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The State of Milwaukee County's "Working Poor" Families: An Economic Report Card

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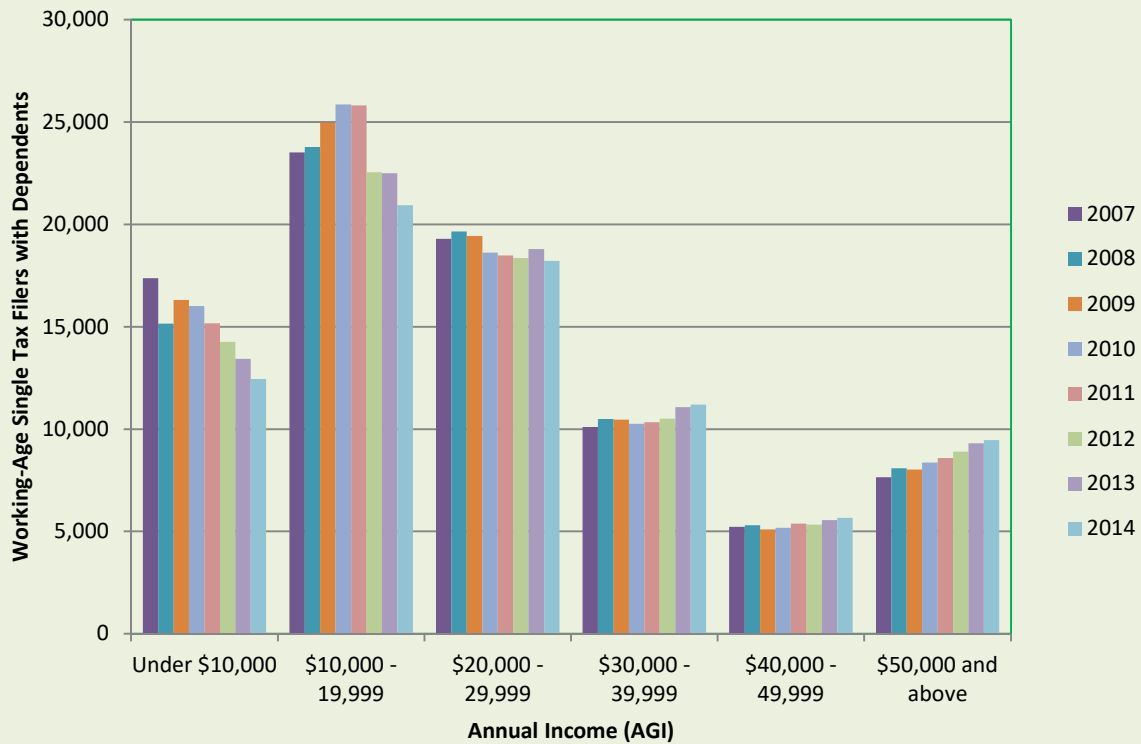
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The State of Milwaukee County's "Working Poor" Families: An Economic Report Card

Annual Income of Milwaukee County Working Single Parent Tax Filers

Note: Incomes are not adjusted for inflation.



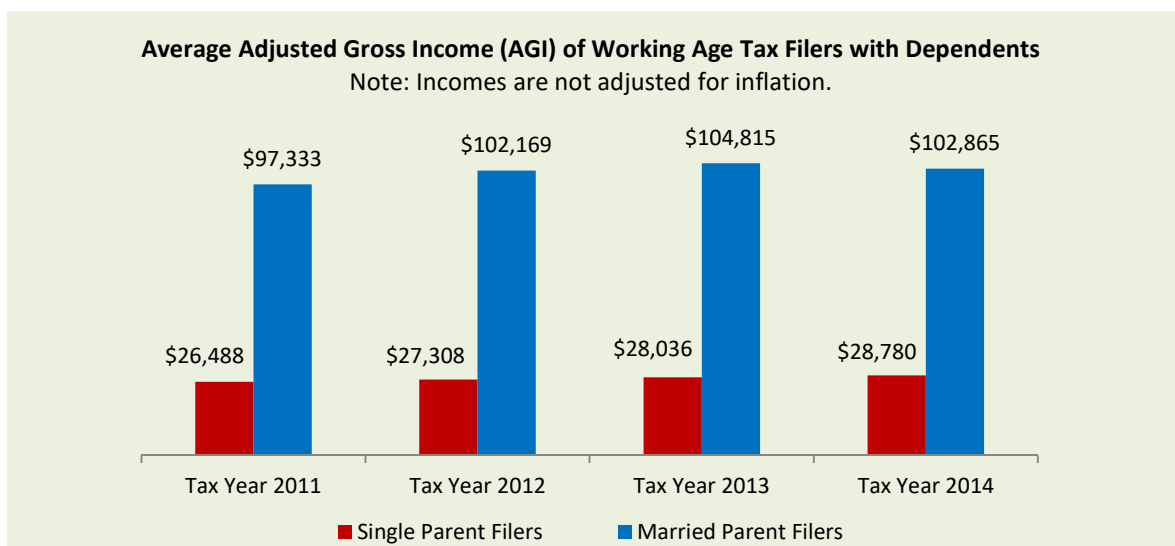
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2015

FINDINGS

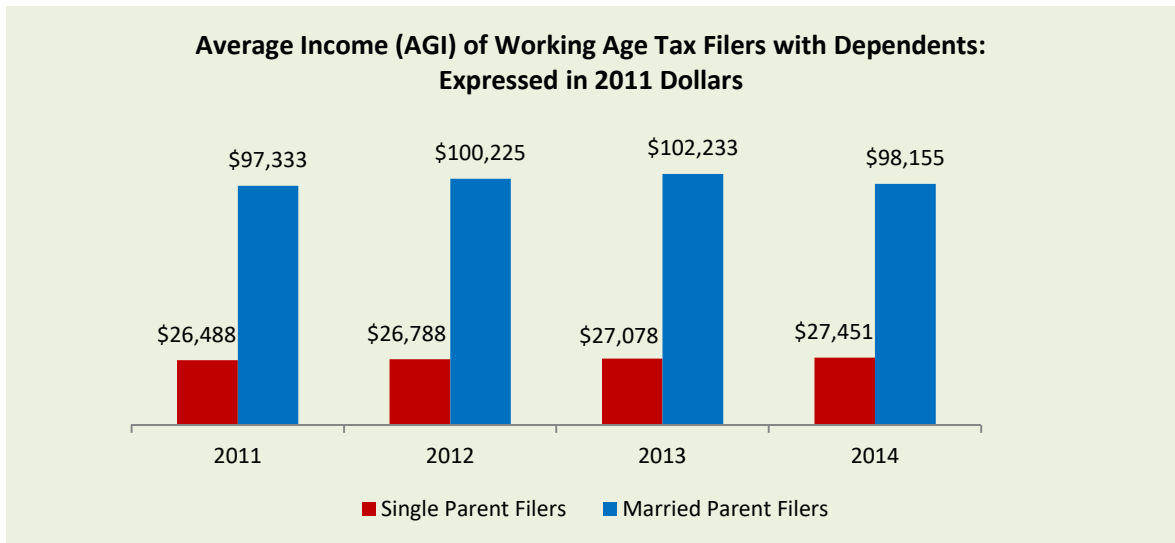
Family poverty brought on by the lack of steady, good paying jobs and the resulting lack of adequate income support for single and married parents raising children is one of the most critical issues facing Milwaukee County. State income tax data indicate that the severe financial challenges facing the county's "working poor" families are not being met in the current economy or by reduced government income "safety net" supports for employed families with inadequate income. Wisconsin's "W-2" approach to "welfare reform" adopted in the 1990s that has limited employed parents' access to financial support, training, and educational programs does not appear to be effectively addressing poverty and near poverty among employed single parents in Milwaukee County.

This economic report card analyzes the state of Milwaukee County's "working poor" families using 2014 Wisconsin state income tax returns filed in 2015 by working age married and single filers with dependents. The report is part of a series of studies on employment, housing, driver's license, incarceration, health and education indicators prepared by the University of Wisconsin-Milwaukee Employment and Training Institute since the 1990s using full-count administrative databases to detail neighborhood measurements of assets and needs of workers and families in Milwaukee County zipcodes. This paper includes research prepared at the request of Milwaukee city officials for data on income needs of city families. (See Methodology, p. 14.)

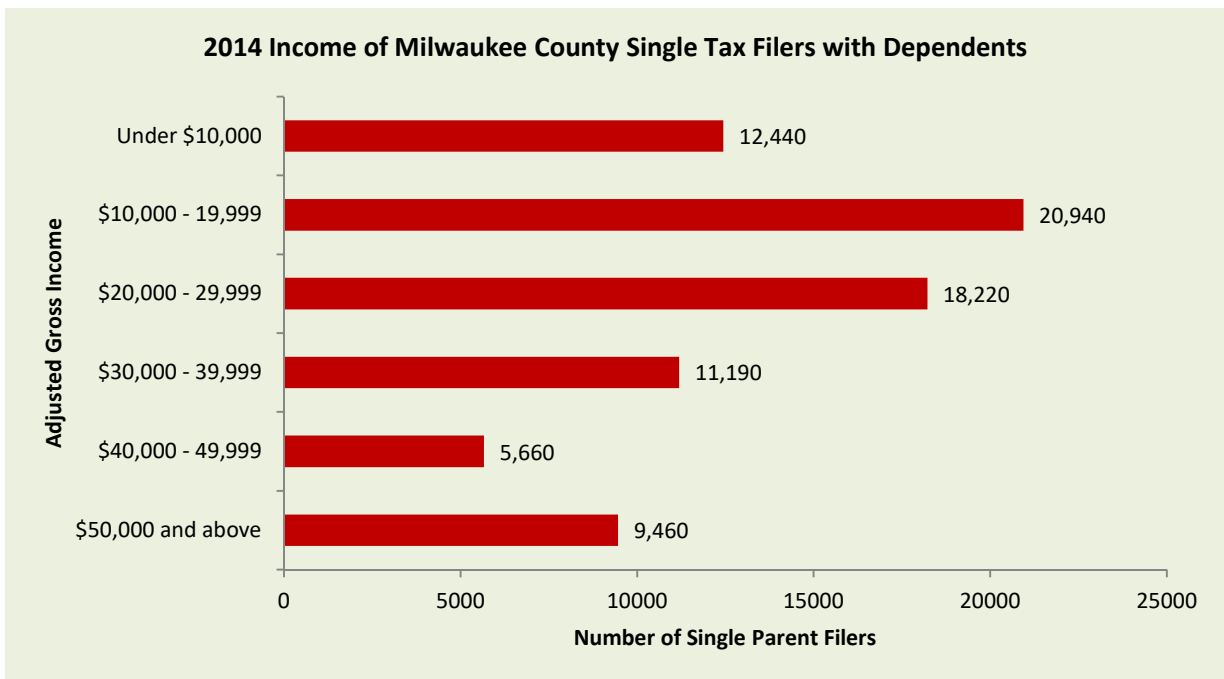
1. The 77,910 single working-age adults in Milwaukee County with dependents and filing 2014 state income tax returns had an average (mean) income of only \$28,780. Such low levels of income earnings limit thousands of parents' ability pay for even the basic needs of their family members, let alone to have money to invest in college, job training, a reliable vehicle, family emergencies, or enrichment resources for their children.
2. The average income earnings of employed single parents have remained stagnant over the past four years and at levels of less than a third of the average income for employed married families.



3. When inflation is considered, the average income of single parent tax filers rose by only \$80 a month (or 3.6%) from 2011 to 2014 and the average income of married parent tax filers rose by only \$65 a month (or less than 1%) from 2011 to 2014. Average annual incomes, expressed in 2011 dollars, are shown below.



4. Thousands of Milwaukee County parents remain mired in minimum wage, low-paying, part-time, and seasonal jobs with earnings insufficient to support a family. In 2014, 33,380 employed single parent families (43% of all the single parent filers) had annual income below \$20,000, according to state income tax filings, and yet these families were caring for over 55,000 children/dependents. *The minimum wage of \$7.25 an hour in Wisconsin pays \$15,080 in annual wages for workers employed full-time, year-round.*
5. In 2014 another 18,220 single parents had income earnings between \$20,000 and \$29,999. These parents were caring for over 46,000 children/dependents.



6. Only 9,460 of the 77,910 working age single parent filers reported annual income of at least \$50,000.

Milwaukee County Working Age Single Parent Tax Filers with Dependents, 2014 Tax

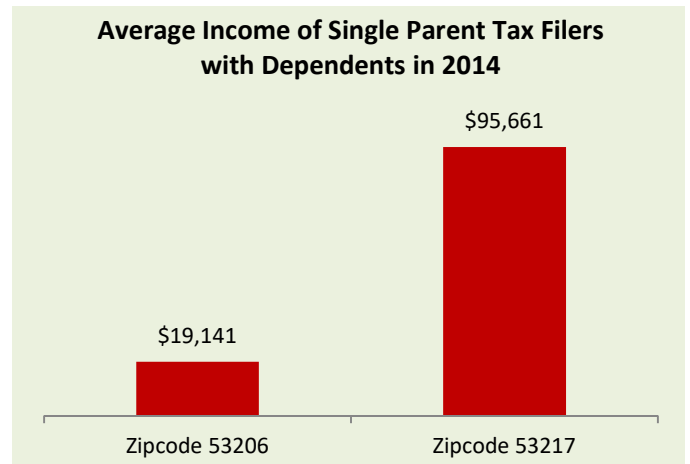
<u>Income (AGI) in 2014</u>	<u>Number of Filers</u>	<u>Dependents Reported (up to 3)#</u>
Under \$10,000	12,440	19,370
\$10,000 – 19,999	20,940	35,790
\$20,000 – 29,999	18,220	46,840
\$30,000 – 39,999	11,190	19,800
\$40,000 – 49,999	5,660	9,260
\$50,000 and above	<u>9,460</u>	<u>13,770</u>
ALL	77,910	144,830

#Additional dependents in the family (above three) are not reported in this count.

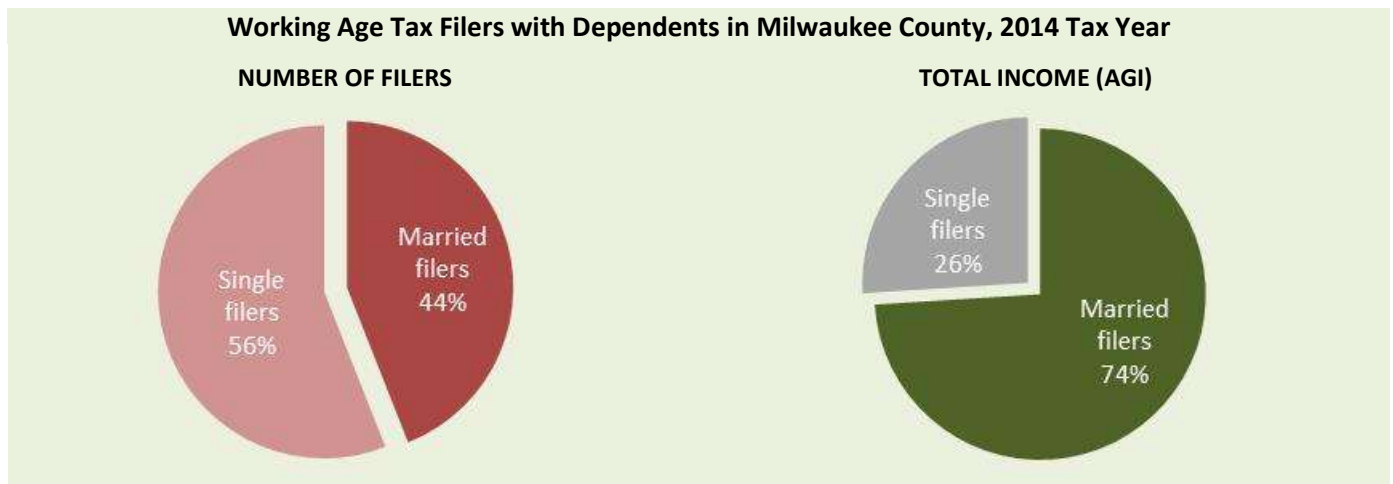
7. Within the small geographic area of Milwaukee County (i.e., 241 square miles of land), children have access to vastly different economic supports for their housing, food, clothing, health and other basic necessities as well as for educational resources and social opportunities. Educational achievement gaps between children of wealth and children of poverty are profoundly influenced by these extreme differences in family resources and are further exacerbated for schools (and school districts) with high concentrations of children in need or with children having plentiful family and community resources.

Single parent tax filers had 2014 incomes averaging below \$21,000 in four central city Milwaukee zipcodes: 53206 (\$19,141 average), 53233 (\$19,967 average), 53205 (\$20,155 average) and 53204 (\$20,766).

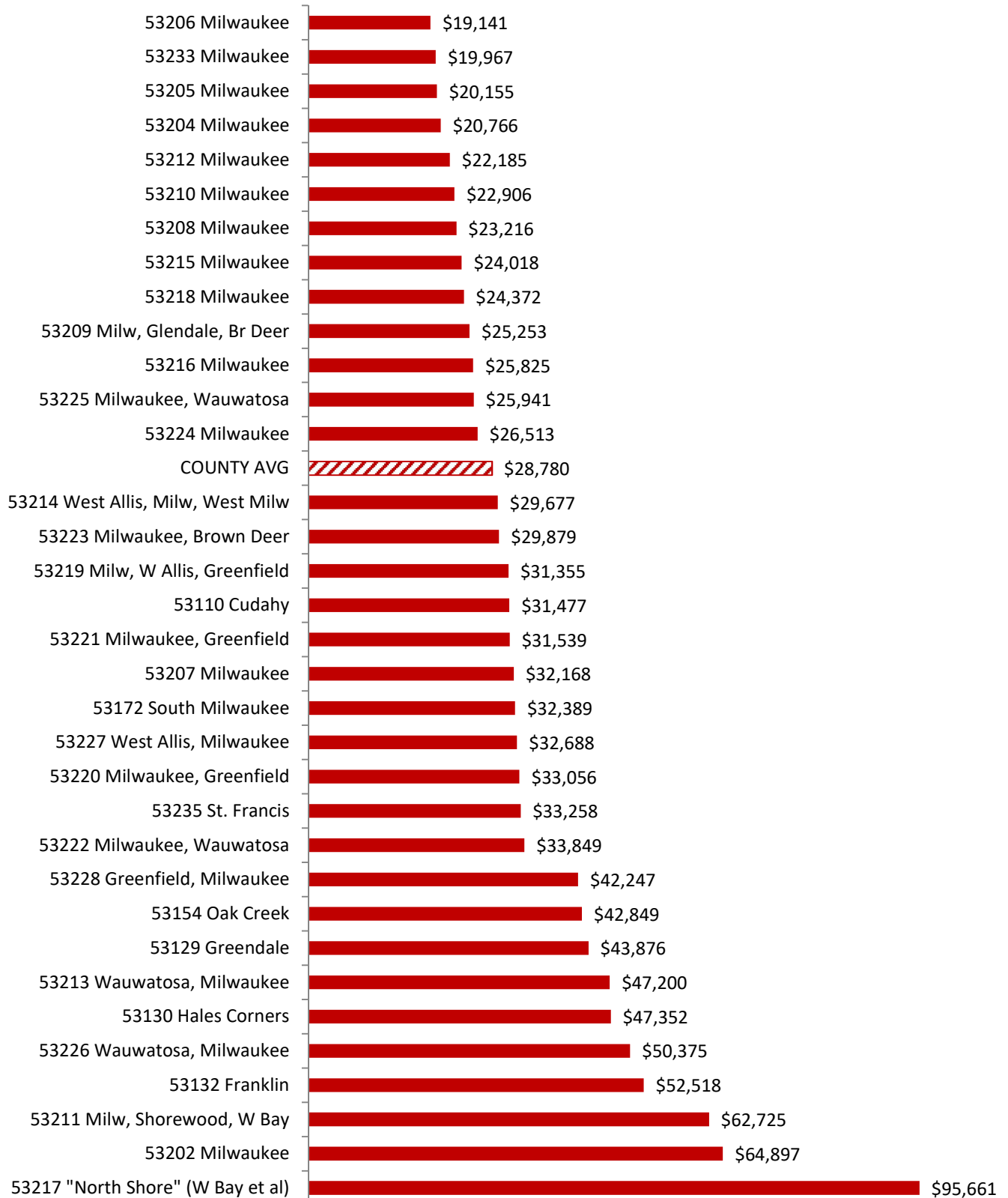
Meanwhile, single parent filers living in the suburban “North Shore” zipcode of 53217 had an average income of \$95,661 – five times higher. This zipcode includes parts or all of Bayside, Fox Point, Glendale, River Hills, and Whitefish Bay.



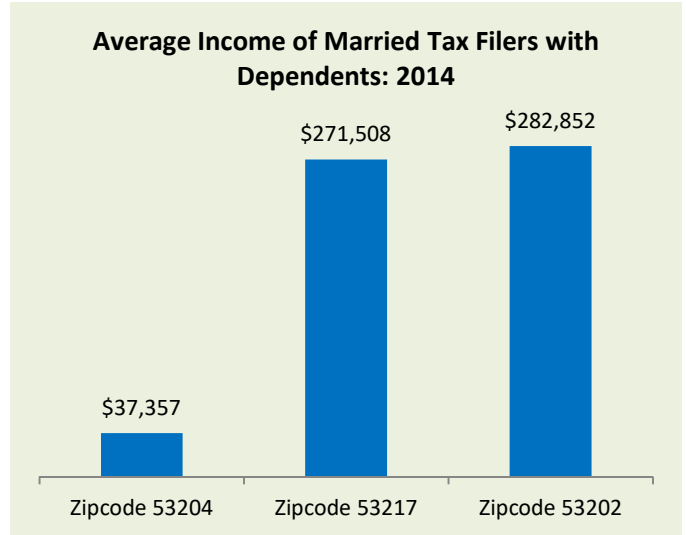
8. Over half (56%) of the working age income tax filers with dependents in Milwaukee County were single persons rather than married couples. At the same time the married filers had three-fourths of the adjusted gross income of filers with dependents.



Average 2014 Income of Working-Age SINGLE Tax Filers with Dependents
(2014 state income tax returns filed in 2015)

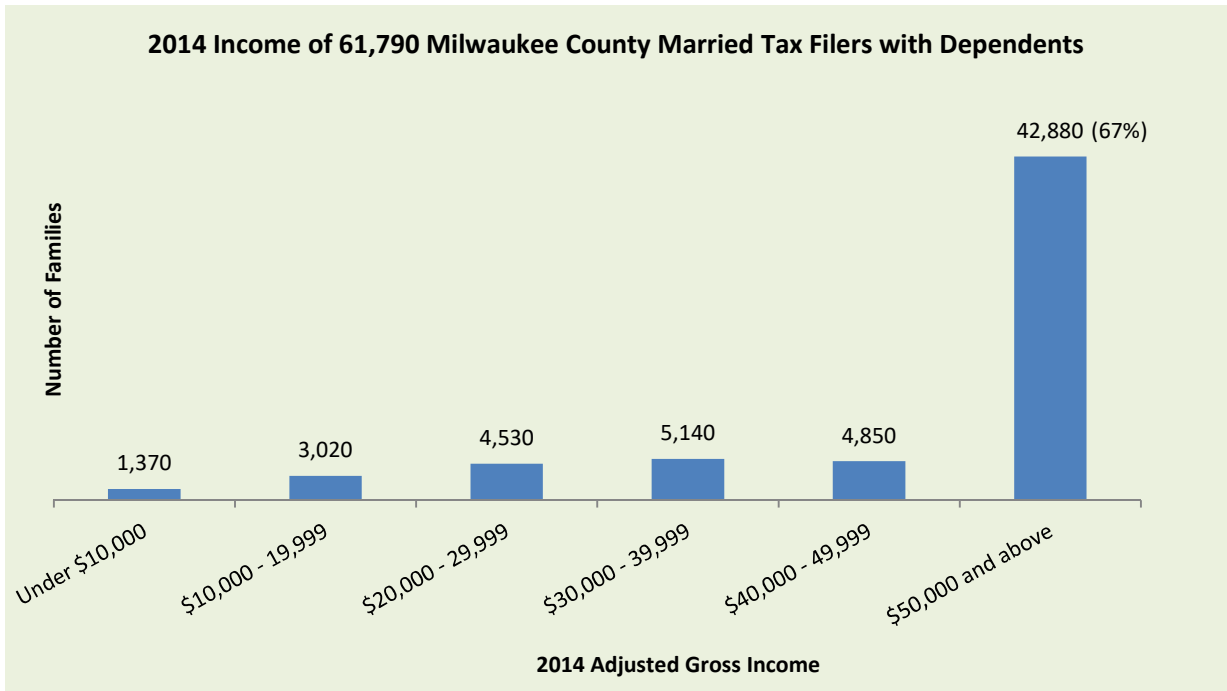


9. Income extremes were likewise seen by neighborhoods for married tax filers with dependents. The average incomes (AGI) by zipcode ranged from a low of \$37,357 in 53204 and \$45,630 in 53215 on Milwaukee’s near southside to \$271,508 in the “North Shore” zipcode 53217 and \$282,852 in the downtown/eastside zipcode 53202.

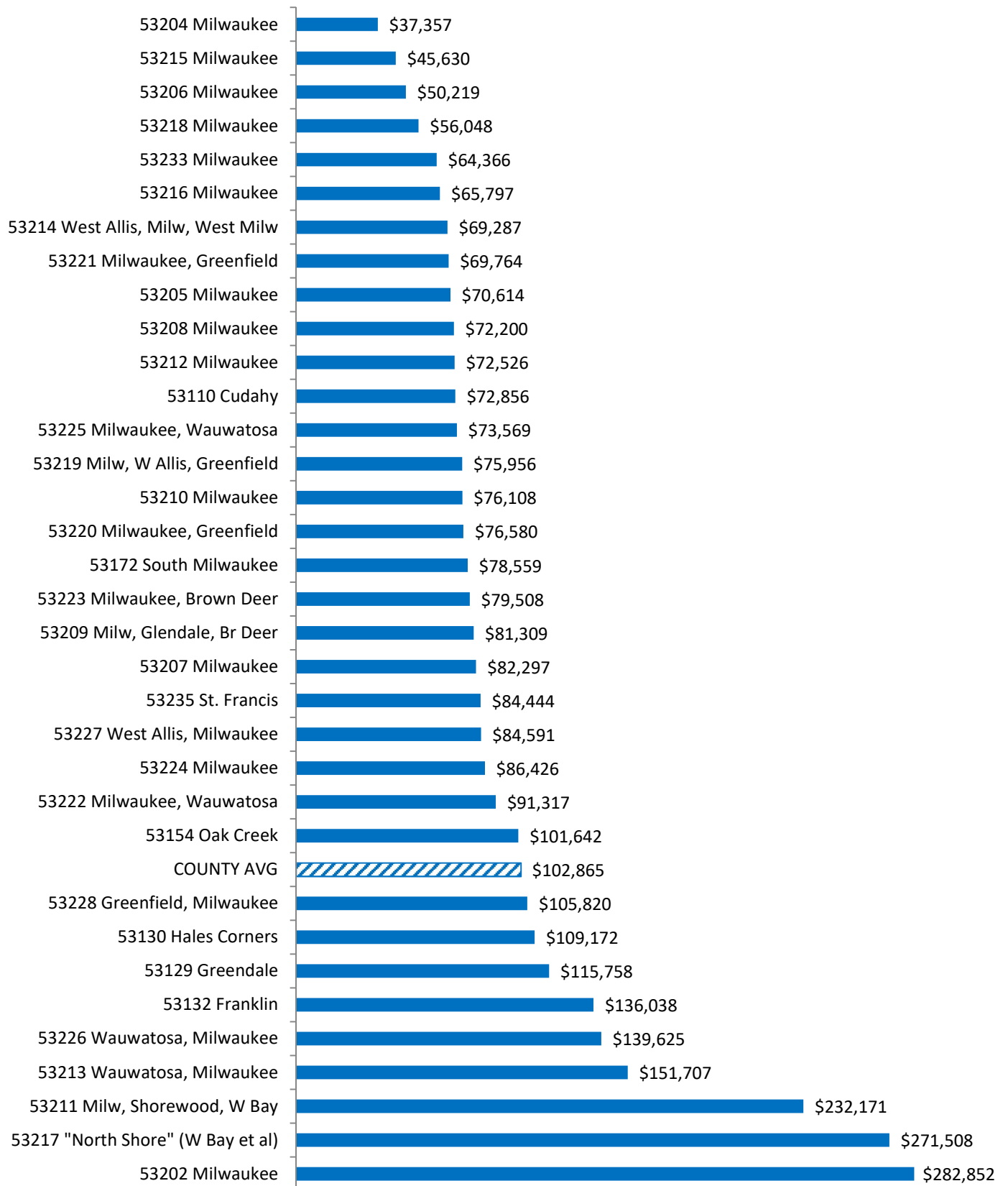


The graph on the following page shows the average income earnings for married couple families for each residential zipcode in the county, based on the 2014 state income tax filing data.

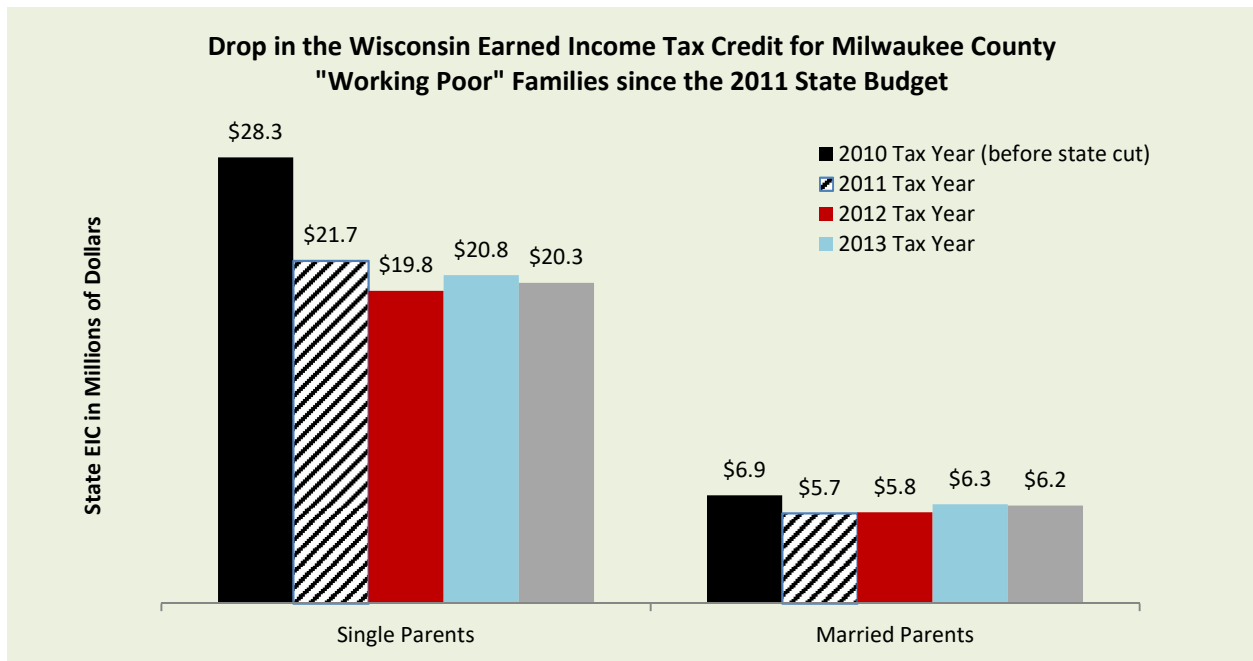
10. Notably, even a third of the married tax filers with dependents in Milwaukee County were earning below \$50,000 in 2014.



Average 2014 Income of Working-Age MARRIED Tax Filers with Dependents
(2014 state income tax returns filed in 2015)

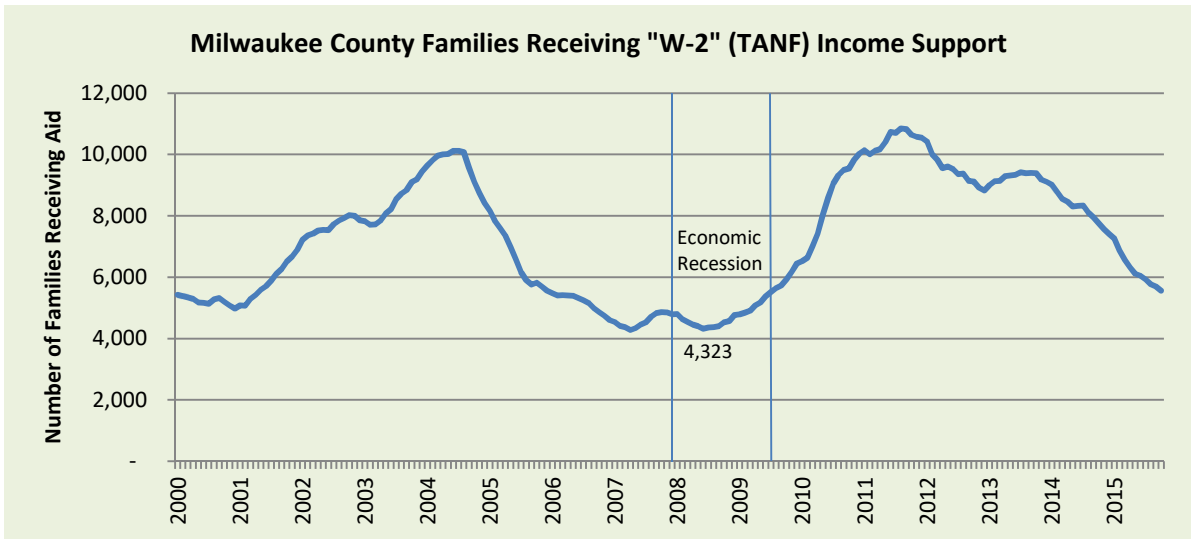


11. Federal earned income tax credits (EIC) for employed families with qualifying children brought an estimated \$191 million in additional income to 60,120 families in Milwaukee County for the 2014 tax year. The state EIC totaled \$26.5 million for the families. The federal and state earned income tax credits offer refundable tax support to help reduce the payroll and social security tax burdens and to supplement wages for low and moderate income employed families.
12. In 2011 the Wisconsin legislature and governor reduced earned income tax credit (EIC) supports for families with more than one child. Over the past four tax years, “working poor” families in Milwaukee County have lost an estimated \$34 million in state EIC income under the 2011 law changes.

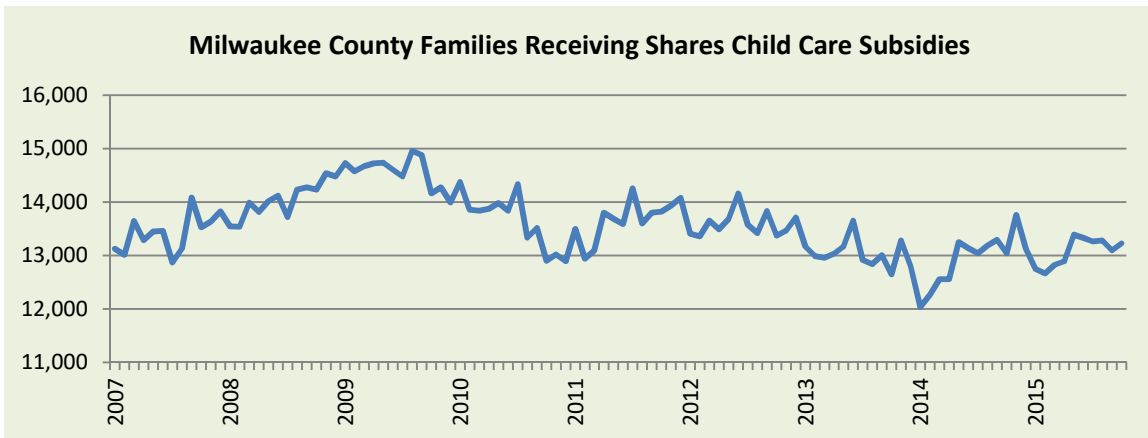


13. Single parents bore the brunt (an estimated \$30 million loss since 2011) of the state EIC cuts, with the greatest reductions for families earning from \$10,000 to \$19,999 in wages (i.e., the income levels of full-time workers earning minimum wage). The largest state EIC dollar losses were in four central city zipcodes: 53206, 53209, 53210 and 53218.
14. Approximately 60% of the funds used to finance the state’s earned income tax credits are taken from Wisconsin’s federal appropriations for Temporary Assistance to Needy Families (TANF).¹
15. Less than 6,000 Milwaukee County families received monthly “W-2” (“Wisconsin Works” TANF-funded) support payments during the heart of the Great Recession, and only 7,400 families were receiving “W-2” aid payments at the end of 2014, in spite of the very low incomes reported by most “working poor” single parents in the county.

¹ Rick Olin, **Earned Income Tax Credit**, Wisconsin Legislative Fiscal Bureau Informational Paper No. 3, January 2015.



16. The Wisconsin Shares child care subsidies (funded by federal TANF and Child Care Block Grant monies) failed to address the financial needs of most of the “working poor” single parents in the county. A monthly average of only 12,900 Milwaukee County families received child care subsidies under the Shares program in 2014.



Annual Income Needed to Support a Family in Milwaukee County

A number of efforts have been made to estimate how much income a family would need to meet its basic living expenses. The approach below was developed by researchers at the Massachusetts Institute of Technology.

Researchers in the MIT Department of Urban Studies and Planning developed a tool for determining “the minimum employment earnings necessary to meet a family’s basic needs while also maintaining self-sufficiency,” based on expense data for the Milwaukee metropolitan area.²

- **Food costs** were calculated from the USDA’s low-cost food plan, assuming that “families select lower cost foods and that all meals (including snacks) are prepared in the home.”
- **Child care costs** were from the lowest cost child care option available, i.e., family child care.
- **Housing costs** were for rental housing including utilities, using HUD Fair Market Rents.
- **Transportation costs** were calculated for used vehicles.
- **Health/medical costs** were for health insurance costs and out-of-pocket charges under employer sponsored plans.
- **“Other necessities”** only included apparel, personal care items, housekeeping supplies, and reading materials. No money was budgeted for entertainment, electronics, computers, vacations or trips.

MIT LIVING WAGE CALCULATIONS FOR THE MILWAUKEE MSA: 2014

Family Composition	Annual Wages Needed
1 Adult (employed)	\$21,480
1 Adult (employed), 1 Child	\$47,327
1 Adult (employed), 2 Children	\$60,853
1 Adult (employed), 3 Children	\$78,806
2 Adults (one employed)	\$35,175
2 Adults (one employed), 1 Child	\$42,182
2 Adults (one employed), 2 Children	\$47,584
2 Adults (one employed), 3 Children	\$52,051
2 Adults (two employed)	\$35,175
2 Adults (two employed), 1 Child	\$51,904
2 Adults (two employed), 2 Children	\$66,489
2 Adults (two employed), 3 Children	\$80,137

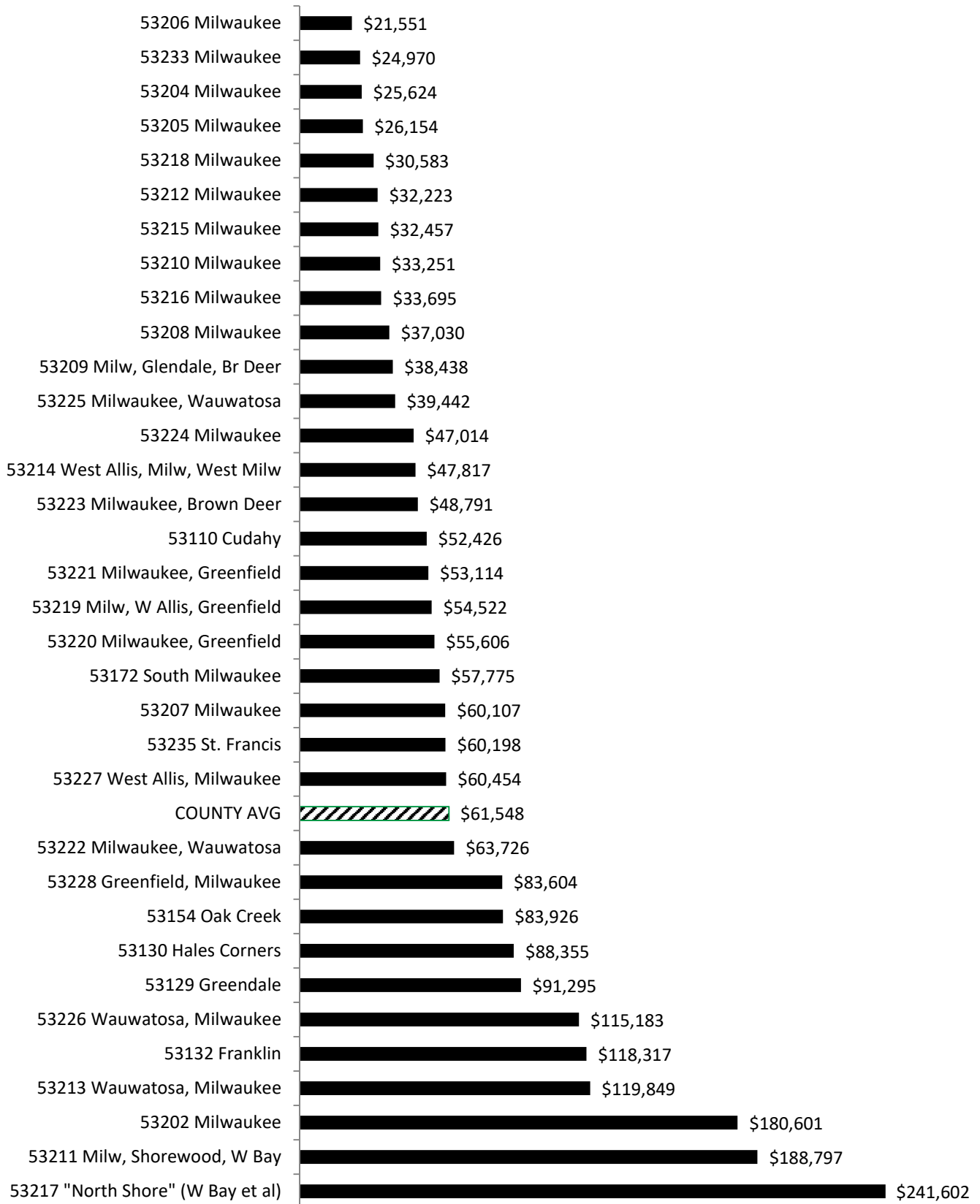
Costs varied by age of the children. This chart shows the MIT estimated budgets for 1 child (age 4), 2 children (ages 4 and 9), and 3 children (ages 4, 9 and 15).

11 to 1 Income Inequality among Families with Children in Milwaukee County

In 2014 there was an 11 to 1 income inequality gap seen for average income earnings of working families with dependents (including both married and single parent filers) among the residential zipcodes of Milwaukee County. Families in zipcode 53206 had incomes averaging \$21,551, while families in zipcode 53217 had incomes averaging \$241,602.

² See the “Living Wage Calculator for Milwaukee – Waukesha-West Allis, WI” by Amy K. Glasmeier and the Massachusetts Institute of Technology, uploaded from the Living Wage Calculator website at <http://livingwage.mit.edu/metros/33340>, accessed on August 21, 2015.

Average Income of Working-Age Family Filers (MARRIED AND SINGLE) by Zipcode in Milwaukee County
 (Tax filers with dependents, 2014 state income tax returns filed in 2015)

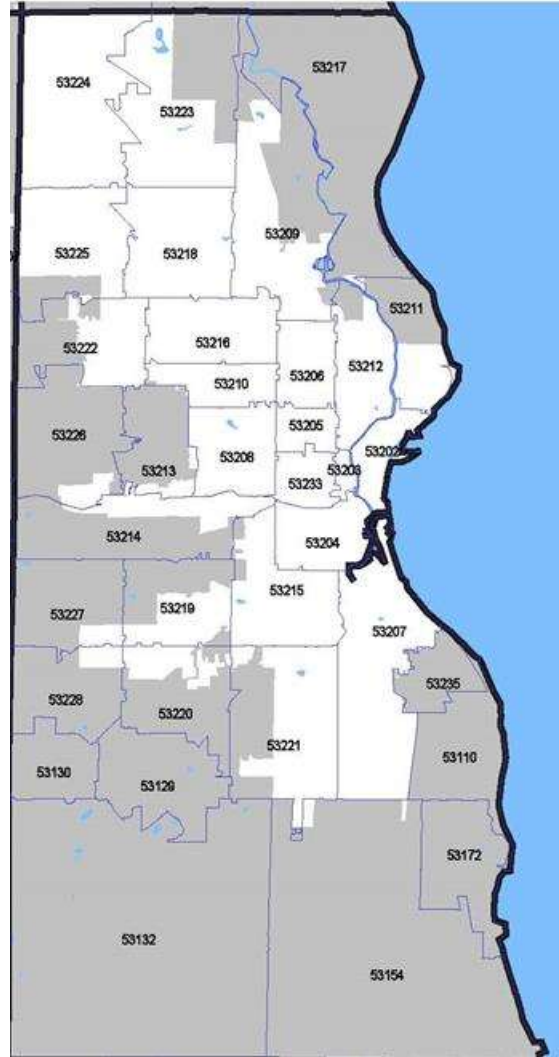


Central City Neighborhoods Have High Concentrations of Working Families

State 2014 income tax returns showed the highest concentrations of working families on the near southside of Milwaukee in the predominantly Hispanic zipcodes of 53204 (with 2,528 working-age family income tax filers per square mile) and 53215 (with 2,145 family filers per square mile).

The next two highest concentrations of working families in the county were on the near northside of Milwaukee in the predominantly African American zipcodes of 53210 (with 1,697 family income tax filers per square mile) and 53206 (with 1,341 family filers per square mile).

The often-repeated claim that inner city children are growing up in neighborhoods where few people are seen working is not supported by state income tax filings that show highest (rather than lowest) concentrations of tax filers in many of the poorest neighborhoods.



*Milwaukee County ZIP codes
(City of Milwaukee in white,
Suburban municipalities shaded)*

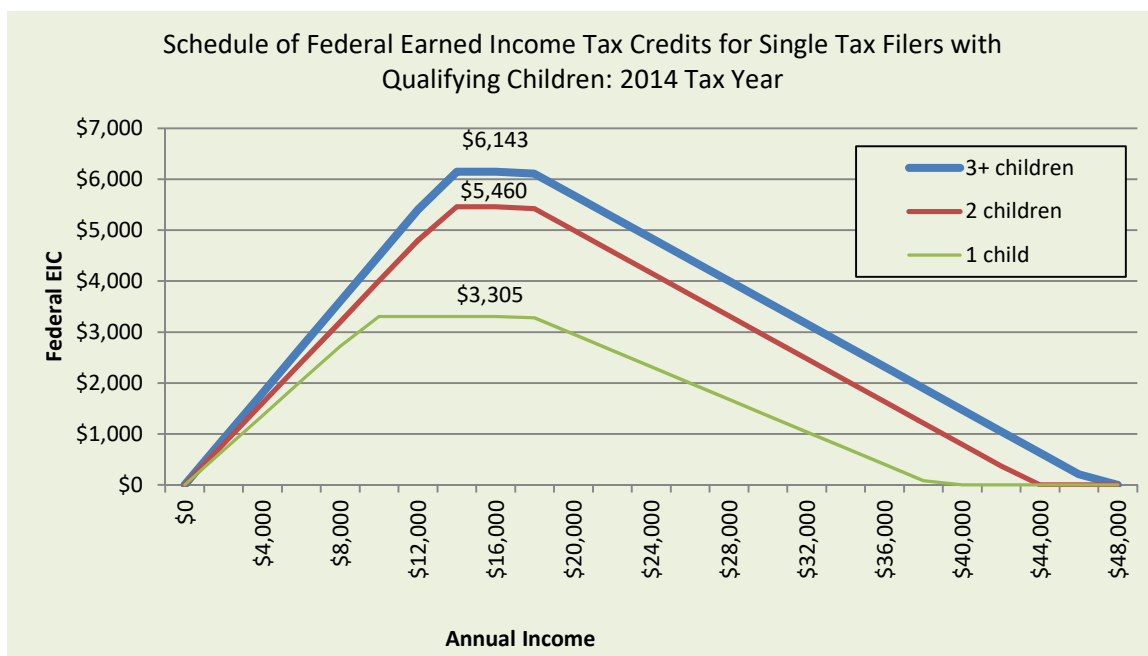
Family income tax filers per square mile: 2014

<u>Zipcode</u>	<u>Filers per sq. mile</u>	<u>Zipcode</u>	<u>Filers per sq. mile</u>	<u>Zipcode</u>	<u>Filers per sq. mile</u>
53204	2,528	53222	681	53202	398
53215	2,145	53214	655	53235	374
53210	1,697	53209	652	53129	371
53206	1,341	53225	651	53228	358
53218	1,215	53220	648	53226	350
53208	1,181	53172	606	53224	345
53216	1,106	53221	598	53217	311
53205	1,013	53227	562	53130	305
53219	988	53110	501	53154	186
53213	870	53207	443	53132	137
53212	829	53233	420		
53211	751	53223	405		

Background on the Federal and State Earned Income Tax Credits

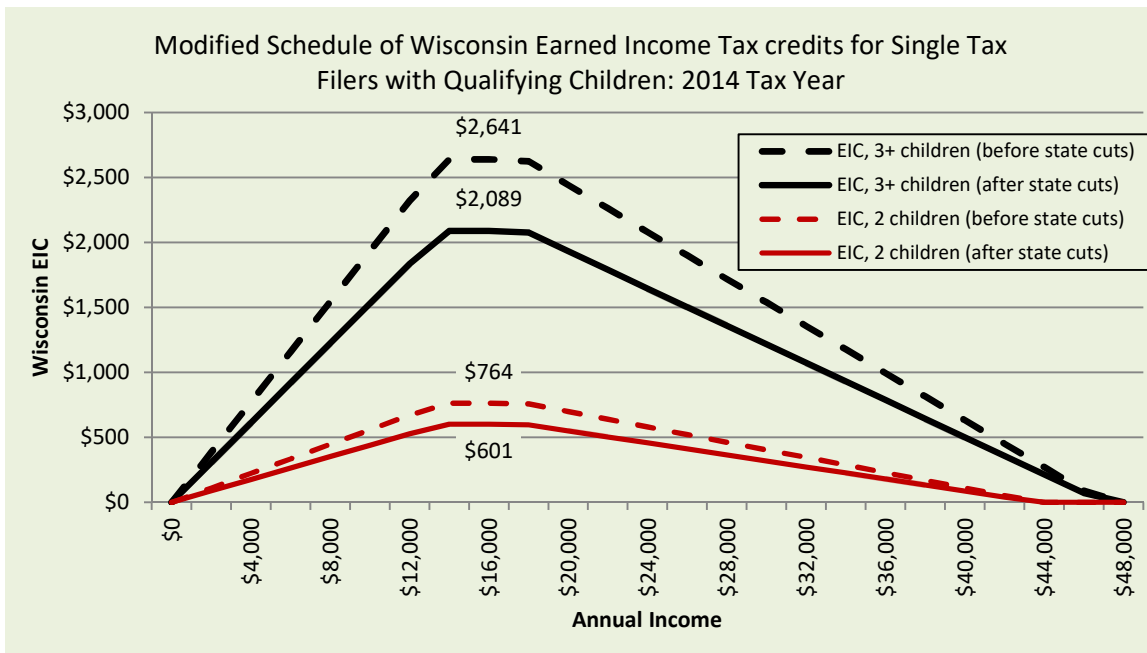
The federal earned income tax credit averaged \$2,576 per qualifying Wisconsin family for the 2010 tax year, according to the Wisconsin Department of Revenue. For the 2011 tax year the average federal credit rose slightly to \$2,652 per family. In 2013 the federal credit averaged \$2,777.³

Based on their 2014 income, single and married parent families were eligible for from \$9 to \$3,305 in federal earned income tax credit support if they had 1 qualifying child, from \$10 to \$5,460 if they had 2 children, and from \$11 to \$6,143 if they had 3 or more children. For a single-parent family earning \$25,000, for example, the federal credit raised the family's income by \$2,155 (9%) for those with 1 child and by \$4,627 (18%) for those with 3 or more children. (The federal government also offers a tax benefit, not shown in this report, for qualifying single persons with low earnings.)



The state of Wisconsin has a refundable earned income tax credit calculated as a percentage of the federal EIC. In 2011 the state legislature and governor changed the formula so that families with more than one child would receive lower credits. The Wisconsin credit was reduced for families with 2 children from 14% of the federal EIC to 11%. For families with 3 or more qualifying children, the Wisconsin credit was reduced from 43% of the federal EIC to 34%. (The Wisconsin credit for families with one qualifying child remained at 4% of the federal EIC amount.) The losses of Wisconsin earned income tax credits under the 2011 legislation were most pronounced for larger “working poor” families with income in the \$10,000 to \$25,000 range.

³ See Rick Olin, **Earned Income Tax Credit**, Wisconsin Legislative Fiscal Bureau Informational Paper No. 3, January 2015; “Wisconsin Earned Income Tax Credit: Summary for 2013,” Wisconsin Department of Revenue, March 2015; “Wisconsin Earned Income Tax Credit: Summary for 2011,” Wisconsin DOR, October 15, 2013. See also, **Models for Estimating Income Needs of Milwaukee County Families** (University of Wisconsin-Milwaukee Employment and Training Institute, 2015).



Methodology

Wisconsin Department of Revenue income tax returns analyzed in this report are for **working age tax filers claiming dependents and with reported income**, excluding filers that claim the elderly exemption and filers with \$0 or negative income. The Employment and Training Institute has used state income tax data since 1998 to track the economic well-being of families by neighborhood. Income tax data have several advantages for use as neighborhood indicators. They are recorded annually and provide far more comprehensive listings of income than may be volunteered to the U.S. Census American Community Survey or survey research projects, and they are not subject to the sampling errors endemic to household surveys of low-income, highly mobile populations.

The Department of Revenue data on the number of state income tax filers and reported income were rounded to the nearest 10 within each income category. The income reported is “adjusted gross income” from the state tax form and includes wages, salaries, tips, taxable interest, dividends, alimony, business income, capital gains income, rental income, etc. and excludes certain business losses and capital gains losses. Some filers with Schedule C business losses may show negative income, a category not analyzed in this report. The federal and state definitions of “adjusted gross income” have been modified over time. For example, in the 2014 tax year Wisconsin tax filers with income below \$160,000 were allowed to subtract private school tuition payments of up to \$4,000 per student in kindergarten through eighth grade and up to \$10,000 per student in high school. In 2014 eligible parents could subtract recorded expenditures for child care up to \$3,000 for one child and up to \$6,000 for two or more children from their pre-tax income.

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