

EARNED INCOME TAX CREDIT (EITC)

What does this indicator measure?

The *Earned Income Tax Credit* group of indicators measure, by town, (1) the number of income tax filers in 2001, (2) the number of filers who received the EITC that year, (3) the percent of those filers who received the EITC, (4) the percent of filers who received a Refund Anticipation Loan (RAL), (5) the amount of EITC dollars claimed in 2001, (6) the estimated number of individuals eligible for the EITC who do not claim the credit, and (7) the estimated amount of EITC dollars that went unclaimed.

A Refund Anticipation Loan (RAL) is a short-term, high interest loan provided through tax preparers, secured and repaid from a consumer's tax refund from the Internal Revenue Service (IRS).

Why is this indicator important?

This indicator suggests how accessible both EITC program information and the filing process are for eligible families. Most striking are the data related to the amount of EITC funds that are not being claimed. The IRS estimates that, statewide, 20% of those eligible for the EITC fail to claim it. These data provide us with information on where expanded EITC outreach is needed.

The RAL information indicates where expansion of free Volunteer Income Tax Assistance (VITA) tax preparation sites are needed to support individuals who are currently using these high-interest loans.

EITC and Family Economic Security

The EITC is available only to those who work and is reimbursable, meaning that an eligible applicant receives the credit whether or not he or she earns enough income to file a tax return with the IRS.

The EITC serves several purposes related to *Family Economic Security*. First, it was instituted to augment low wages and act as an incentive for labor force participation. Second, it provides an "offset" for payroll taxes that disproportionately burden lower-income workers.¹ The EITC is the largest federal program lifting children out of poverty and has infused communities with revenues not previously available.²

How are Connecticut children faring?

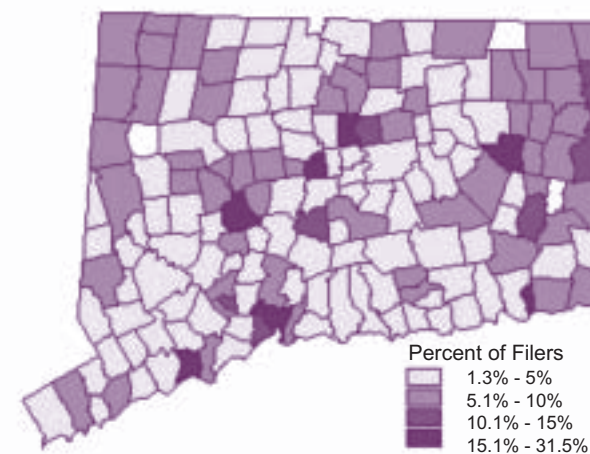
While dissemination of EITC information has grown in the past several years, thousands of Connecticut residents who are eligible for the credit still fail to file. This failure prevents local access to millions of dollars; throughout Connecticut a total of \$20.8 million EITC dollars went unclaimed in 2001. While the largest number of non-filers can be found in our largest cities, inner-ring suburbs and smaller cities such as Bristol, East Hartford, New Britain, Meriden, Middletown, and West Haven also are losing precious dollars by failing to encourage EITC applications.

What is also startling about these data are the number of filers who use Refund Anticipation Loans. RALs are a growing business, one that is focused primarily on low-income filers. According to the Brookings Institute, commercial tax preparers earned \$357 million from RALs and similar financial products in 2001. Many of these businesses are found in locations with high-EITC filing rates.³

What can be done: EITC outreach, VITA site development, and policy change

Along with the need to improve the number of workers applying for the tax credit and provide alternatives to predatory lending practices associated with

Income Tax Filers Receiving EITC
2001



the EITC, administrative problems also must be addressed. Connecticut considers advance federal EITC payments as income for purposes of determining eligibility for state benefits, such as TFA. This means that a worker who receives the credit may be disqualified from eligibility from state programs. This is clearly counter to the intention of Congress in creating the EITC, and the legislature should require the state to discontinue the practice.

Connecticut lawmakers also should consider establishing a state EITC as other states have done. A state tax credit would contribute \$12.5 million to low-income working families in Greater Hartford alone.⁴

Where can I get more information?

More information can be found using the following sources:

- ▶ Brown, A. (2003). "How can I ensure that low-income workers receive the Earned Income Tax Credit?" New York: Community Food Resource Center, at: http://www.mdrc.org/inpractice/qff10_answer.htm
- ▶ *Take Your Money Connecticut*, United Way of the Capital Region, at: <http://www.volunteersolutions.org/uwact/org/219165.html>
- ▶ *Free Income Tax Assistance*, 211, INFOLINE, at: <http://www.infoline.org/InformationLibrary/Documents/Tax%20Assistance%20pt.asp>

Endnotes

¹ Cauthen, N. K. & Lu, H. (2003). "Employment Alone Is Not Enough for America's Low-Income Children and Families." *Living at the Edge*, Research Brief No. 1. August, 2003. New York: National Center for Children in Poverty, Columbia University.

² Cauthen, N. K. (2002). "Earned Income Tax Credits." *Improving Children's Economic Security: Research Findings About Increasing Family Income Through Employment*. Policy Brief No. 2. New York: National Center for Children in Poverty, Columbia University.

³ Berube, A., Kim, A., Forman, B., & Burns, M. (2002). *The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC*. Survey Series. May 2002. Washington, DC: The Brookings Institution Center on Urban & Metropolitan Policy and The Progressive Policy Institute.

⁴ Center on Urban & Metropolitan Policy. (2001). *Rewarding Work: The Impact of the Earned Income Tax Credit in Greater Hartford*. Washington, DC: The Brookings Institution. Retrieved on February 3, 2004, from <http://www.brookings.edu/dybdocroot/es/urban/eitc/hartford.pdf>

Earned Income Tax Credit (EITC)

Source:

The (1) number of individual income tax filers in 2001, (2) number of EITC recipients in 2001, (3) the percent of filers who received the EITC, (4) the percent of filers who received tax refunds via a RAL, and (5) the amount of EITC dollars claimed in 2001 were downloaded from the Brookings Institution website: <http://www.brookings.edu/urban/eitc>.

The estimated number of eligible filers not claiming EITC and the estimated dollar amount of EITC refunds not claimed were obtained from the Metropolitan Housing and Communities Division, Urban Institute, Washington, D.C.

Methodology:

The denominator for the percent of EITC recipients was the number of tax filers in a town or county. The denominator for the percent of RAL filers was the number of EITC recipients in a town or county.

Calculations were obtained by adding together all zip code data for a town. Towns listed with an asterisk have zip codes that are contained within other towns or have the same zip code as other towns. Therefore the data cannot be reported.

Estimated amount of unclaimed EITC dollars is determined using an IRS formula applied to the total EITC dollars claimed and varies according to family composition. Estimated number of EITC-eligible non-participants is determined by an IRS formula applied to the number of filers claiming EITC. Thus, the estimated # of EITC-eligible non-participants and the estimated amount of unclaimed EITC are not mathematically related.

Claimers usually outnumber receivers. Number of claimers is not included in this EITC Table. In addition, the methods used for calculations have resulted in a few instances where the estimated number of EITC-eligible non-participants in a given town is zero, yet a dollar amount has been estimated for total unclaimed EITC in that town.

EITC - 2001

Location	# Tax Filers in 2001	# Filers Receiving EITC	% Filers Receiving EITC	% EITC Filers Receiving a RAL	Total \$ of EITC Claimed	Estimated # EITC-Eligible Non-participants	Estimated Amount of Unclaimed EITC	Location	# Tax Filers in 2001	# Filers Receiving EITC	% Filers Receiving EITC	% EITC Filers Receiving a RAL	Total \$ of EITC Claimed	Estimated # EITC-Eligible Non-participants	Estimated Amount of Unclaimed EITC
Fairfield County	415,709	31,210	7.4%	31.1%	\$46,450,243	8,497	\$4,570,062								
Bethel	8,941	394	4.4%	10.2%	\$497,280	119	\$54,328	Norwalk	40,260	3,312	8.2%	26.0%	\$4,823,972	949	\$490,997
Bridgeport	58,967	13,673	23.2%	45.3%	\$22,545,337	3,193	\$2,101,663	Redding	4,239	86	2.0%	0.0%	\$90,289	29	\$13,579
Brookfield	7,887	222	2.8%	9.0%	\$299,798	63	\$30,377	Ridgefield	11,229	196	1.7%	7.7%	\$208,397	76	\$23,299
Danbury	33,536	3,043	9.1%	17.9%	\$4,287,910	830	\$415,750	Shelton	19,149	784	4.1%	21.2%	\$1,007,683	250	\$110,848
Darien	9,288	125	1.3%	0.0%	\$118,762	56	\$19,476	Sherman	1,715	50	2.9%	0.0%	\$56,471	18	\$6,380
Easton	3,646	58	1.6%	0.0%	\$55,970	26	\$8,588	Stamford	57,443	4,434	7.7%	22.9%	\$6,455,422	1,241	\$616,975
Fairfield	24,097	582	2.4%	10.7%	\$717,679	234	\$85,991	Stratford	25,266	1,700	6.7%	29.1%	\$2,423,575	438	\$234,859
Greenwich	30,334	876	2.9%	5.8%	\$1,044,960	339	\$135,201	Trumbull	16,699	399	2.4%	10.3%	\$441,291	142	\$50,591
Monroe	9,149	232	2.5%	10.8%	\$268,344	81	\$30,327	Weston	4,656	74	1.6%	0.0%	\$46,228	38	\$8,439
New Canaan	9,365	131	1.4%	0.0%	\$122,021	55	\$17,883	Westport	13,119	219	1.7%	7.8%	\$202,620	104	\$32,878
New Fairfield	6,529	190	2.9%	0.0%	\$248,025	55	\$24,132	Wilton	8,461	109	1.3%	0.0%	\$111,678	46	\$14,237
Newtown	11,734	321	2.7%	7.5%	\$376,531	116	\$43,263								
Hartford County	420,276	41,207	9.8%	34.6%	\$64,703,117	10,001	\$6,142,794								
Avon	8,660	139	1.6%	8.6%	\$132,159	67	\$20,310	Manchester	28,379	2,576	9.1%	28.0%	\$3,858,251	655	\$368,502
Berlin	9,643	305	3.2%	10.8%	\$404,682	91	\$42,029	Marlborough	2,933	70	2.4%	0.0%	\$77,046	27	\$9,038
Bloomfield	10,605	933	8.8%	30.2%	\$1,254,750	236	\$123,736	New Britain	32,048	5,859	18.3%	47.2%	\$10,202,809	1,301	\$951,596
Bristol	29,995	2,572	8.6%	36.9%	\$3,941,024	621	\$362,447	Newington	15,765	654	4.1%	17.3%	\$817,552	192	\$84,335
Burlington	4,068	109	2.7%	13.8%	\$129,150	40	\$16,109	Plainville	9,003	523	5.8%	22.9%	\$671,895	154	\$68,639
Canton	4,648	178	3.8%	13.5%	\$221,360	50	\$24,661	Rocky Hill	9,866	333	3.4%	15.0%	\$387,434	128	\$48,717
East Granby	2,455	84	3.4%	17.9%	\$111,146	24	\$10,953	Simsbury	11,599	233	2.0%	0.0%	\$237,857	70	\$28,471
East Hartford	24,905	3,649	14.7%	36.4%	\$5,603,828	844	\$514,831	Southington	20,798	910	4.4%	20.3%	\$1,235,367	257	\$126,154
East Windsor	5,254	405	7.7%	33.1%	\$633,284	91	\$55,986	South Windsor	12,416	373	3.0%	11.8%	\$453,198	113	\$47,762
Enfield	21,095	1,326	6.3%	25.6%	\$1,873,787	365	\$187,453	Suffield	6,278	198	3.2%	7.1%	\$256,999	59	\$25,988
Farmington	12,178	352	2.9%	11.4%	\$447,791	114	\$47,773	West Hartford	30,845	1,389	4.5%	20.4%	\$1,879,093	415	\$205,913
Glastonbury	16,413	470	2.9%	10.4%	\$671,308	131	\$64,277	Wethersfield	14,000	517	3.7%	18.4%	\$610,780	169	\$66,380
Granby	5,205	129	2.5%	0.0%	\$147,708	42	\$14,931	Windsor	14,633	966	6.6%	21.7%	\$1,246,791	275	\$122,521
Hartford	49,423	15,545	31.5%	40.9%	\$26,606,963	3,375	\$2,449,786	Windsor Locks	6,342	381	6.0%	20.7%	\$555,550	94	\$50,660
Hartland	824	29	3.5%	0.0%	\$33,555	0	\$2,834								
Litchfield County	91,748	5,820	6.3%	18.6%	\$7,957,444	1,653	\$794,562								
Barkhamsted	1,838	73	4.0%	0.0%	\$102,972	12	\$10,451	Norfolk	870	57	6.6%	0.0%	\$85,991	16	\$8,814
Bethlehem	1,769	94	5.3%	0.0%	\$134,573	30	\$15,464	North Canaan	1,681	151	9.0%	19.9%	\$232,619	33	\$21,712
Bridgewater	960	27	2.8%	0.0%	\$28,604	11	\$3,518	Plymouth	5,890	412	7.0%	18.7%	\$584,788	99	\$52,733
Canaan	630	51	8.1%	0.0%	\$53,555	17	\$5,257	Roxbury	1,064	35	3.3%	0.0%	\$44,989	14	\$5,454
Colebrook	335	13	3.9%	0.0%	\$25,368	0	\$1,471	Salisbury	2,018	114	5.6%	0.0%	\$165,708	20	\$14,428
Cornwall	1,211	68	5.6%	0.0%	\$93,941	16	\$9,656	Sharon	1,255	82	6.5%	0.0%	\$107,363	27	\$10,524
Goshen	1,346	49	3.6%	0.0%	\$65,495	17	\$8,327	Thomaston	3954	285	7.2%	24.9%	\$376,072	77	\$38,682
Harwinton	2,678	72	2.7%	13.9%	\$92,461	25	\$10,394	Torrington	17,327	1,657	9.6%	29.3%	\$2,359,964	469	\$236,034
Kent	1,511	77	5.1%	0.0%	\$102,008	22	\$9,774	Warren *	-	-	-	-	-	-	
Litchfield	4,209	191	4.5%	0.0%	\$225,140	60	\$24,306	Washington	2,223	92	4.1%	0.0%	\$98,554	32	\$11,602
Morris	1,088	60	5.5%	18.3%	\$60,952	22	\$6,457	Watertown	10,922	576	5.3%	19.3%	\$718,820	181	\$73,212
New Hartford	3,196	120	3.8%	10.0%	\$141,788	38	\$14,425	Winchester	5,878	580	9.9%	29.7%	\$869,169	152	\$82,597
New Milford	12,921	700	5.4%	13.1%	\$991,231	198	\$95,743	Woodbury	4,974	184	3.7%	5.4%	\$195,319	65	\$23,525
Middlesex Co.	78,527	4,416	5.6%	27.0%	\$6,027,523	1,332	\$607,116								
Chester	1,956	102	5.2%	12.7%	\$108,300	48	\$15,388	East Haddam	3,674	168	4.6%	10.1%	\$217,502	51	\$21,975
Clinton	6,817	330	4.8%	12.1%	\$426,099	99	\$41,533	East Hampton	5,997	277	4.6%	22.0%	\$374,521	80	\$34,562
Cromwell	6,976	262	3.8%	19.8%	\$335,043	87	\$36,986	Essex	3,520	115	3.3%	0.0%	\$123,974	38	\$14,122
Deep River	2,247	119	5.3%	21.0%	\$181,330	26	\$15,512	Haddam	3,605	123	3.4%	8.9%	\$136,632	47	\$16,642
Durham	3,407	97	2.8%	0.0%	\$134,964	30	\$12,855	Killingworth	3,058	89	2.9%	0.0%	\$104,002	35	\$11,851

EITC - 2001															
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Middlesex Co. contd.															
Middlefield	2,169	86	4.0%	18.6%	\$97,663	24	\$11,419	Portland	4,463	217	4.9%	30.0%	\$287,753	66	\$29,933
Middletown	21,859	2,014	9.2%	41.1%	\$2,971,454	560	\$286,416	Westbrook	3,328	161	4.8%	13.7%	\$170,950	59	\$19,529
Old Saybrook	5,451	256	4.7%	16.8%	\$357,336	84	\$38,391								
New Haven Co.															
Ansonia	9,004	997	11.1%	39.0%	\$1,451,286	246	\$140,348	New Haven	48,078	11,018	22.9%	51.3%	\$18,114,263	2,617	\$1,718,736
Beacon Falls	2,705	120	4.4%	15.0%	\$179,752	31	\$17,486	North Branford	7,189	242	3.4%	12.4%	\$330,970	77	\$36,870
Bethany	2,525	67	2.7%	20.9%	\$92,303	20	\$10,126	North Haven	11,966	387	3.2%	14.0%	\$503,481	121	\$51,016
Branford	15,167	748	4.9%	12.7%	\$921,910	230	\$98,185	Orange	6,835	165	2.4%	12.1%	\$202,350	56	\$21,665
Cheshire	12,819	334	2.6%	10.5%	\$413,223	118	\$49,892	Oxford	4,809	188	3.9%	11.2%	\$254,668	57	\$25,747
Derby	6,181	598	9.7%	33.4%	\$919,924	154	\$89,216	Prospect	4,340	155	3.6%	10.3%	\$211,746	40	\$19,619
East Haven	14,597	1,227	8.4%	28.4%	\$1,784,305	320	\$163,051	Seymour	7,777	476	6.1%	20.6%	\$633,925	133	\$61,485
Guilford	11,071	321	2.9%	9.7%	\$384,496	116	\$43,715	Southbury	9,533	220	2.3%	4.5%	\$258,364	80	\$32,226
Hamden	27,442	1,785	6.5%	31.0%	\$2,581,642	518	\$257,332	Wallingford	21,945	1,061	4.8%	20.5%	\$1,388,978	311	\$139,799
Madison	8,854	223	2.5%	9.4%	\$232,750	88	\$27,177	Waterbury	47,029	9,632	20.5%	39.7%	\$16,203,261	2,227	\$1,522,347
Meriden	28,127	3,811	13.5%	45.9%	\$6,291,159	870	\$576,727	West Haven	25,318	3,077	12.2%	37.5%	\$4,751,672	765	\$447,521
Middlebury	3,445	92	2.7%	13.0%	\$114,860	31	\$11,141	Wolcott	7,438	412	5.5%	13.3%	\$530,858	133	\$58,978
Milford	26,862	1,238	4.6%	20.1%	\$1,625,295	389	\$163,788	Woodbridge	4,746	99	2.1%	14.1%	\$131,589	33	\$16,195
Naugatuck	14,981	1,306	8.7%	30.9%	\$1,981,268	317	\$184,444								
New London Co.															
Bozrah	1,278	63	4.9%	17.5%	\$92,212	13	\$6,710	New London	12,175	2,276	18.7%	47.8%	\$3,771,351	533	\$335,539
Colchester	7,212	395	5.5%	22.8%	\$572,422	99	\$56,650	North Stonington	2,579	114	4.4%	17.5%	\$144,936	31	\$14,162
East Lyme	8,355	393	4.7%	17.6%	\$516,390	124	\$54,400	Norwich	18,192	2,605	14.3%	41.5%	\$4,184,075	594	\$373,318
Franklin	960	34	3.5%	0.0%	\$44,256	12	\$5,250	Old Lyme	4,956	169	3.4%	11.8%	\$191,592	55	\$20,715
Griswold	7,003	604	8.6%	31.8%	\$896,370	146	\$85,322	Preston	2,233	113	5.1%	23.9%	\$152,858	28	\$11,799
Groton	20,951	1,696	8.1%	34.8%	\$2,437,063	410	\$213,868	Salem	1,871	74	4.0%	0.0%	\$87,205	21	\$7,906
Lebanon	3,273	186	5.7%	15.1%	\$243,035	52	\$22,826	Sprague	1,728	153	8.9%	32.0%	\$251,411	32	\$22,112
Ledyard	7,318	363	5.0%	23.7%	\$508,627	84	\$42,852	Stonington	7,316	431	5.9%	27.6%	\$599,701	121	\$57,115
Lisbon *	-	-	-	-	-	-	-	Voluntown	1,422	89	6.3%	20.2%	\$145,692	23	\$14,330
Lyme	211	5	2.4%	0.0%	\$6,268	0	\$0	Waterford	10,150	463	4.6%	19.9%	\$593,964	135	\$57,004
Montville	8,702	633	7.3%	28.3%	\$935,639	160	\$86,575								
Tolland County															
Andover	1,483	49	3.3%	0.0%	\$63,756	15	\$6,778	Somers	4,270	177	4.1%	10.7%	\$224,939	52	\$21,115
Bolton	2,545	63	2.5%	0.0%	\$79,601	19	\$8,764	Stafford	5,988	473	7.9%	21.8%	\$679,156	104	\$56,668
Columbia	2,566	76	3.0%	0.0%	\$86,485	28	\$9,849	Tolland	6,478	177	2.7%	15.8%	\$200,077	57	\$21,697
Coventry	5,677	268	4.7%	17.9%	\$368,425	83	\$37,653	Union *	-	-	-	-	-	-	-
Ellington	6,667	245	3.7%	15.1%	\$308,605	65	\$29,284	Vernon	14,674	1,126	7.7%	30.1%	\$1,691,753	293	\$162,974
Hebron	4,116	125	3.0%	0.0%	\$170,379	33	\$16,962	Willington	2,723	119	4.4%	10.1%	\$162,840	39	\$18,452
Mansfield	6,400	299	4.7%	11.4%	\$410,148	82	\$43,546								
Windham County															
Ashford	2,086	153	7.3%	19.6%	\$226,762	33	\$16,925	Pomfret	1,960	120	6.1%	22.5%	\$183,491	21	\$11,067
Brooklyn	2,449	176	7.2%	17.6%	\$232,228	56	\$23,574	Putnam	4,273	495	11.6%	39.6%	\$761,150	120	\$69,068
Canterbury	2,495	168	6.7%	27.4%	\$215,466	39	\$17,585	Scotland	385	28	7.3%	0.0%	\$30,819	13	\$4,761
Chaplin	984	60	6.1%	0.0%	\$94,227	19	\$11,945	Sterling	1,290	133	10.3%	21.1%	\$190,614	25	\$17,198
Eastford	686	38	5.5%	0.0%	\$46,320	13	\$4,679	Thompson	4,447	351	7.9%	20.5%	\$513,512	77	\$49,899
Hampton	1,121	63	5.6%	0.0%	\$79,730	18	\$7,879	Windham	9,980	1,761	17.6%	28.2%	\$3,075,638	410	\$292,784
Killingly	8,990	1,213	13.5%	37.8%	\$1,817,620	264	\$156,477	Woodstock	3,526	182	5.2%	9.3%	\$269,701	38	\$25,839
Plainfield	6,954	840	12.1%	33.1%	\$1,321,175	173	\$117,757								
CONNECTICUT															
	1,640,141	142,489	8.7%	32.3%	\$217,152,927	36,438	\$20,848,995								