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Earned Income Tax Credits to 66,000 Employed Families in Milwaukee County during the Economic Recession

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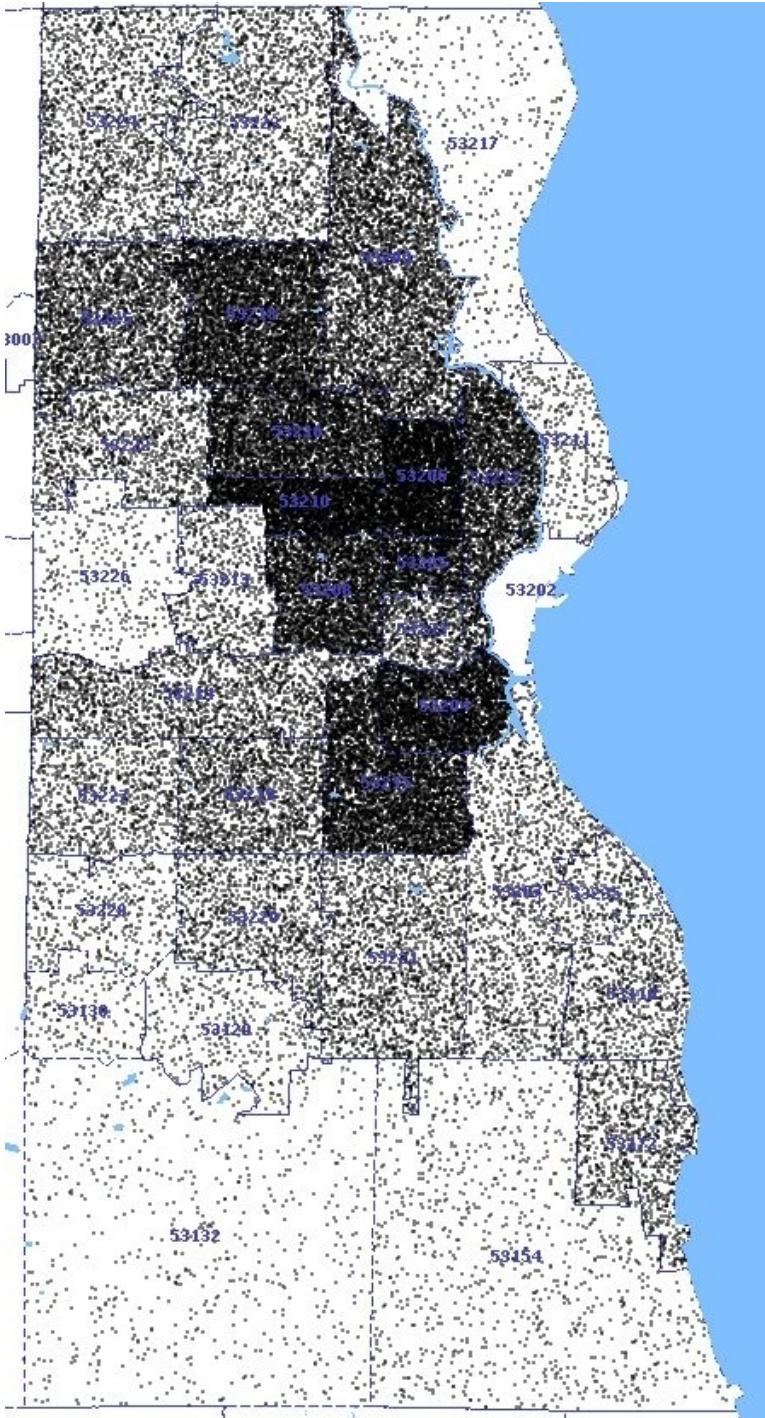
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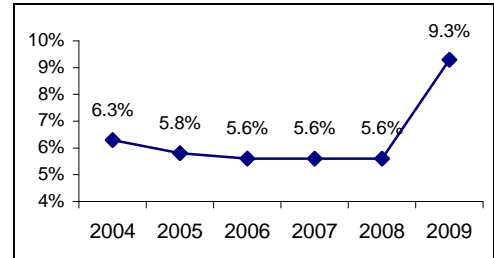
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Earned Income Tax Credits to 66,000 Employed Families in Milwaukee County during the Economic Recession

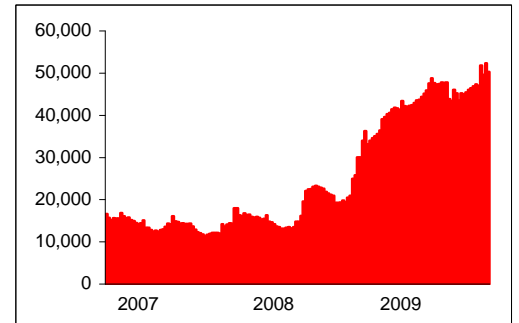
Families receiving the EIC for state 2009 tax returns (dots are distributed randomly within zipcodes)



Est. annual unemployment rate for Milwaukee County workers



Laid-off workers in Milwaukee County on unemployment compensation



Report prepared by

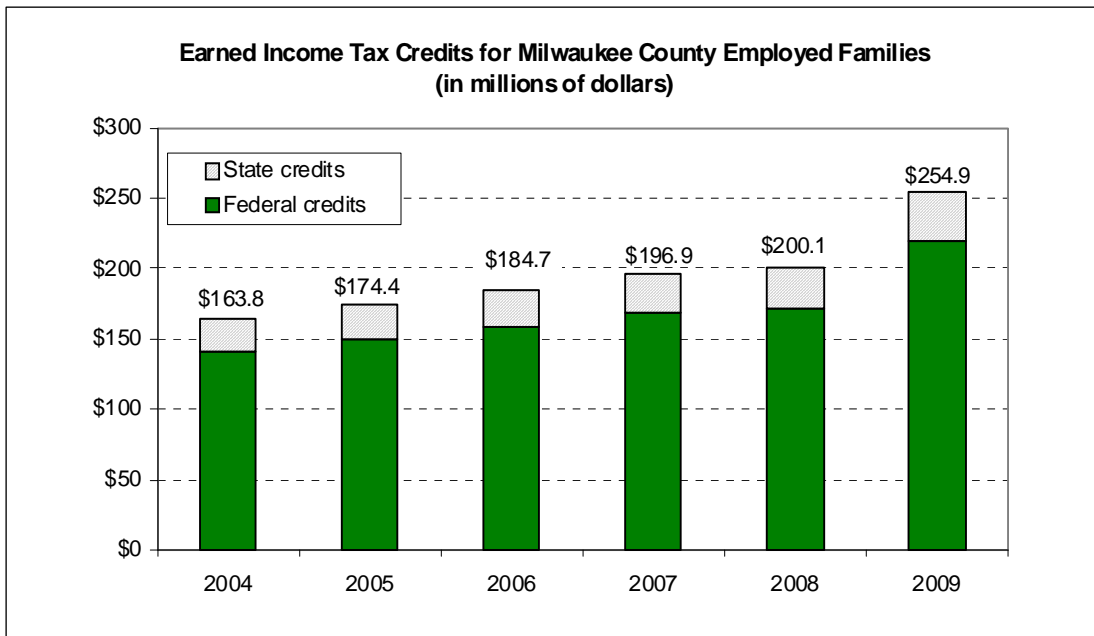
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 University of Wisconsin-Milwaukee
 January 2011

An examination by the University of Wisconsin-Milwaukee Employment and Training Institute of state **earned income tax credits (EIC)** received by families in Milwaukee County based on their 2009 tax returns (filed in 2010) showed the usage of the credits by working families during the recession. Wisconsin Department of Revenue data are analyzed for tax filers with dependent children who received the Wisconsin earned income tax credit. Federal earned income credits are estimated based on Wisconsin usage ratios.¹

The earned income tax credit offers a refundable federal tax support to help reduce the payroll and social security tax burdens and to supplement wages for low and moderate income employed families and single persons. Wisconsin is one of 23 states with an earned income tax credit modeled on the federal EIC.² For those tax filers (with children) who claim the credit, Wisconsin adds 4% to the federal credit for families with one qualifying child, 14% to the federal credit for families with two qualifying children, and 43% to the federal credit for families with three or more qualifying children.

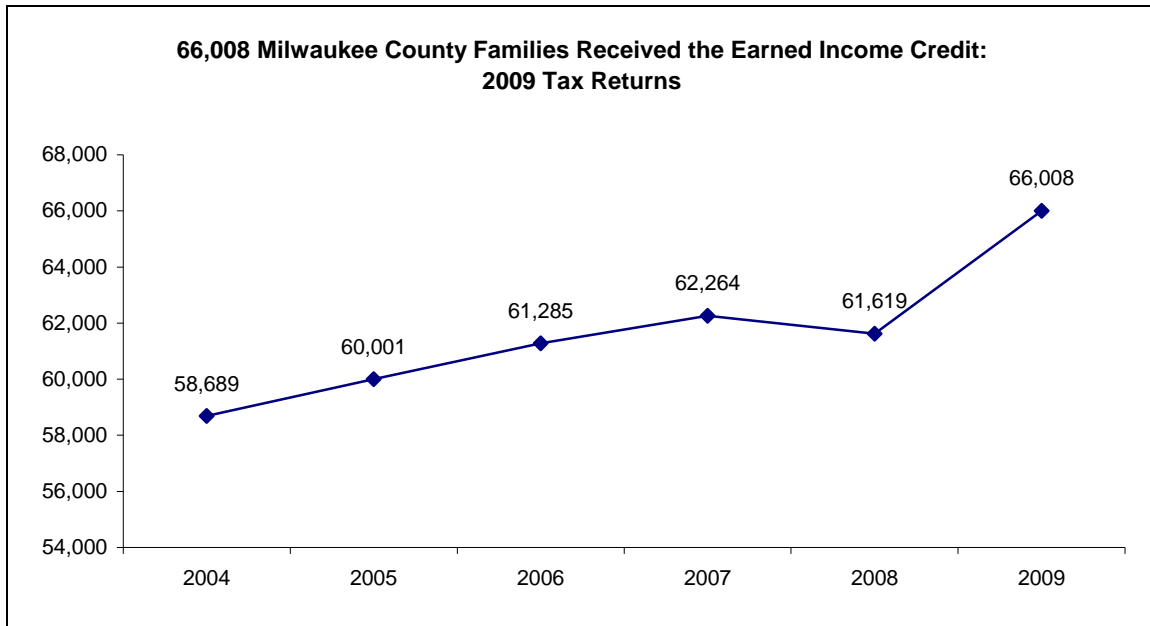
Findings

- In the 2009 tax year 44% of working age Milwaukee County families filing tax returns qualified for and received the earned income tax credit. In eleven ZIP codes over half of family tax filers (with dependents) received the credit and in three south side suburbs (Cudahy, St. Francis and South Milwaukee) a third or more of families filing tax returns received the credit. (See table, p. 6) As the recession worsened, the credits aided parents in low-wage jobs as well as many who were forced into lay-offs or unable to find full-time year-round work.
- 66,000 employed families in Milwaukee County received an estimated \$254.9 million in earned income tax credits. These included \$35.9 million in **state** earned income tax credits and an estimated \$219 million in **federal** earned income tax credits.



- State and federal earned income tax credits to Milwaukee County families increased by 27% in 2009 over 2008 as the federal government raised the payment schedule for larger families and for married couple families. Federal earned income tax credits to Milwaukee County families rose by \$47 million and state credits rose by \$7.7 million.

- The number of Milwaukee County families receiving the credit rose from 61,619 for the 2008 tax year to 66,008 families for the 2009 tax year (returns filed in 2010).

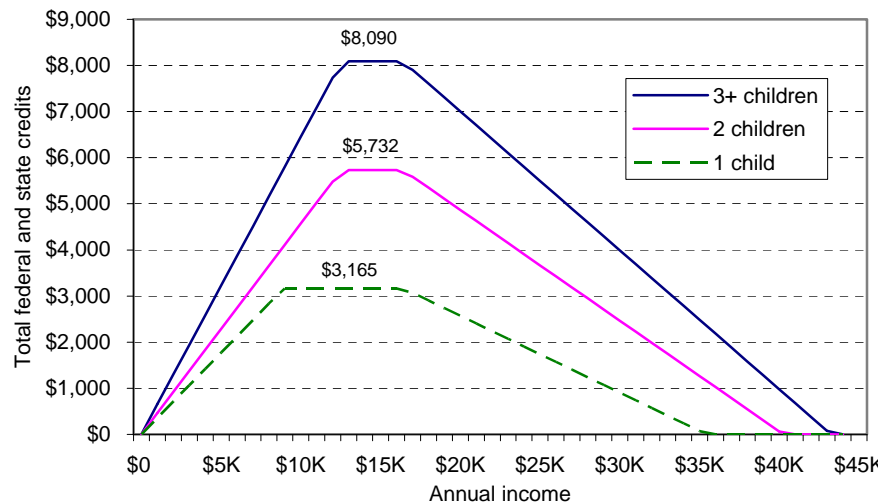


- The combined federal and state earned income tax credits averaged \$3,723 for single parent families and \$4,614 for married filers in Milwaukee County.³ Credits ranged from \$6 to \$8,090 per family. The formulas for calculating the credits in 2009 provided the highest credits (\$8,090) to families with 3 or more children when their income was from \$12,550 up to \$16,450 for single filers (and up to \$21,450 for married couple filers). The smallest credits (\$6) were for those at the bottom and top of the income schedule.

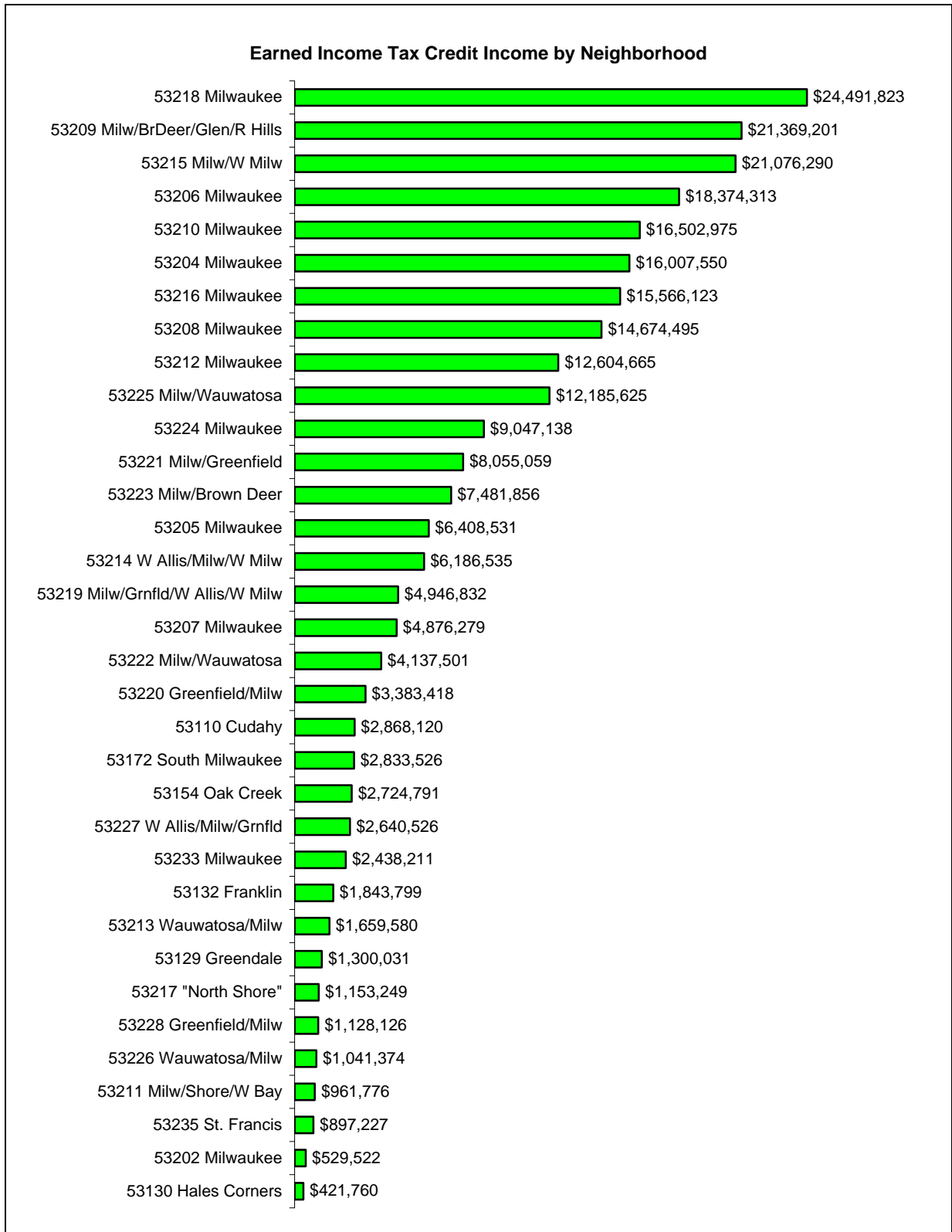
Average (Mean) Federal and State Earned Income Credits for Milwaukee County Family Claimants: 2009 Tax Year

<u>Adjusted Gross Income</u>	<u>Single Filers</u>	<u>Married Filers</u>
Under \$10,000	\$2,289	\$3,623
\$10,000 – 19,999	\$5,343	\$6,843
\$20,000 – 29,999	\$3,733	\$5,941
\$30,000 – 39,999	\$1,890	\$3,479
\$40,000 and above	\$ 983	\$1,759
ALL CLAIMANTS	\$3,723	\$4,614

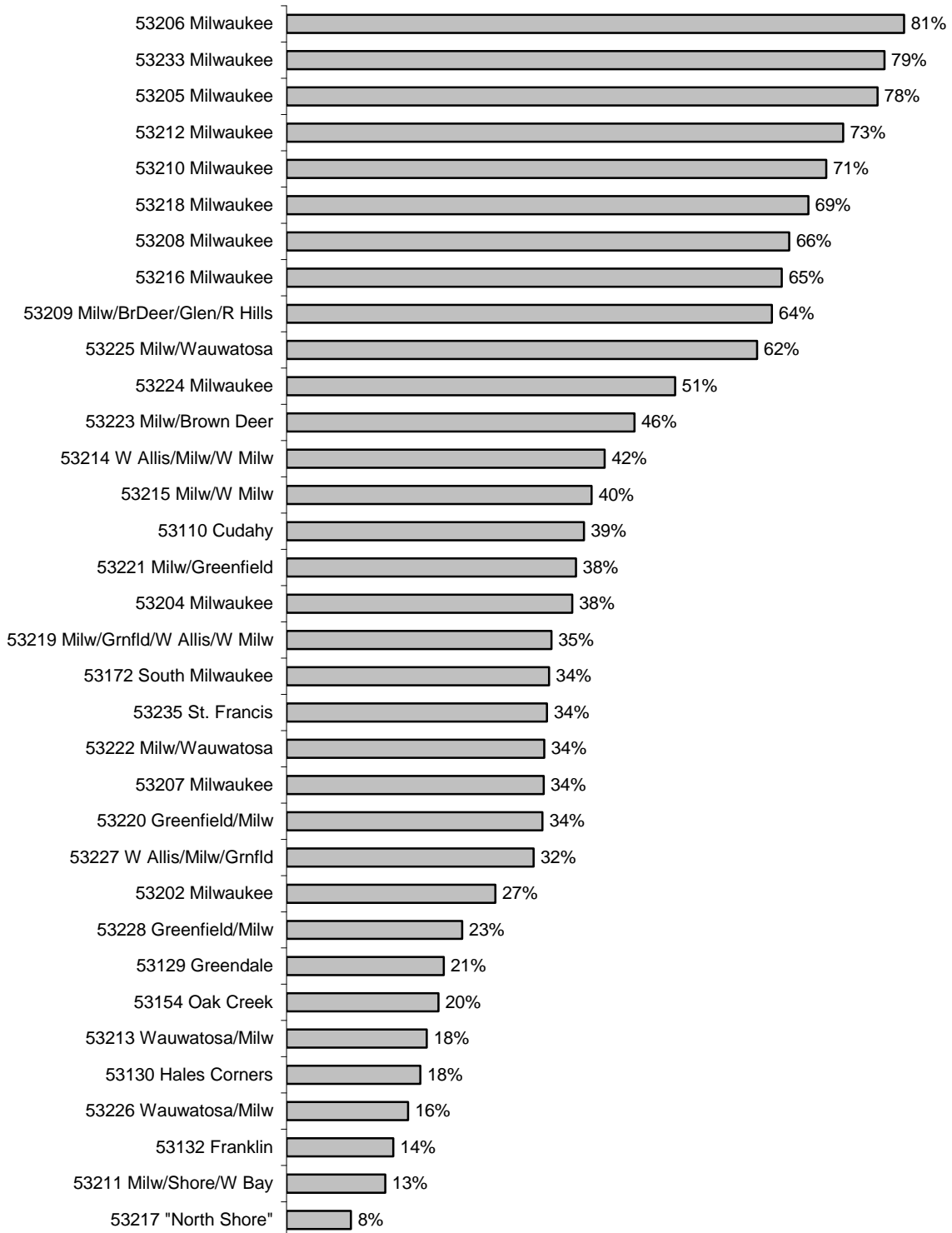
Schedule of Combined Federal and State Earned Income Tax Credits for Single Tax Filers with Qualifying Children: 2009 Tax Year



- The EIC brought additional family income to every residential zipcode in Milwaukee County, with the biggest financial impacts seen in zipcodes 53218, 53209 and 53215.



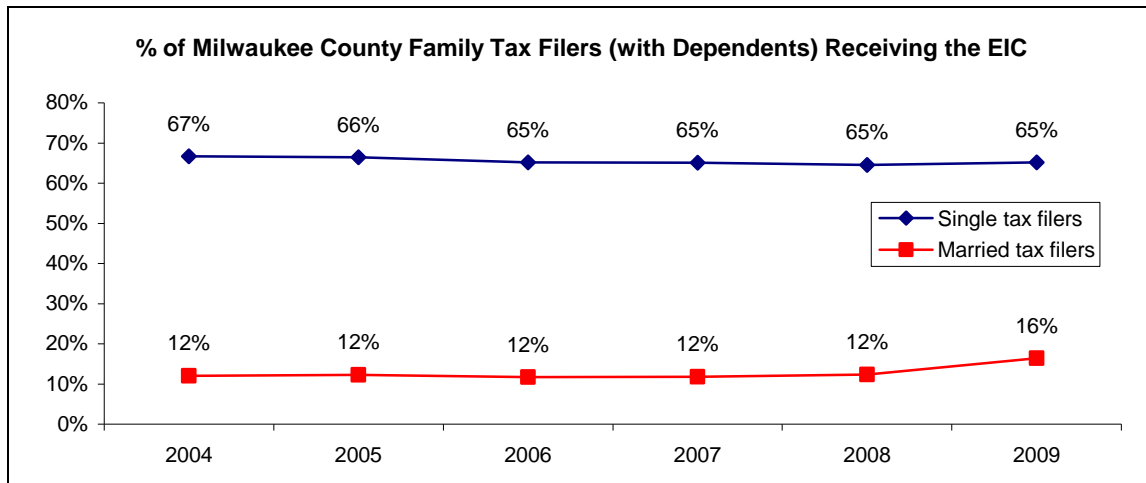
Est. Percent of Family Tax Filers Receiving the EIC



Earned Income Tax Credits by Milwaukee County Zipcode: 2009 Tax Returns (filed in 2010)

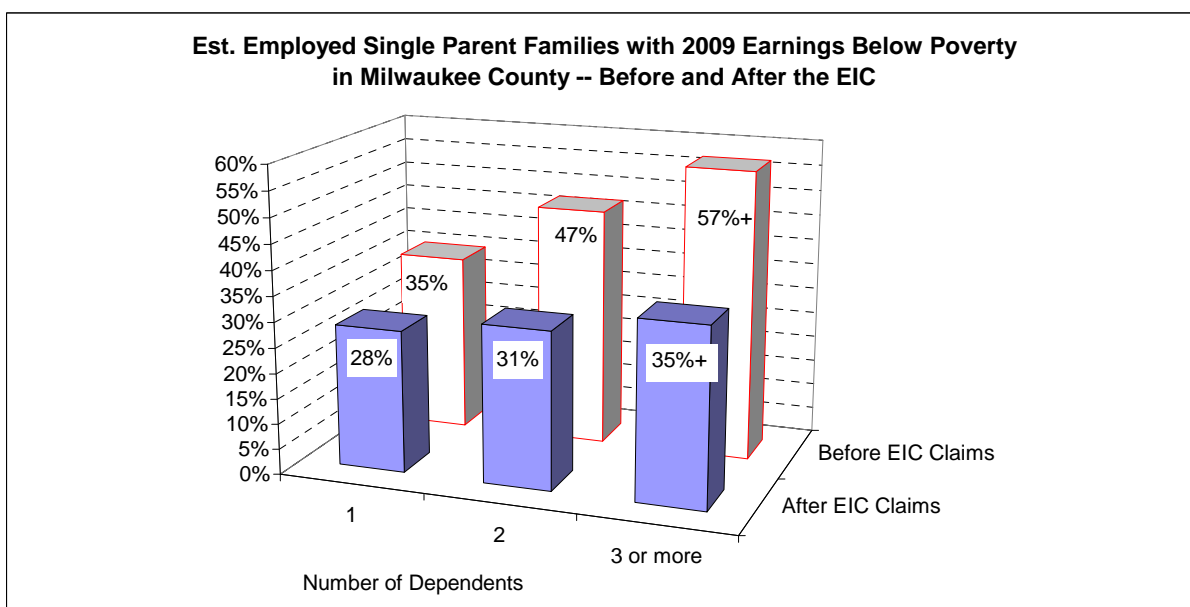
<u>ZIP Code</u>	Married and Single Tax Filers (non-elderly) with Dependents:			Est. Total Federal + State EIC
	Total	Claiming the EIC	%	
53110 Cudahy	2,516	983	39%	\$2,868,120
53129 Greendale	1,955	404	21%	\$1,300,031
53130 Hales Corners	1,075	189	18%	\$421,760
53132 Franklin	4,843	678	14%	\$1,843,799
53154 Oak Creek	5,106	1,018	20%	\$2,724,791
53172 South Milwaukee	2,995	1,033	34%	\$2,833,526
53202 Milwaukee	912	250	27%	\$529,522
53204 Milwaukee	9,540	3,579	38%	\$16,007,550
53205 Milwaukee	1,850	1,436	78%	\$6,408,531
53206 Milwaukee	4,887	3,965	81%	\$18,374,313
53207 Milwaukee	4,538	1,533	34%	\$4,876,279
53208 Milwaukee	5,225	3,451	66%	\$14,674,495
53209 Milwaukee, Brown Deer, Glendale, River Hills	8,197	5,226	64%	\$21,369,201
53210 Milwaukee	5,238	3,714	71%	\$16,502,975
53211 Milwaukee, Shorewood, Whitefish Bay	2,899	376	13%	\$961,776
53212 Milwaukee	4,096	2,995	73%	\$12,604,665
53213 Wauwatosa, Milwaukee	3,687	679	18%	\$1,659,580
53214 West Allis, Milwaukee, West Milwaukee	4,983	2,083	42%	\$6,186,535
53215 Milwaukee, West Milwaukee	12,848	5,150	40%	\$21,076,290
53216 Milwaukee	6,193	4,029	65%	\$15,566,123
53217 Bayside, Fox Point, Glendale, River Hills, Whitefish Bay	4,533	383	8%	\$1,153,249
53218 Milwaukee	8,113	5,560	69%	\$24,491,823
53219 Milwaukee, Greenfield, West Allis, West Milwaukee	4,794	1,669	35%	\$4,946,832
53220 Greenfield, Milwaukee	3,545	1,191	34%	\$3,383,418
53221 Milwaukee, Greenfield	5,510	2,095	38%	\$8,055,059
53222 Milwaukee, Wauwatosa	3,809	1,289	34%	\$4,137,501
53223 Milwaukee, Brown Deer	4,527	2,069	46%	\$7,481,856
53224 Milwaukee	3,949	2,016	51%	\$9,047,138
53225 Milwaukee, Wauwatosa	4,923	3,043	62%	\$12,185,625
53226 Wauwatosa, Milwaukee	2,413	385	16%	\$1,041,374
53227 West Allis, Milwaukee, Greenfield	3,005	975	32%	\$2,640,526
53228 Greenfield, Milwaukee	1,956	451	23%	\$1,128,126
53233 Milwaukee	862	677	79%	\$2,438,211
53235 St. Francis	1,070	366	34%	\$897,227

- Countywide, the earned income tax credits reached an estimated 44% of all employed tax-filing families with children in Milwaukee County.⁴ The EIC had its largest impact on families headed by single parents, where two-thirds (65%) of tax filers received income boosts under the EIC.

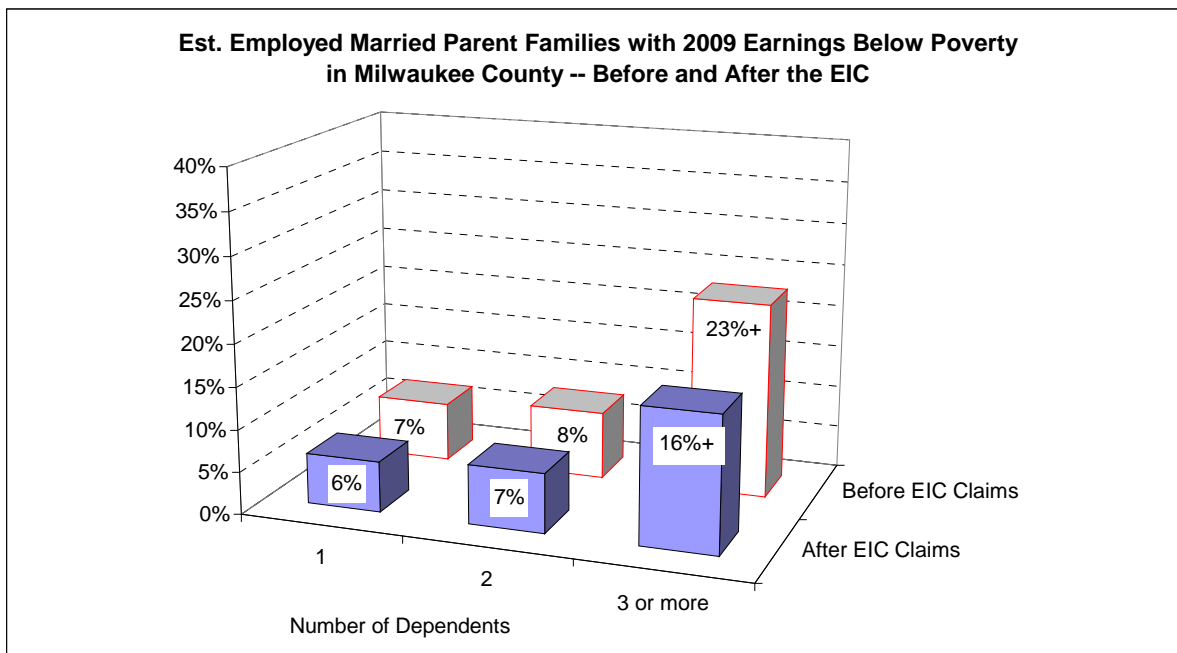


Federal poverty guidelines and adjusted gross income (AGI) ranges were used to develop a rough estimate of the number of employed families with AGI below the poverty level.⁵ *The poverty guidelines provide one federal government estimate of the bare minimum required by families to meet their basic needs and are used to determine eligibility for federal support programs. In 2009, the federal government set these guidelines at \$14,570 for a two-person family, \$18,310 for three persons, \$22,050 for a family of four, and \$3,740 for each additional person in the family.* These very low standards were used to approximate the number of family tax filers showing income below poverty.

- For the 84,290 **single tax filers with dependents** in Milwaukee County, in tax year 2009 about 35% of single tax filers with one dependent showed adjusted gross income (AGI) below the poverty level. About half (47%) of single filers with 2 dependents showed AGI below poverty, and at least 57% of filers with three or more dependents had income below poverty.



- When the income ranges of filers claiming the state and federal earned income credit were considered, the percentage of single parent families estimated to be living in poverty was reduced to about 28% of filers with one dependent, 31% for filers with two dependents, and 35% (or more) of filers with three or more dependents.
- State Department of Revenue data showed 65,032 **married tax filers with dependents** in Milwaukee County with income in 2009. Fewer employed married parents have incomes below the poverty level. About 7% of married tax filers with one dependent showed adjusted gross income below the poverty level. About 8% of married filers with two dependents reported AGI below the poverty level, as did 23% (or more) of married filers with 3 or more dependents.
- Federal and state EIC claims brought the poverty rates for married filers down to 6% for filers with one dependent and 7% for filers with two dependents. In Milwaukee County, married filers with three or more dependents showed an estimated 16% (or more) of families still living in poverty even with EIC claims.



- Overall in Milwaukee County the earned income tax credit helped lift the income of about 11,000 single parent families above the poverty level, but still leaving more than 25,800 employed single tax filers with dependents below the poverty level based on their adjusted gross income and family size.
- For married filers, EIC claims helped raise about 1,700 families out of poverty, but still leaving an estimated 5,800 or more employed married filers with dependents still in poverty.

Note: The poverty rankings calculated in September 2010 from American Community Survey data for 2009 did not take into account family income from the state or federal earned income tax credits.⁶

¹ See WI Department of Revenue, “Wisconsin Earned Income Tax Credit: Summary for 2008” (March 23, 2010).

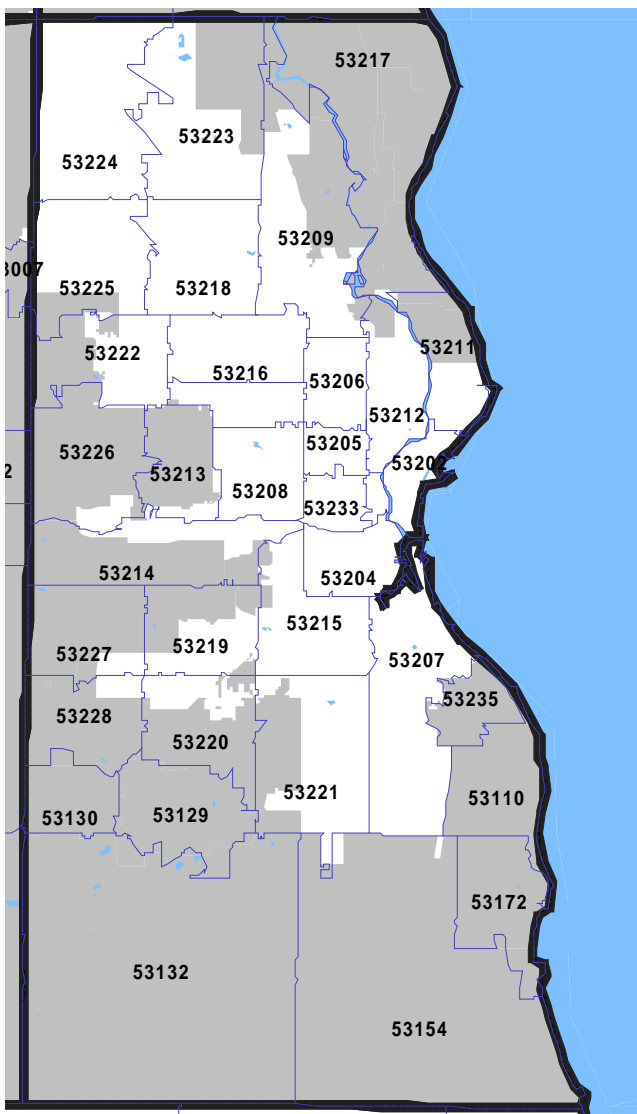
² Erica Williams, Nicolas Johnson, and Jon Shure, “State Earned Income Tax Credits: 2010 Legislative Update” (Center on Budget and Policy Priorities: December 9, 2010).

³ Federal earned income credits, but not Wisconsin credits, are also available for workers without dependent children if aged 25-64 and earning less than \$13,440 (if single) or \$18,440 (if married) in 2009. Federal EIC payments for workers without qualifying children are not included in this report.

⁴ The percent of employed tax-filing families using the EIC was estimated by comparing the number of family tax filers with children receiving the credit to the count of working-age (i.e., non-elderly) tax filers claiming dependents.

⁵ The income and poverty estimate analysis is limited to the tax filing unit and does not reflect other income sources available to support family members. In some cases the married or single adult with dependents may be supporting other persons not qualifying as dependents for income tax purposes. In other cases other adults in the household (or a noncustodial parent) may be contributing to support of the family. Tax filers with adjusted gross income below \$1 and elderly filers are not included in this analysis.

⁶ See [Working Paper on Poverty and the Recession](#) (University of Wisconsin-Milwaukee Employment and Training Institute, November 2010).



*Milwaukee
County
ZIP
codes*

Technical assistance research on training needs of laid-off and unemployed workers and economic conditions for workers and families during the recession is supported in part by the Milwaukee Area Workforce Investment Board.

ETI reports are posted on the University of Wisconsin-Milwaukee Employment and Training Institute website at www.eti.uwm.edu. Monthly drilldowns on economic conditions for workers are posted on the MAWIB website at www.milwaukeeewib.com.