

2014

12 to 1 Income Inequality among Working Families in Milwaukee County: Workforce Challenges for 2014

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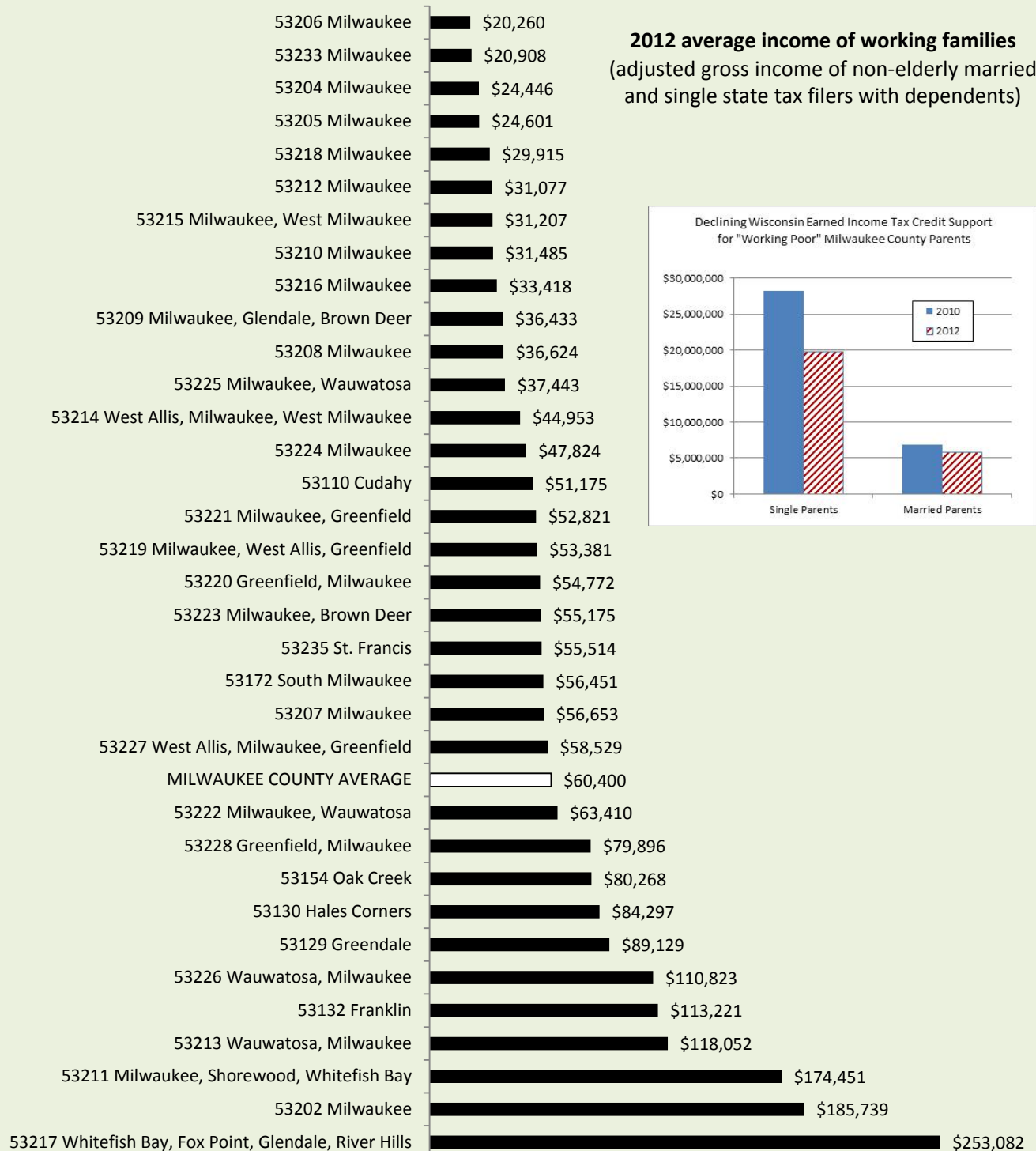
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12 to 1 Income Inequality among Working Families in Milwaukee County: Workforce Challenges for 2014



Prepared by:
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FINDINGS

Critical labor force problems facing Milwaukee County's "working poor" families are the lack of steady, good paying jobs and the resulting lack of adequate income support for single parents raising children. This report provides analysis of the income of working-age Milwaukee County families utilizing Wisconsin tax records for filers' 2012 adjusted gross income (based on tax returns filed in 2013 for non-elderly married and single filers with dependents) compared with prior years.¹

In the last decade Milwaukee County has been rocked by the national recession, the housing foreclosure crisis, and a federal and state "war on drugs" that has dramatically increased Wisconsin's prison population. Meanwhile, the cost of housing limits lower-income families to those areas of central city Milwaukee where rents are lower or where they can double up with relatives. Mass incarceration levels in poverty neighborhoods contribute to the large number of inner city families headed by single mothers.

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 school buildings (and districts) with high concentrations of children in need or with children having plentiful family and community resources. The most recent state income tax data indicate that the cumulative impact of economic changes on the "working poor" in Milwaukee County is worsening rather than improving.

12 to 1 income inequality among families with children in Milwaukee County

- State income tax records for 2012 showed extreme income inequality among families with dependents, ranging from \$20,260 average annual income in Milwaukee's poorest zipcode 53206 to a 12 times higher average of \$253,082 in the suburban "North Shore" zipcode 53217. See graph on cover page.
- When examined by marital status, the average income of single parent families ranged from lows of \$17,452 in Milwaukee zipcode 53233 and \$18,145 in zipcode 53206 to four times that amount (\$70,678) in the "North Shore" 53217 suburban zipcode. See graph, p. 9.
- Income gaps are even more startling for married tax filers with dependents. The lowest average family income was reported by married couples in zipcode 53204 (\$34,856 in 2012). By contrast, the highest average incomes for married couples with dependents were reported in the "North Shore" zipcode 53217 (\$292,967) and the downtown/eastside zipcode 53202 (\$328,399). See graph, p. 11.

3,871 fewer 1-parent employed families in 2012; \$228 million reductions in Wisconsin Shares child care subsidies.

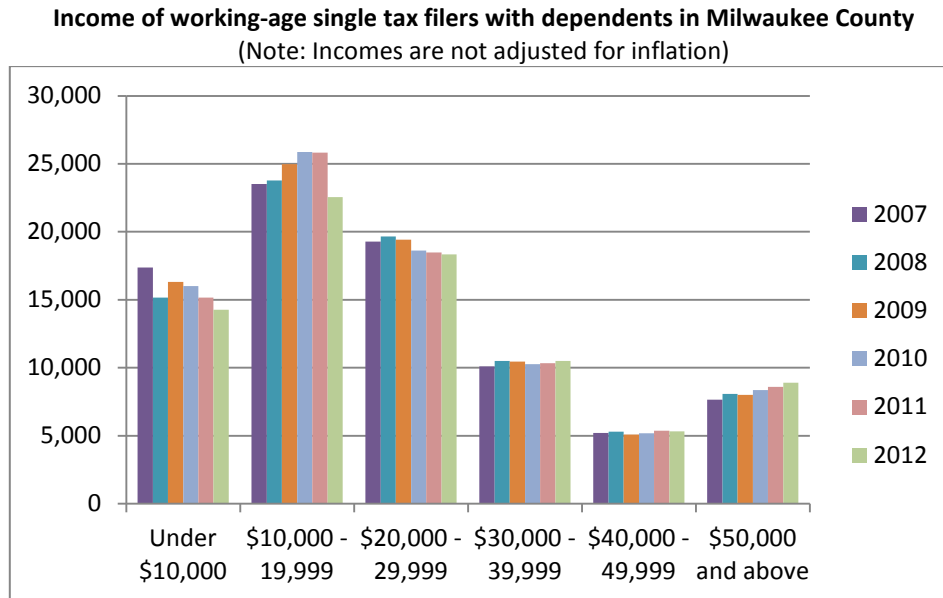
- The number of Milwaukee County single tax filers with dependents dropped 5% from 2011 to 2012, the largest one-year decline in recent years. Most of the decrease resulted from reductions in single parent workers with marginal employment and annual incomes between \$10,000 and \$20,000.
- Single-parent job losses have been exacerbated by reductions in Wisconsin Shares payments to child care providers (using federal anti-poverty and child care monies), given stricter eligibility enforcement and fewer single parents with steady employment. Annual Wisconsin Shares child care subsidies for Milwaukee County families dropped by 36% -- from \$199.9 million in 2009 to \$127.6 million in 2013, with the cumulative loss of child care funds over the last four years totaling \$228.5 million. The resulting decline in jobs for child care workers is a contributing factor in the drop in the number of employed single parents in the county.

\$17 million reduction in state earned income tax credits for “working poor” families in Milwaukee County

- Under state legislation passed in 2011, Wisconsin reduced its earned income tax credit support for employed lower-income parents with two or more children. Subsequently, Milwaukee County families saw a loss of \$17.2 million in the first 2 years after the change (a \$7.7 million reduction in state credit income for the 2011 tax year and a \$9.5 million reduction in credit income for the 2012 tax year).
- Single parents took the brunt (\$15 million) of the state-legislated tax credit support reductions. From 2010 to 2012 the number of single parent filers in Milwaukee County receiving the state EIC dropped by 5% but their credit amounts dropped by 30%. For married parent families the number of filers receiving the EIC dropped by 1% while their credit support dropped by 16%. The largest state EIC dollar losses were in zipcodes 53206, 53209 and 53210.
- The state-legislated credit cuts were greatest for Milwaukee County low-income families earning \$10,000 to \$19,999 where the credit dropped from an average of \$747 in 2010 down to \$530 in 2012 for single parent families and from an average of \$1,011 in 2010 down to \$797 in 2012 for married parent families.

Very low incomes were noted for single parents before, during, and after the recession

- Over half (59%) of single tax filer families (i.e., with dependents) in Milwaukee County had less than \$25,000 income in 2012, suggesting low wages, part-time jobs, high job turnover, and less than year-round employment.
- During the past decade most single parents have remained stalled in the lowest earnings categories (well below the income needed to support a family), with few moving into higher paying employment.



Federal earned income tax credits added an estimated \$180.5 million to family incomes in Milwaukee County

- The federal earned income tax credits for 61,780 lower-income employed families with qualifying children brought an estimated \$180.5 million in additional income to Milwaukee County.

Income Inequality among Working Families in Milwaukee County: Summary Table
(2012 income of non-elderly married and single state tax filers with dependents)

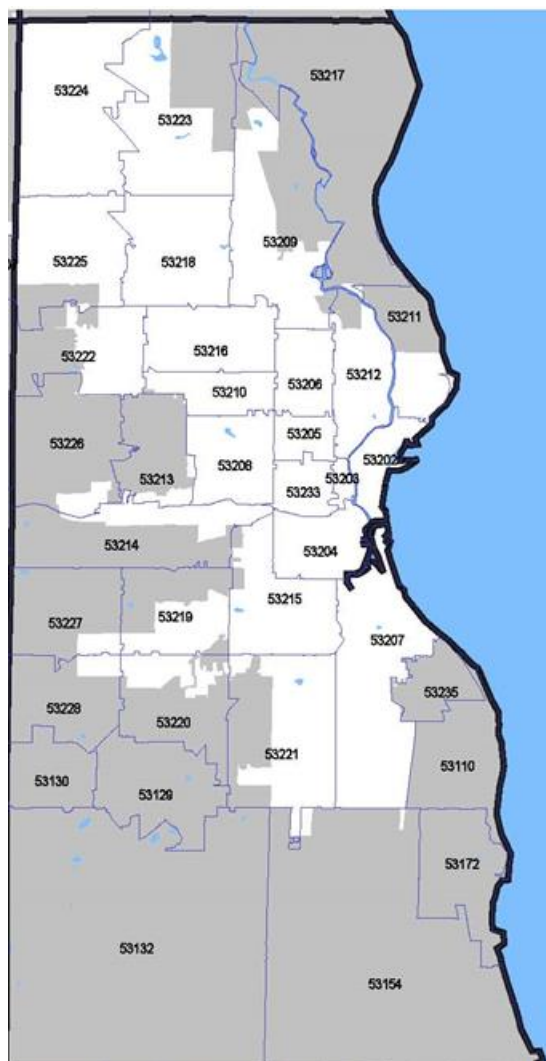
Zipcode	▼ Average family income	Family filers	Total family income (in millions)	Families with income below \$20,000	Families with \$50,000+ income	Families that are single filers	Families receiving EIC	% of families receiving EIC	Est. federal + state EIC (in millions)
53206	\$20,260	3,980	\$81	62%	5%	92%	3,280	82%	\$12.1
53233	\$20,908	740	\$15	65%	7%	89%	590	80%	\$1.4
53204	\$24,446	8,630	\$211	46%	6%	71%	3,420	40%	\$13.0
53205	\$24,601	1,530	\$38	55%	11%	84%	1,160	76%	\$4.4
53218	\$29,915	7,270	\$217	42%	15%	79%	5,050	69%	\$19.5
53212	\$31,077	3,610	\$112	49%	15%	80%	2,520	70%	\$8.7
53215	\$31,207	12,290	\$384	36%	15%	61%	4,970	40%	\$18.3
53210	\$31,485	4,650	\$146	46%	17%	80%	3,230	69%	\$11.0
53216	\$33,418	5,550	\$185	40%	19%	80%	3,620	65%	\$11.1
53209	\$36,433	7,440	\$271	42%	22%	76%	4,720	63%	\$16.0
53208	\$36,624	4,820	\$177	43%	21%	72%	3,150	65%	\$11.8
53225	\$37,443	4,560	\$171	35%	24%	71%	2,740	60%	\$9.1
53214	\$44,953	4,950	\$223	25%	37%	54%	2,110	43%	\$6.0
53224	\$47,824	3,590	\$172	32%	32%	65%	1,790	50%	\$6.5
53110	\$51,175	2,480	\$127	21%	43%	46%	1,000	40%	\$2.8
53221	\$52,821	5,510	\$291	22%	42%	44%	2,170	39%	\$7.9
53219	\$53,381	4,860	\$259	19%	46%	47%	1,720	35%	\$4.8
53220	\$54,772	3,620	\$198	19%	45%	46%	1,350	37%	\$3.2
53223	\$55,175	4,210	\$232	27%	37%	59%	1,970	47%	\$6.3
53235	\$55,514	1,040	\$58	17%	49%	42%	360	35%	\$0.6
53172	\$56,451	2,990	\$169	19%	49%	43%	1,110	37%	\$2.8
53207	\$56,653	4,540	\$257	20%	47%	45%	1,520	33%	\$4.5
53227	\$58,529	3,010	\$176	18%	49%	43%	1,000	33%	\$2.4
County	\$60,400	143,200	\$8,649	29%	36%	56%	61,780	43%	\$206.1
53222	\$63,410	3,810	\$242	17%	53%	46%	1,280	34%	\$3.5
53228	\$79,896	1,950	\$156	13%	63%	33%	460	24%	\$1.0
53154	\$80,268	5,340	\$429	10%	67%	30%	1,080	20%	\$2.9
53130	\$84,297	1,050	\$89	8%	68%	32%	180	17%	\$0.3
53129	\$89,129	1,940	\$173	10%	66%	32%	440	23%	\$0.9
53226	\$110,823	2,430	\$269	7%	72%	26%	400	16%	\$0.8
53132	\$113,221	4,730	\$536	8%	77%	21%	700	15%	\$1.9
53213	\$118,052	3,580	\$423	8%	71%	30%	610	17%	\$1.3
53211	\$174,451	2,940	\$513	10%	75%	27%	420	14%	\$0.8
53202	\$185,739	900	\$167	18%	58%	53%	240	27%	\$0.3
53217	\$253,082	4,570	\$1,157	5%	83%	18%	380	8%	\$0.8

Source: Data on 2012 adjusted gross income from Wisconsin individual income tax returns filed in 2013 with filer counts rounded to nearest 10 by income category. Excludes filers claiming elderly credits and filers with negative or \$0 income.

Highest concentrations of working families in low-income central city neighborhoods

- State 2012 income tax returns showed the highest concentrations of working families on the near southside of Milwaukee in the predominantly Hispanic zipcodes 53204 (with 2,629 working-age family income tax filers per square mile) and 53215 (2,171 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 53210 (with 1,827 family income tax filers per square mile) and 53206 (with 1,478 family filers per square mile).

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

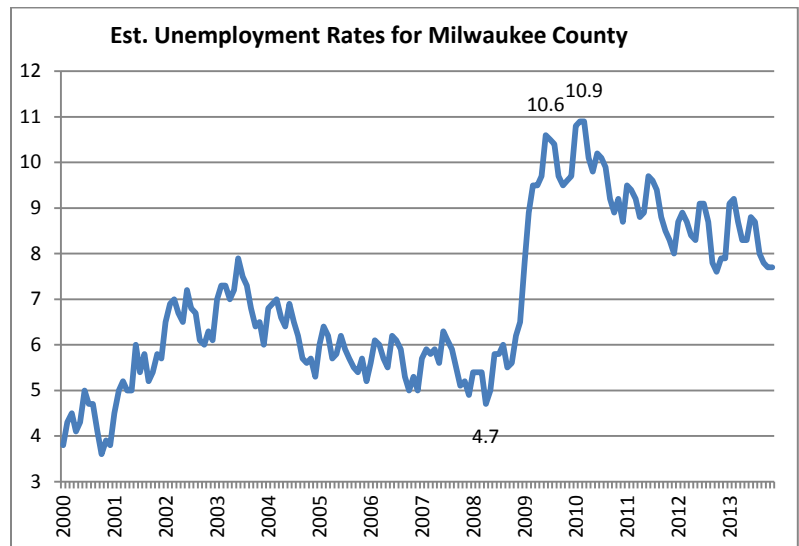


Family income tax filers per square mile: 2012

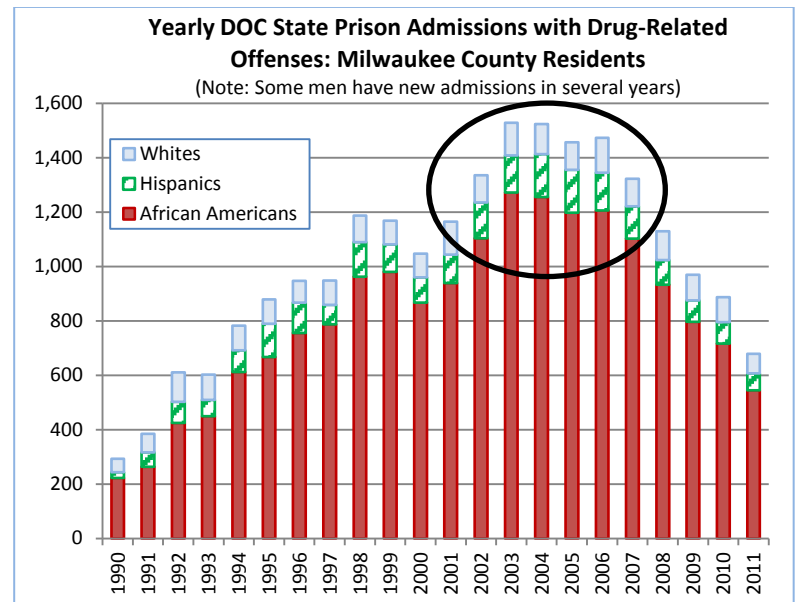
Zipcode	Filers per sq. mile	Zipcode	Filers per sq. mile	Zipcode	Filers per sq. mile
53204	2,629	53222	688	53223	414
53215	2,171	53209	683	53235	410
53210	1,827	53214	681	53129	377
53206	1,478	53225	663	53228	375
53218	1,237	53220	654	53224	366
53208	1,235	53172	623	53226	353
53216	1,197	53221	598	53130	327
53205	1,084	53227	591	53217	322
53219	982	53110	520	53154	187
53212	891	53207	462	53132	136
53213	888	53202	442		
53211	754	53233	438		

Background on Economic Challenges Facing Milwaukee County Parents

In the last decade central city Milwaukee has been rocked by dramatic changes brought on by state and national policies and national and international economic conditions. First, an economic recession brought unemployment rates in the county to above 10% in the summer of 2009 and for six months of 2010. These record high rates created a job gap measured at 25 to 1 between job seekers looking for work and available jobs in central city Milwaukee neighborhoods as of May 2009² and stripped many city (and suburban) homeowners of needed monthly income for their mortgage payments. The most recent state income tax data suggest that the recession's long-term impact on the "working poor" is worsening rather than improving.



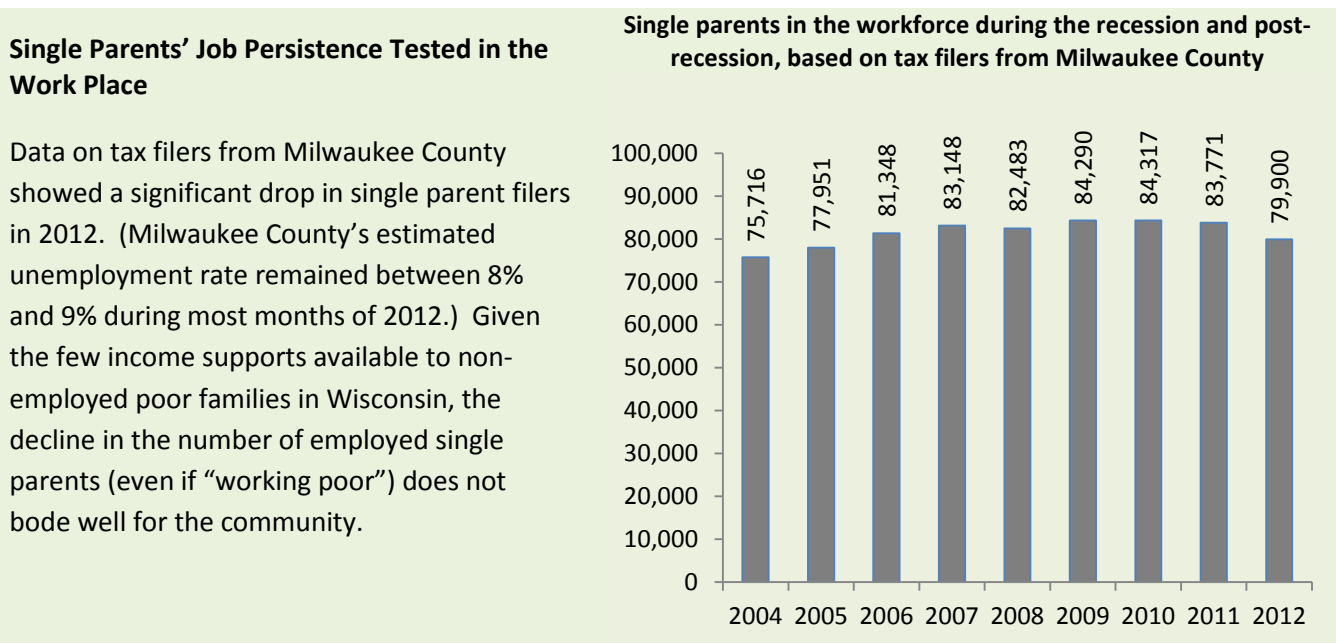
Secondly, the state and federal "war on drugs" emphasizing incarceration (rather than treatment and imposing extended supervision requirements) initiated during the 1990s and escalated by subsequent "tough-on-crime" mandatory minimum sentence, three-strikes, and truth-in-sentencing legislation resulted in a surge of incarceration in the 2000s with now more than half of African American men (ages 30-44) from Milwaukee County showing state prison records.³ In addition to loss of employment during their incarceration period, many ex-offenders have difficulty finding sustained employment after release.



Thirdly, African American and Hispanic communities and lower-income home buyers and owners were targeted by banks and subprime lending institutions for high-risk mortgage loans during the housing bubble of the mid-2000s, with thousands of home owners and home purchasers losing their homes and financial assets and renters displaced.⁴

Income of Milwaukee County Working Age Families with Dependents: 2004-2012

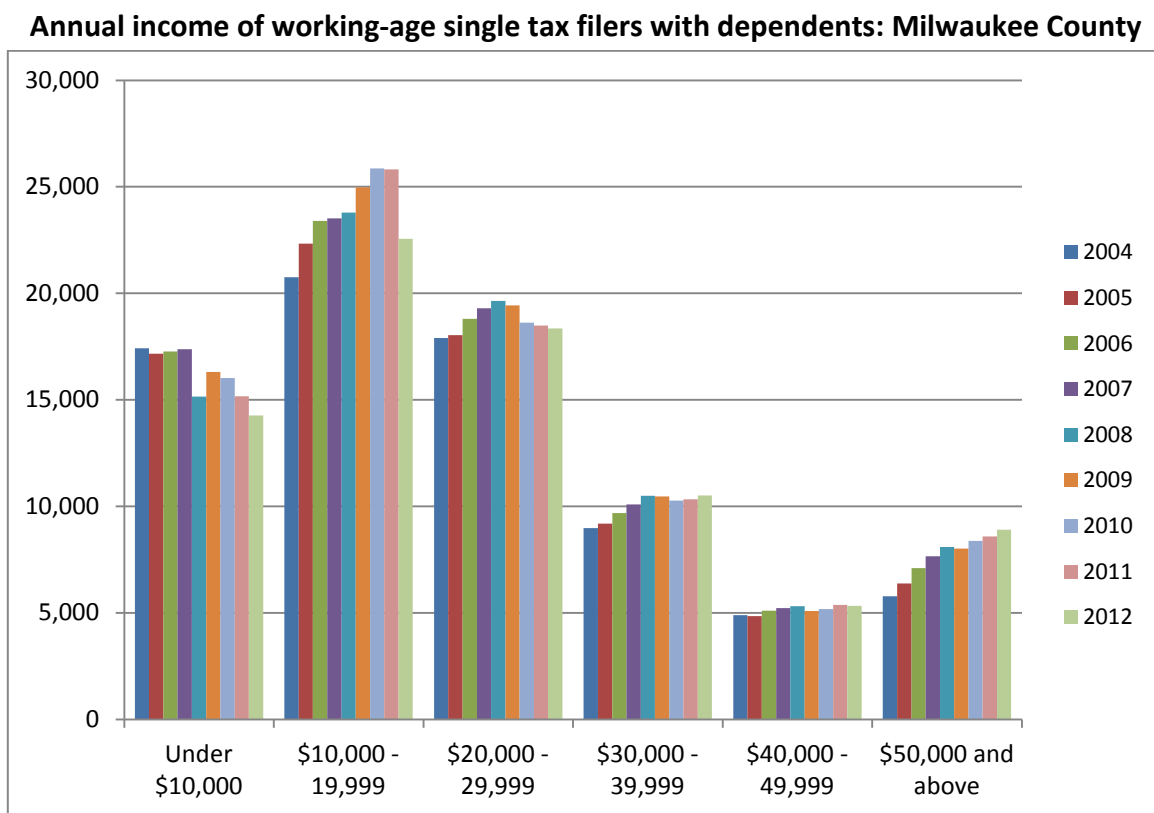
Wisconsin Department of Revenue income tax returns analyzed in this report are for **working age tax filers claiming dependents and with reported income**, excluding filers that claim the elderly exemption and filers with \$0 or negative income. The Employment and Training Institute has used state income 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 available annually and provide far more comprehensive listings of income than may be volunteered for 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.



- Because of their concentration in lower-paying service and retail industry jobs (in child care, nursing homes, food service, part-time retail, temp work), it appears that many single mothers were able to "ride out" the recession but now unable to successfully compete for the available low-wage jobs.
- Single-parent job losses have been exacerbated by reductions in Wisconsin Shares payments to child care providers, given stricter eligibility enforcement and fewer single parents with steady employment. Since 2009 the annual child care subsidies provided to Milwaukee County families by the Wisconsin Shares program (using federal anti-poverty and child care monies) dropped by 36% -- from \$199.9 million in 2009, to \$163.1 million in 2010, to \$146.1 million in 2011, to \$134.3 million in 2012, and to \$127.6 million in 2013.⁵ The cumulative loss of child care funds over the last four years totaled \$228.5 million. The resulting decline in jobs for child care workers is a contributing factor in the drop in the number of employed single parents in the county.

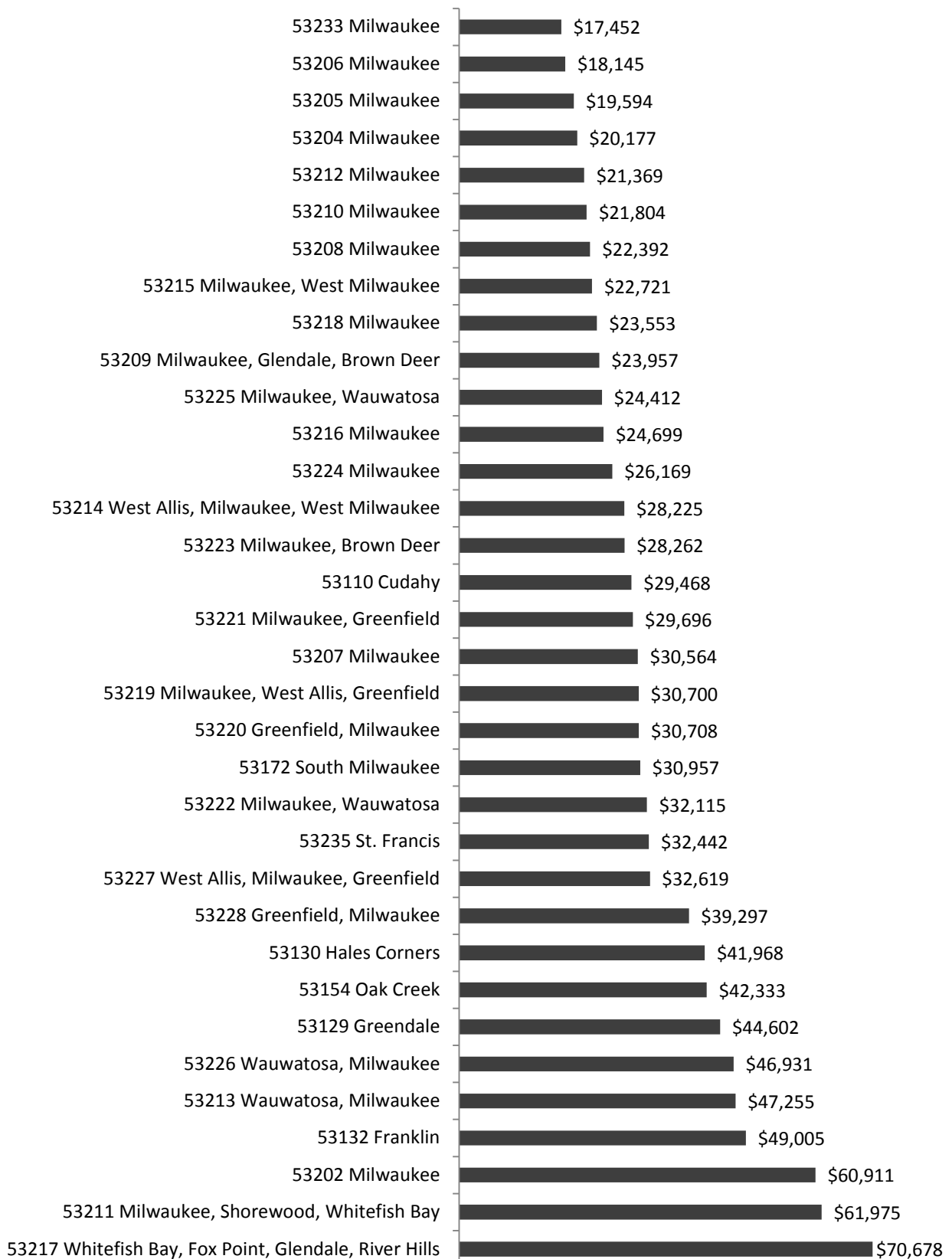
The graph below shows the income earnings of working-age Milwaukee County single tax filers with dependents.

- The income levels in this report are not adjusted for inflation and indicate that few single parents are moving over time into modestly higher income categories as might be expected with pay raises and cost-of-living wage increases. According to the Bureau of Labor Statistics, in the Milwaukee-Racine area the cost of living increased by 14.4% from 2007 to 2012.
- Very low incomes were noted for single parents before, during and after the recession. In 2012 nearly half (46%, or 36,810 filers) of the working age single filers with dependents in the county earned under \$20,000, and another 23% (18,350 filers) earned less than \$30,000. Only 11% of the families had income earnings of \$50,000 or more.



- The average income of single tax filers with dependents was below \$20,000 in three Milwaukee zipcodes (53233, 53206 and 53205) and below \$25,000 in another nine zipcodes.
- Meanwhile, the average income of single tax filers with dependents was above \$60,000 in zipcodes 53202 and 53211 and above \$70,000 in the “North Shore” zipcode 53217.

Average 2012 Income of Working-Age Single Tax Filers with Dependents
(2012 state tax returns filed in 2013)



Milwaukee County Married Family Filers at Lowest Level in the Decade

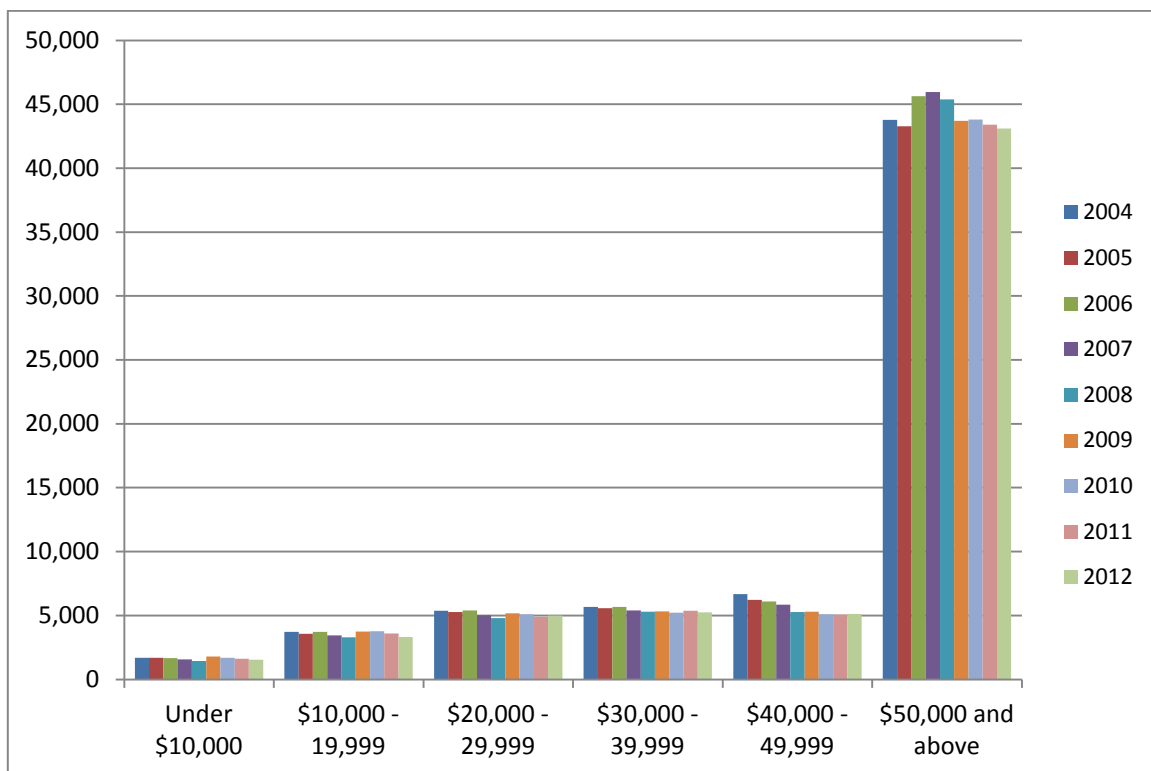
There has been a continuing slow decline in the number of married family tax filers (with dependents) in Milwaukee County, averaging a 1% drop annually for the last four years.

The vast majority (83%) of working-age family filers (with dependents) who earned \$50,000 or more in 2012 were married couples, while the vast majority (90%) who earned less than \$10,000 were single filers.

Married parents in the workforce during the recession and post-recession, based on tax filers from Milwaukee County

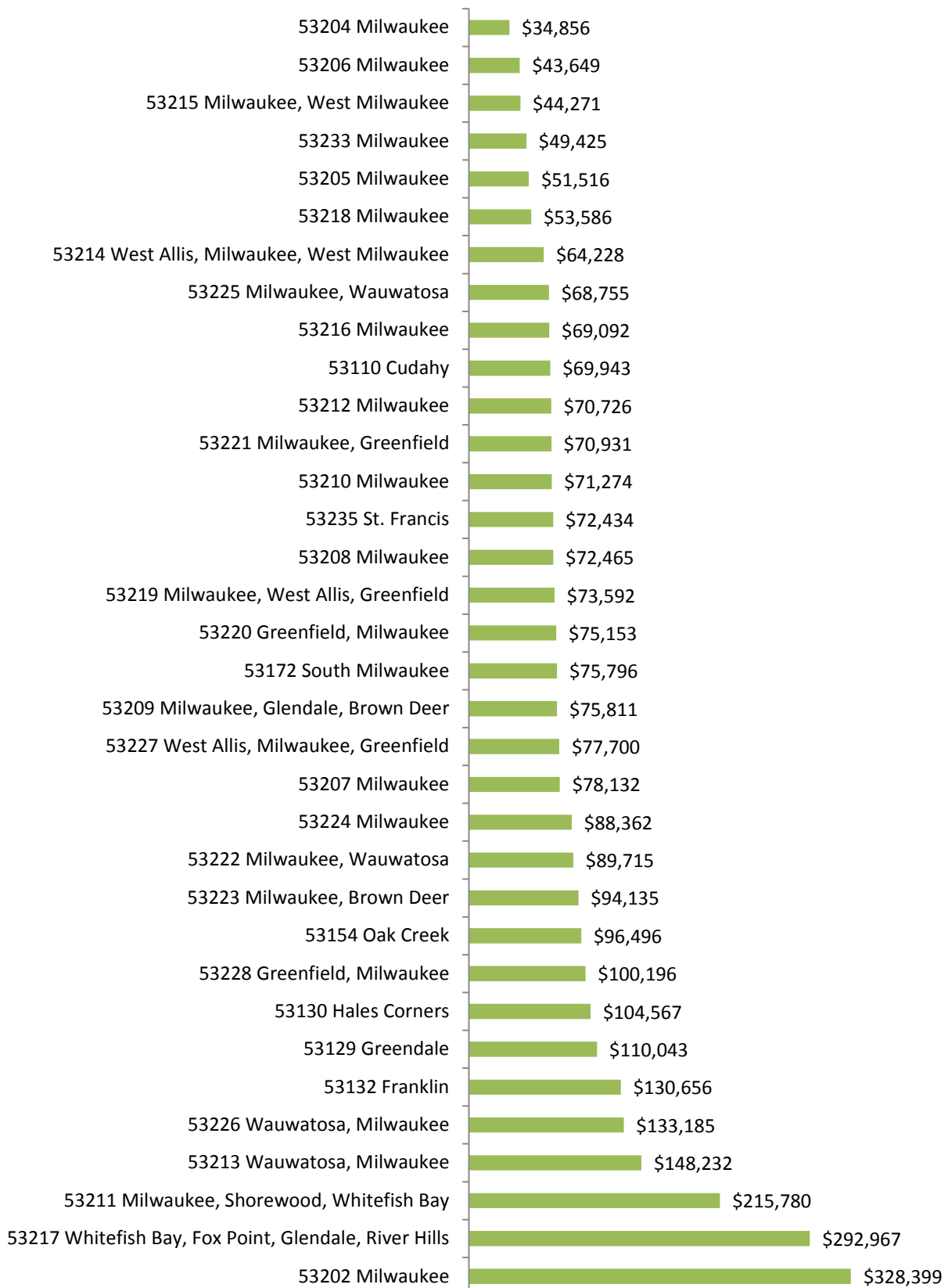


Annual income of working-age married tax filers with dependents: Milwaukee County



- The income extremes by neighborhood can be seen in the average income of working-age married tax filers (with dependents), whose income ranged from \$34,856 in Milwaukee zipcode 53204 to \$292,967 in the “North Shore” 53217 and \$328,399 in the downtown/eastside zipcode 53202.

Average 2012 Income of Working-Age Married Tax Filers with Dependents
(2012 state tax returns filed in 2013)



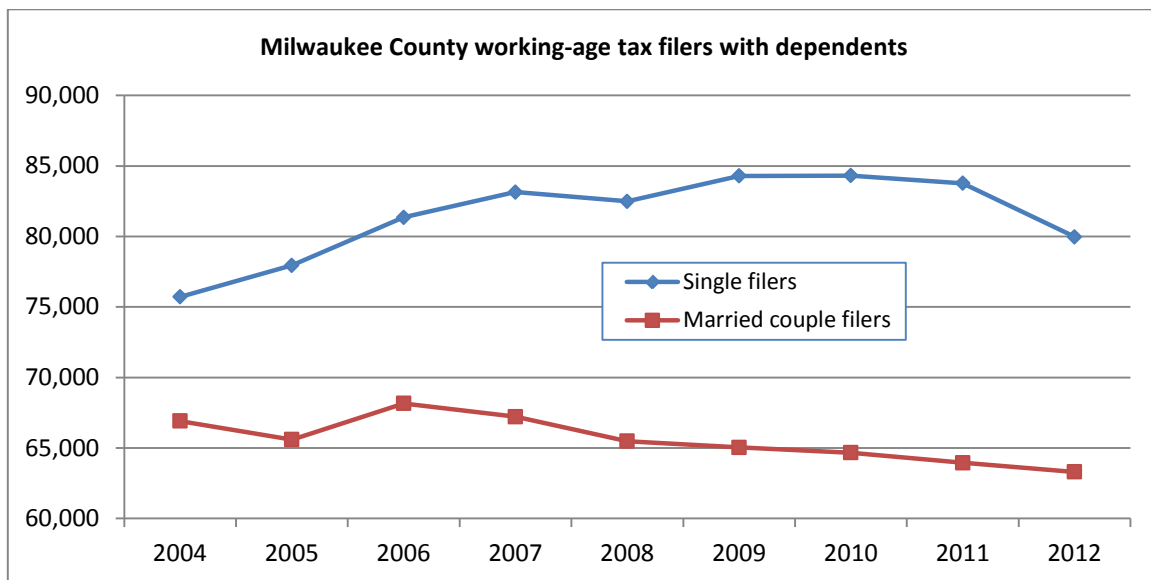
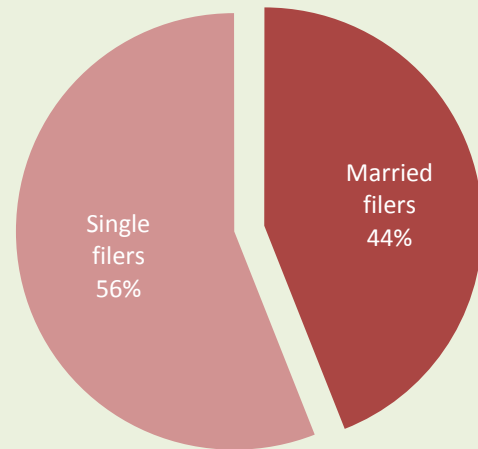
Single vs. Married Filers

Less than half (44%) of the working age income tax filers with dependents in Milwaukee County are married.

In zipcode 53206, arguably the poorest neighborhood of the city, only 8% of working age filers with dependents are married filers.

In Milwaukee County there has been a gradual decrease in the percentage of families with married couple filers from 47% of filers in 2004 down to 44% of filers in 2012.

Working age tax filers with dependents in Milwaukee County, 2012 tax year: Married vs. single

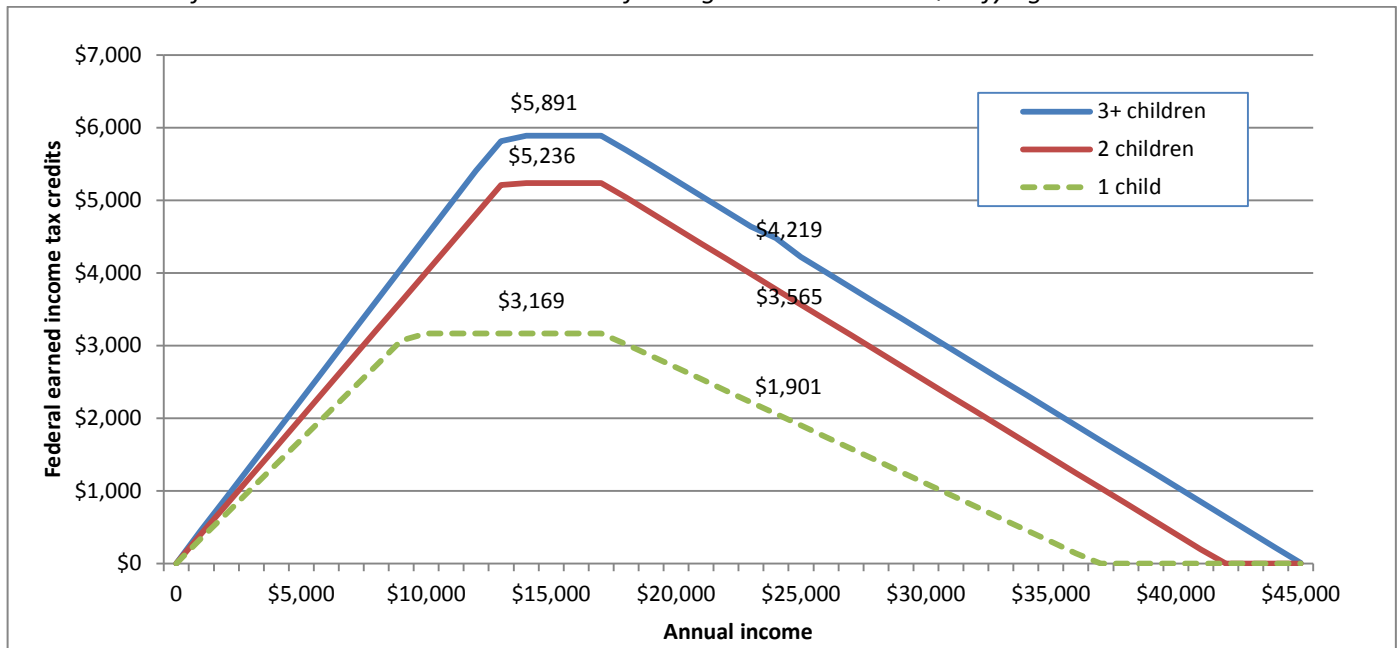


2012 Tax Year Federal and State Earned Income Credits Aided 61,780 Milwaukee County Families

The federal and state earned income tax credits (EIC) offer 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. The federal earned income tax credits for “working poor” families with qualifying children brought an estimated \$180.5 million in additional income to Milwaukee County families.

Together the federal and state credits could total from \$9 to \$7,894 per family for the 2012 tax year. (The federal government also offers a tax benefit, not shown in this report, for qualifying single persons with low earnings.) Based on their 2012 income, single and married parent families were eligible for up to \$3,169 in federal credit support if they had 1 qualifying child, \$5,236 for 2 children, and \$5,891 for 3 or more children. For a single-parent family earning \$25,000, for example, the federal credit raised the family’s income by \$1,901 (7%) for those with 1 child and by \$4,219 (17%) for those with 3 or more children.

Schedule of Federal Earned Income Tax Credits for Single Tax Filers with Qualifying Children: 2012 Tax Year

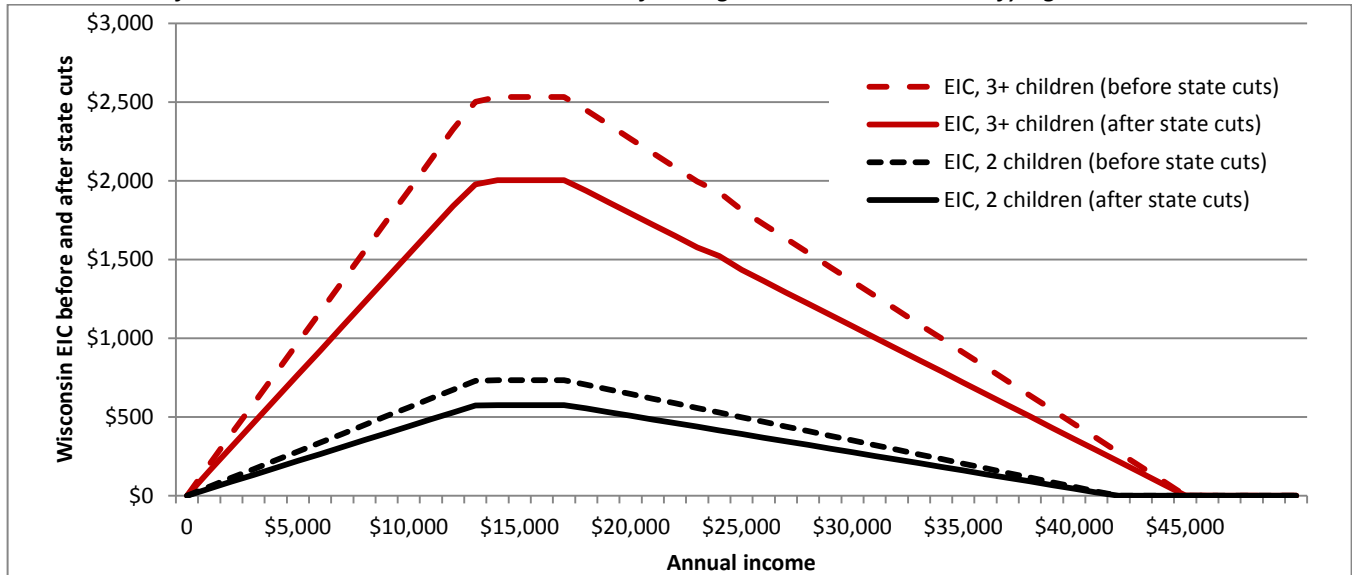


The state of Wisconsin has a refundable earned income tax credit calculated as a percentage of the federal EIC. In 2011 the state legislature and governor changed the formula so that families with more than one child would receive lower credits. The Wisconsin credit was reduced for families with 2 children 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.)⁶

According to the Wisconsin Department of Revenue, the federal earned income tax credit averaged \$2,576 per family for the 2010 tax year and the state credit averaged \$462 per family. For the 2011 tax year (after the 2011 Wisconsin legislation took effect) the federal credit rose slightly to \$2,652 per family while the state credit dropped to a \$376 average per family.⁷

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.

Schedule of Wisconsin Earned Income Tax Credits for Single Tax Filers with Qualifying Children: 2012 Tax Year

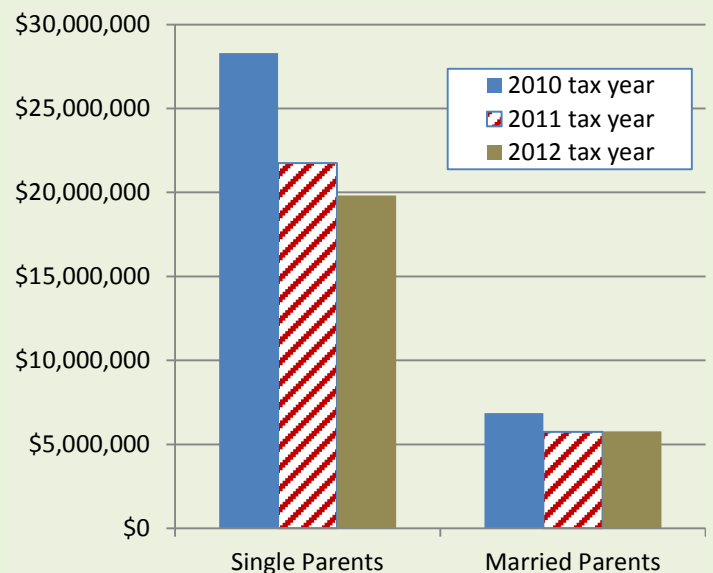


Wisconsin-Legislated Cuts in Earned Income Tax Credits

In 2011 the Wisconsin legislature reduced earned income tax credit (EIC) supports for families with more than one child. The combined loss of credits to Milwaukee County families in 2011 and 2012 was \$15 million for single parent families (\$6.5 million in the 2011 tax year and \$8.5 million in the 2012 tax year) and \$2.2 million for married parent families (\$1.1 million the 2011 tax year and \$1.1 million in the 2012 tax year).

Single parents took the brunt of the state-legislated tax credit support reductions. From 2010 to 2012 the number of single parent filers in Milwaukee County receiving the state EIC dropped by 5% while their credit support dropped by 30%. For married parent families the number of married filers receiving the EIC dropped by 1% (2010-2012) while their credit support dropped by 16%.

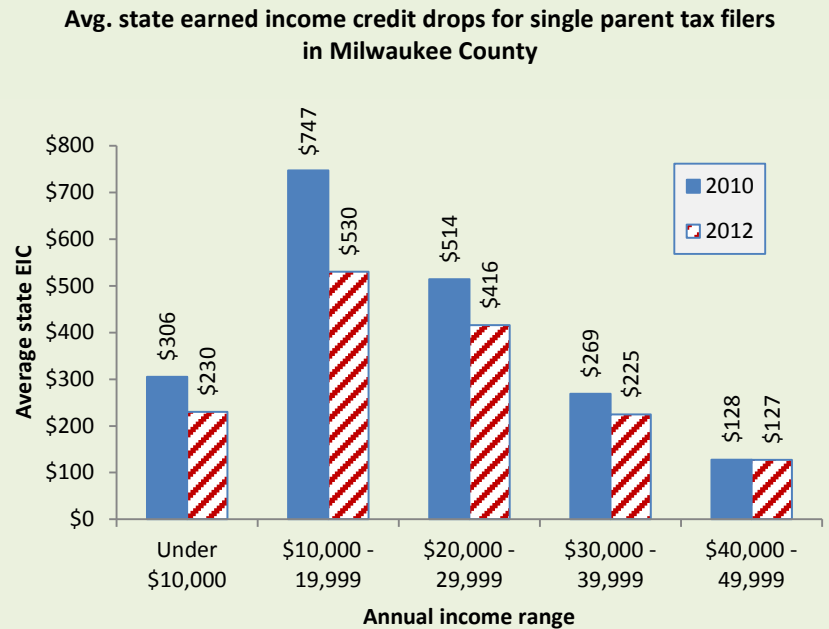
Declining Wisconsin Earned Income Tax Credit Support for “Working Poor” Milwaukee County Parents



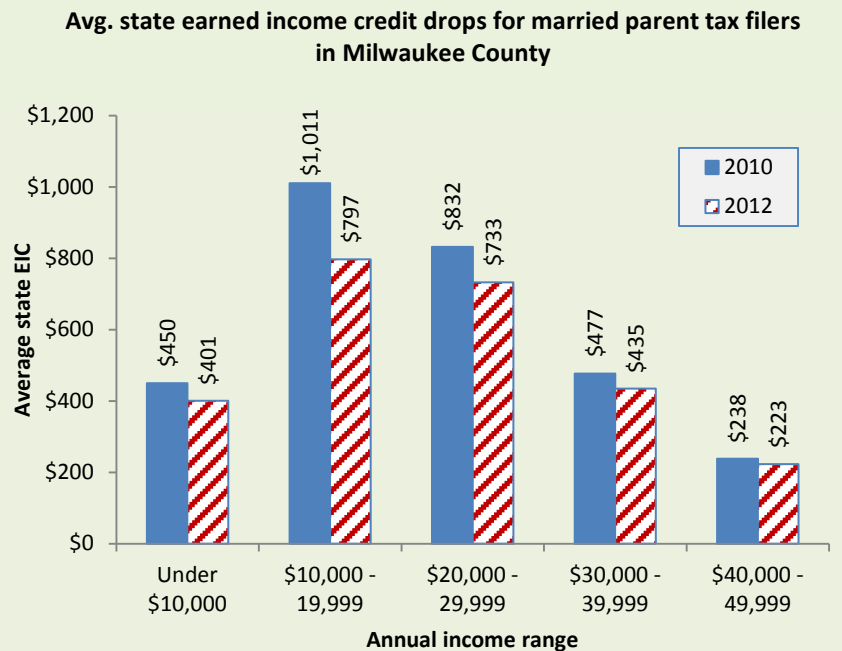
Almost half of the state earned income tax credit losses for single parents in Milwaukee County took place in 5 zipcodes: 53206, 53208, 53209, 53210, and 53218.

In Milwaukee County the 2011 state budget cuts in earned income tax credits had the greatest impact on single parent families earning \$10,000 to \$19,999 where the average state credit dropped from \$747 in 2010 down to \$530 in 2012.

Single parent families with \$20,000-29,999 income saw average EIC drops from \$514 in 2010 to \$416 in 2012.



Married parent families with more than one child also saw reductions in their state earned income tax credits after the 2011 budget cuts. Again, the worst impact was on “working poor” families earning \$10,000 to \$19,999 where the average state credit dropped from \$1,011 in 2010 down to \$797 in 2012.



¹ 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.

² Even before the recession the job gap in central city Milwaukee was 7 to 1. **Survey of Job Openings in the Seven Counties of Southeastern Wisconsin: Week of May 25, 2009** (Employment and Training Institute, University of Wisconsin-Milwaukee, 2009).

³ John Pawasarat and Lois M. Quinn, **Wisconsin’s Mass Incarceration of African American Males: Workforce Challenges for 2013** (Employment and Training Institute, University of Wisconsin-Milwaukee, 2013), online at www.eti.uwm.edu.

⁴ See Laura Grottesdiener, **A Dream Foreclosed: Black America and the Fight for a Place to Call Home** (Zucotti Park Press, 2013); Debbie Gruenstein Bocian et al, **Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures** (Center for Responsible Lending, November 2011); Ben Henry et al, **Wasted Wealth: How the Wall Street Crash Continues to Stall Economic Recovery and Deepen Racial Inequality in America** (Alliance for a Just Society, May 2013).

⁵ “Families & Children Served by the CARES Child Care Payment System,” Wisconsin Department of Children and Families website at <http://dcf.wisconsin.gov/childcare/wishares/spfcs.htm>, accessed

⁶ “Wisconsin Earned Income Tax Credit: Summary for 2011,” Wisconsin Department of Revenue, October 15, 2013.

⁷ Ibid.

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