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Pro-Work Tax Credits Help 4.8 Million Rural Households

But More than Half Will Lose All or Part of Their Credits Unless Congress Acts

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About 4.8 million rural working households claimed the Earned Income Tax Credit (EITC) or the low-income Child Tax Credit (CTC) in 2013, according to CBPP analysis of IRS data compiled by the Brookings Metropolitan Policy Program. But more than half — 2.6 million — of these families will lose some or all of these tax credits if Congress fails to save key provisions of the EITC and CTC slated to expire at the end of 2017. (See Table 2 for state-by-state figures.)

EITC and CTC Boost Economic Security of Rural Working Families

About 4.8 million rural working households receive the EITC, the low-income portion of the CTC, or both; Table 1 provides state-by-state estimates. (See Appendix for methodology.) These credits, available *only* to working households, contribute to the economic security of millions of rural families: they lifted 1.1 million people in rural communities out of poverty and another 2.4 million closer to the poverty line in 2013, the latest year for which data are available.[2] Nationwide, rural filers are more likely to claim the EITC and low-income CTC than urban filers are.[3] These tax credits were worth $14.4 billion to rural communities in 2013.[4]

These tax credits for low- and moderate-income working households encourage and reward work. Also, a growing body of research suggests that children in families receiving income boosts from these tax credits have better health, perform better in school, are likelier to attend college, and can be expected to work and earn more as adults.[5]

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[1] Kate Kemmerer provided valuable research assistance.

[2] CBPP analysis of Census Bureau's March 2014 Current Population Survey and 2013 SPM public use file.

[3] CBPP estimates that 25 percent of rural filers claim the EITC or low-income CTC, compared with 22 percent of metro filers, based on IRS data compiled by the Brookings Metropolitan Policy Program. See Appendix for methodology.

[4] CBPP analysis of IRS data compiled by the Brookings Metropolitan Policy Program. See Appendix for methodology.

[5] Chuck Marr *et al.,* "Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds," Center on Budget and Policy Priorities, updated April 3, 2015, http://bit.ly/1NupNqR.

TABLE 1

Rural Households Receiving EITC or Low-Income CTC in 2013

United States	**4,800,000**
Alabama	141,000
Alaska	19,000
Arizona	44,000
Arkansas	143,000
California	80,000
Colorado	56,000
Connecticut	14,000
Delaware	*
District of Columbia	*
Florida	91,000
Georgia	211,000
Hawaii	25,000
Idaho	60,000
Illinois	128,000
Indiana	142,000
Iowa	109,000
Kansas	90,000
Kentucky	203,000
Louisiana	101,000
Maine	49,000
Maryland	16,000
Massachusetts	10,000
Michigan	155,000
Minnesota	107,000
Mississippi	247,000
Missouri	164,000
Montana	55,000
Nebraska	53,000
Nevada	21,000
New Hampshire	35,000
New Jersey	*
New Mexico	91,000
New York	126,000
North Carolina	276,000
North Dakota	24,000
Ohio	213,000
Oklahoma	139,000
Oregon	64,000
Pennsylvania	112,000

TABLE 1

Rural Households Receiving EITC or Low-Income CTC in 2013

Rhode Island	*
South Carolina	112,000
South Dakota	37,000
Tennessee	182,000
Texas	359,000
Utah	28,000
Vermont	34,000
Virginia	115,000
Washington	73,000
West Virginia	63,000
Wisconsin	118,000
Wyoming	30,000

*In these states, fewer than 1,000 rural filers receive the EITC or low-income CTC.
Source: CBPP analysis of tax year 2013 IRS zip-code-level data compiled by the Brookings Metropolitan Policy Program and geographic coding data from the Department of Housing and Urban Development. State figures rounded to nearest 1,000; U.S. figure rounded to nearest 100,000.

2.6 Million Rural Working Families Will Lose Some or All of Their Credits if Lawmakers Fail to Act

Unless Congress acts, key provisions of the EITC and CTC will expire at the end of 2017, eliminating all or part of the EITC, CTC, or both for 2.6 million rural families now earning the credits. Nationwide, rural EITC and low-income CTC filers are more likely to lose all or part of their tax credits than their urban counterparts are.[6] The stakes are high in rural areas: 1.6 million people in rural areas will be pushed into, or deeper into, poverty.[7] If these provisions expire:

- **Not one penny of the $14,500 in earnings of a full-time, minimum-wage worker would count toward the CTC.** The earnings needed to qualify for even a tiny CTC would jump from $3,000 to $14,700. The earnings needed to qualify for the *full* CTC would rise from $16,330 to more than $28,000 for a married couple with two children. A single rural mother with two children who works full time at the minimum wage (and earns $14,500) would lose her entire CTC of $1,725, for example.
- **Many married couples would face higher marriage penalties and cuts to their EITC.** Currently, to reduce the marriage tax penalty, the income level at which the EITC begins to

[6] CBPP estimates that 54 percent of rural filers claiming the EITC or low-income CTC would lose all or part of their credits, compared with 51 percent of metro filers claiming these credits. These estimates are based on Treasury estimates, IRS data compiled by the Brookings Metropolitan Policy Program, and CBPP analysis of the American Community Survey. See Appendix for methodology.

[7] CBPP analysis of Census Bureau's March 2014 Current Population Survey and 2013 Supplemental Poverty Measure public use file.

phase out is set $5,000 higher for married couples than for single filers. After 2017, it would only be $3,000 higher, which would cut the EITC for many low-income married couples and increase the marriage penalty for many two-earner families.

- **Larger families would face a cut in their EITC.** After 2017, the maximum EITC for families with more than two children would fall by over $700, to the level of the maximum EITC for families with two children.

Table 2 shows by state how many rural families stand to lose some or all of their EITC or CTC.[8] (See Appendix for methodology.)

TABLE 2

Estimated Rural Families Losing Some or All of EITC or CTC if Key Provisions Expire at End of 2017

United States	**2,600,000**
Alabama	83,000
Alaska	10,000
Arizona	24,000
Arkansas	81,000
California	36,000
Colorado	30,000
Connecticut	6,000
Delaware	*
District of Columbia	*
Florida	47,000
Georgia	116,000
Hawaii	13,000
Idaho	35,000
Illinois	67,000
Indiana	79,000
Iowa	60,000
Kansas	53,000
Kentucky	117,000
Louisiana	58,000
Maine	26,000
Maryland	8,000
Massachusetts	4,000
Michigan	86,000
Minnesota	58,000
Mississippi	134,000
Missouri	98,000

[8] For more detail on the provisions set to expire, see Chuck Marr, Bryann DaSilva, and Arloc Sherman, "Letting Key Provisions of Working-Family Tax Credits Expire Would Push 16 Million People Into or Deeper Into Poverty," Center on Budget and Policy Priorities, February 20, 2015, http://bit.ly/1QPYrwi.

TABLE 2

Estimated Rural Families Losing Some or All of EITC or CTC if Key Provisions Expire at End of 2017

Montana	31,000
Nebraska	30,000
Nevada	11,000
New Hampshire	17,000
New Jersey	*
New Mexico	49,000
New York	61,000
North Carolina	148,000
North Dakota	13,000
Ohio	125,000
Oklahoma	83,000
Oregon	39,000
Pennsylvania	59,000
Rhode Island	*
South Carolina	59,000
South Dakota	20,000
Tennessee	105,000
Texas	193,000
Utah	15,000
Vermont	17,000
Virginia	59,000
Washington	40,000
West Virginia	37,000
Wisconsin	64,000
Wyoming	15,000

* In these states, fewer than 1,000 rural filers would lose some or all of their EITC or CTC.
Source: CBPP estimates using data from the Treasury Department Office of Tax Analysis (for statewide number of families benefitting from these provisions in 2015); IRS zip-code-level data compiled by the Brookings Metropolitan Policy Program (for location of EITC and CTC filers); American Community Survey person-level data files for 2011 through 2013 (for additional details on rural share of families losing credits). We used geographic coding data from the Department of Housing and Urban Development and Missouri Census Data Center. State figures rounded to nearest 1,000; U.S. figure rounded to nearest 100,000.

Appendix

To estimate the number of rural (that is, non-metropolitan) filers receiving the EITC and/or low-income CTC in each state, we used zip-code-level IRS data compiled by the Brookings Metropolitan Policy Program. We summed this data into metropolitan and non-metropolitan areas using a Department of Housing and Urban Development list of each zip code's metropolitan population share as of 2013.

To estimate the share of rural families that would lose some or all of their EITC and/or CTC if key provisions expire at the end of 2017, we drew on three main data sources: Treasury Department statewide estimates of families that benefit from the credit provisions, IRS data on the rural share of total filers receiving the credits in each state, and Census data on how residential patterns might differ for families losing the credits, relative to total filers receiving the credits.

For each state, we started with an estimate of the number of families benefiting from the provisions statewide from the Treasury Department Office of Tax Analysis.[9]

Next, we estimated the share of those filers living in rural areas of the state. We calculated that rural share in two steps.

First, we calculated the percentage of each state's total EITC and low-income CTC filers living in rural areas, using zip-code-level IRS data compiled by the Brookings Metropolitan Policy Program. We summed this data into metropolitan and non-metropolitan areas using a Department of Housing and Urban Development list of each zip code's metropolitan population share as of 2013.

Second, we used Census data to fine-tune this estimated rural share for differences between all EITC and low-income CTC filers and those who stand to lose some or all of their credits. Specifically, we used the 2011-2013 American Community Survey public use file to calculate all individuals' taxes; we then estimated the rural share of filers claiming the EITC and low-income CTC and the rural share of filers who stand to lose some or all of their credits. (We estimated these rural shares using data from the Missouri Census Data Center regarding the rural share of each sub-state area or "PUMA" on the Census file.) The ratio of these two rural shares was the rural adjustment factor; we applied this rural adjustment factor to the state's overall rural share (based on zip codes) from the previous step to arrive at the adjusted rural share for filers losing their credits. Finally, we applied this adjusted rural share to the statewide Treasury-based number to calculate the estimated number of rural families benefitting from provisions set to expire at the end of 2017.

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[9] Executive Office of the President and U.S. Treasury Department, "The President's Plan to Help Middle- Class and Working Families Get Ahead," April 2015, http://1.usa.gov/1LaH88t.