40% of first $9,590	$3,836	21.06%	$12,520 to $30,735
Families with one child:				
1998	34% of first $6,680	$2,271	15.98%	$12,260 to $26,473
1999	34% of first $6,820	$2,319	15.98%	$12,520 to $27,031
Families with no children:				
1998	7.65% of first $4,460	$341	7.65%	$5,570 to $10,030
1999	7.65% of first $4,550	$348	7.65%	$5,690 to $10,240

Source: For 1998, Internal Revenue Service, published tax tables. For 1999, estimates based on projected inflation rate of 2.1 percent.

APPENDIX III:
Estimated Federal EITC Benefits Received By State Residents, FY 1999 Through 2003

State	EITC Dollars Claimed, 1997 (millions)*	Percent of Total	Estimated EITC Dollars Claimed, by Fiscal Year (millions)				
			1999	2000	2001	2002	2003
Alabama	$746	2.64%	$804	$824	$847	$870	$894
Alaska	35	0.12%	38	39	40	41	42
Arizona	513	1.81%	553	566	582	598	615
Arkansas	405	1.43%	436	447	459	472	485
California	3,413	12.07%	3,680	3,770	3,873	3,979	4,090
Colorado	321	1.13%	346	355	365	375	385
Connecticut	175	0.62%	189	193	198	204	210
Delaware	77	0.27%	83	85	87	89	92
D.C.	72	0.25%	78	80	82	84	86
Florida	1,857	6.56%	2,002	2,052	2,108	2,165	2,226
Georgia	1,077	3.81%	1,161	1,189	1,222	1,255	1,290
Hawaii	72	0.25%	78	80	82	84	86
Idaho	117	0.41%	126	129	132	136	140
Illinois	1,066	3.77%	1,149	1,177	1,210	1,243	1,277
Indiana	528	1.87%	569	584	599	616	633
Iowa	209	0.74%	226	231	238	244	251
Kansas	208	0.74%	224	230	236	243	249
Kentucky	431	1.52%	465	476	489	503	517
Louisiana	813	2.87%	877	898	923	948	975
Maine	108	0.38%	117	120	123	126	130
Maryland	481	1.70%	518	531	546	561	576
Massachusetts	342	1.21%	368	378	388	398	410
Michigan	778	2.75%	839	860	883	907	933
Minnesota	283	1.00%	305	312	321	330	339
Mississipi	608	2.15%	656	672	691	709	729
Missouri	568	2.01%	612	627	644	662	681
Montana	92	0.33%	99	101	104	107	110
Nebraska	137	0.48%	148	151	155	160	164
Nevada	161	0.57%	174	178	183	188	193
New Hampshire	75	0.27%	81	83	85	88	90
New Jersey	617	2.18%	665	681	700	719	739
New Mexico	257	0.91%	277	284	292	300	308
New York	1,718	6.07%	1,852	1,898	1,949	2,003	2,059
North Carolina	995	3.52%	1,073	1,099	1,129	1,160	1,193
North Dakota	52	0.18%	56	57	58	60	62
Ohio	952	3.37%	1,027	1,052	1,081	1,110	1,141
Oklahoma	423	1.50%	456	467	480	493	507
Oregon	277	0.98%	298	305	314	322	331
Pennsylvania	917	3.24%	989	1,013	1,041	1,070	1,100
Rhode Island	76	0.27%	82	84	86	89	91
South Carolina	588	2.08%	634	649	667	686	705
South Dakota	69	0.24%	75	77	79	81	83
Tennessee	720	2.55%	776	795	817	839	863
Texas	3,043	10.76%	3,281	3,362	3,454	3,548	3,647
Utah	157	0.56%	170	174	179	184	189
Vermont	47	0.17%	51	52	53	55	56
Virginia	628	2.22%	677	693	712	732	752
Washington	394	1.39%	425	436	448	460	473
West Virginia	191	0.68%	206	211	217	223	229
Wisconsin	352	1.24%	380	389	400	411	422
Wyoming	46	0.16%	50	51	52	54	55
U.S. Total	$28,288	100.00%	$30,497	$31,249	$32,104	$32,983	$33,902

* EITC benefit claims for tax year 1996.
Sources: IRS *Statistics of Income Bulletin*, Spring 1998; U.S. Office of Management and Budget projections.