

WISCONSIN EARNED INCOME TAX CREDIT: SUMMARY FOR 2006

A. INTRODUCTION

A total of 227,497 tax filers claimed Wisconsin earned income tax credits (EITC) amounting to \$83.2 million in tax year 2006, according to Department of Revenue (DOR) statistics from individual income tax returns. The average credit was \$366.

The Wisconsin EITC equals a percentage of the federal earned income tax credit, depending on the number of children in the household of the credit claimant: 4% for persons with one child, 14% for persons with two children and 43% for persons with three or more children.

The maximum federal credit in 2006 was 34% of earnings not exceeding \$8,080 for persons with one child and 40% of earnings not exceeding \$11,340 for persons with two or more children. These credits were phased out as the greater of earnings or federal adjusted gross income rose from \$14,810 to \$32,001 for single and head of household filers with one child and from \$14,810 to \$36,348 for single and head of household filers with two or more children. The maximum eligible earnings and phase-out ranges are adjusted annually for inflation. The floor and ceiling of the phase-out range for married couples filing jointly are \$2,000 higher than the floor and ceiling for other filers.

The federal government also provides the EITC to low-income persons without children; Wisconsin does not supplement this credit.

B. CREDIT HISTORY

Wisconsin's refundable earned income tax credit was enacted in 1989. Table 1 shows the number and amount of credits claimed in each of the years the credit has been in effect. Through 2004, data for each tax year are from returns filed through August 15 of the subsequent calendar year. For tax year 2005, the deadline to file an extended income tax return was extended, so returns filed through October 15, 2006 are included.

As the table shows, the percentage change in both the Wisconsin credit amount and the average credit have generally followed the changes at the federal level—which is expected since the Wisconsin credit is linked to the federal credit. For example, the federal credit was substantially increased in 1991, with the amount of federal EITC paid to Wisconsin recipients rising 43.2%. Since the Wisconsin credit rates were not adjusted when this occurred, the amount of Wisconsin EITC recorded a similar increase, 46.6%.

Percentage changes in the federal credit in 1994 and 1995 are not available because Wisconsin decoupled its EITC from the federal credit in 1994—the Wisconsin credit was calculated separately and not as a percentage of the federal credit that year. As a result, the amount of the federal credit received was not reported on the Wisconsin tax return. One apparent effect of decoupling was a decrease in participation. The number of persons claiming the Wisconsin EITC was lower in 1994, when the credit was decoupled, than in 1993. Participation rebounded sharply in 1995, surging 11.5%, when the credit was once again based on the federal credit.

The number of Wisconsin EITC recipients and the amount claimed declined in the late 1990s, but both have increased since then. In 2006, the number of recipients and the amount of credits rose again by 1.8% and 5.5%, respectively.

TABLE 1
FEDERAL AND STATE EARNED INCOME TAX CREDITS IN WISCONSIN
TAX YEARS 1989 – 2006

Tax Year	Number Of Recipients	Federal Credit Amount* (\$ thou)	Average (\$)	Wisconsin Credit Amount (\$ thou)	Average (\$)
1989	126,511	\$68,409.8	\$541	\$16,464.1	\$130
1990	136,205	77,718.0	571	18,916.8	139
1991	153,194	111,255.2	726	27,725.0	181
1992	165,951	134,697.7	812	33,572.0	202
1993	172,425	153,726.5	892	38,652.1	224
1994	171,260	N/A	N/A	49,150.1	287
1995	191,019	287,033.7	1,503	54,750.6	287
1996	195,980	332,449.8	1,696	58,177.5	297
1997	194,023	344,338.8	1,775	60,760.8	313
1998	189,102	342,960.1	1,814	59,932.8	317
1999	185,442	339,062.5	1,828	59,057.7	318
2000	185,499	342,729.6	1,848	59,075.7	318
2001	189,586	355,624.2	1,876	60,346.8	318
2002	210,624	410,860.2	1,951	69,029.2	328
2003	214,164	423,617.1	1,978	69,765.9	326
2004	216,707	445,730.6	2,057	73,482.6	339
2005	223,518	478,468.8	2,141	78,831.0	353
2006	227,497	\$506,355.6	\$2,226	\$83,193.4	\$366
Percent Changes					
1990	7.7%	13.6%	5.5%	14.9%	6.7%
1991	12.5	43.2	27.3	46.6	30.3
1992	8.3	21.1	11.8	21.1	11.8
1993	3.9	14.1	9.8	15.1	10.8
1994	-0.7	NA	NA	27.2	28.0
1995	11.5	NA	NA	11.4	-0.1
1996	2.6	15.8	12.9	6.3	3.6
1997	-1.0	3.6	4.6	4.4	5.4
1998	-2.5	-0.4	2.2	-1.4	1.2
1999	-1.9	-1.1	0.8	-1.5	0.3
2000	0.0	1.1	1.1	0.0	0.0
2001	2.2	3.8	1.5	2.2	-0.1
2002	11.1	15.5	4.0	14.4	3.1
2003	1.7	3.1	1.4	1.1	-0.6
2004	1.2	5.2	4.0	5.3	4.0
2005	3.1	7.3	4.1	7.3	4.0
2006	1.8%	5.8%	4.0%	5.5%	3.7%

* For taxpayers with Wisconsin EITC only. Data on federal credits for other taxpayers, in particular, persons without children, are not reported on Wisconsin tax returns and thus not available.

N/A Not available. Because the Wisconsin credit was calculated separately from the federal credit in 1994, the amount of federal credit was not recorded on the Wisconsin tax return.

C. CREDITS BY FILING STATUS

Table 2 reports the number of 2006 EITC recipients, the number of children they have, and the amount of credits they receive by filing status and number of children. As the table shows, most recipients are unmarried. About 64% are heads of household, that is, single persons with children who are considered dependents for tax purposes, and about 9% are single filers who do not claim their children as dependents on their tax returns, typically because the non-custodial parent is allowed the dependency claim.

Married couples, while only about 26% of the recipients, received 33% of the credit and their average credit of \$461 was substantially higher than the averages for heads of household (\$348) and single filers (\$223). Married couples had higher average credits and received a disproportionate share of the total credit amount because a larger percentage of them had three or more children, which qualifies for the largest credit. Thirty one percent of married claimants had three or more children compared to 7% for single claimants and 14% for head of household claimants.

TABLE 2
WISCONSIN EARNED INCOME TAX CREDITS
BY FILING STATUS AND NUMBER OF DEPENDENTS, 2006

Filing Status/ Number of Dependents	Number of Credits	% of Total	Number of Dependents	Total Amount (\$ thou)	% of Total	Average Amount (\$)
Single						
1 Dependent	14,685	6.5%	14,685	\$1,106,278	1.3%	\$75
2 Dependents	4,978	2.2	9,956	1,897,759	2.3	381
3 or More Dependents	1,555	0.7	4,776	1,721,359	2.1	1,107
Subtotal	21,218	9.3	29,417	4,725,396	5.7	223
Head of Household						
1 Dependent	76,393	33.6	76,393	5,399,375	6.5	71
2 Dependents	49,034	21.6	98,068	19,426,313	23.4	396
3 or More Dependents	21,030	9.2	64,832	26,070,268	31.3	1,240
Subtotal	146,457	64.4	239,293	50,895,956	61.2	348
Married Joint						
1 Dependent	18,111	8.0	18,111	1,147,811	1.4	63
2 Dependents	23,425	10.3	46,850	7,625,033	9.2	326
3 or More Dependents	18,286	8.0	60,874	18,799,187	22.6	1,028
Subtotal	59,822	26.3	125,835	27,572,031	33.1	461
All Filers						
1 Dependent	109,189	48.0	109,189	7,653,464	9.2	70
2 Dependents	77,437	34.0	154,874	28,949,105	34.8	374
3 or More Dependents	40,871	18.0	130,482	46,590,814	56.0	1,140
Total	227,497	100.0%	394,545	\$83,193,383	100.0%	\$366

Components may not sum to total due to rounding.

D. CREDITS BY NUMBER OF DEPENDENTS

Table 2 also shows that 48.0% of the filers claiming an earned income tax credit had one dependent, while 34.0% had two, and 18.0% had three or more. Because Wisconsin provides substantially larger credits to larger families, 56.0% of the credit went to recipients with three or more children, 34.8% to those with two children, and 9.2% to those with one child.

The effect of the Wisconsin adjustment for family size can also be seen by comparing the average credit, which was \$1,140 for those with three or more dependents, \$374 for those with two dependents, and \$70 for those with one dependent.

E. CREDITS BY COUNTY

Table 3 shows the number and amount of credits and the average credit for Wisconsin's 72 counties in 2006. Milwaukee County, the state's most populous county, had 60,594 credits totaling \$25.8 million and an average credit of \$426. That county accounted for 27% of all state EITC recipients and 31% of all credits paid. The second largest county, Dane, had 12,261 recipients claiming approximately \$4.0 million, for an average credit of \$324.

The county with the highest average credit was Menominee; its \$473 average was 29% higher than the state average of \$366 and \$47 higher than the \$426 average credit in Milwaukee County, which had the second highest average.

TABLE 3
EARNED INCOME TAX CREDITS BY COUNTY, 2006

County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)	County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)
Adams	882	\$329,637	\$374	Marinette	2,011	\$738,062	\$367
Ashland	1,032	366,196	355	Marquette	679	259,370	382
Barron	2,447	820,006	335	Menominee	521	246,403	473
Bayfield	734	273,084	372	Milwaukee	60,594	25,808,404	426
Brown	9,631	3,357,163	349	Monroe	2,130	771,361	362
Buffalo	600	216,083	360	Oconto	1,527	532,004	348
Burnett	780	293,520	376	Oneida	1,464	450,648	308
Calumet	1,058	340,254	322	Outagamie	5,777	1,971,043	341
Chippewa	2,725	994,732	365	Ozaukee	1,425	428,047	300
Clark	1,436	574,585	400	Pepin	302	128,579	426
Columbia	1,921	587,228	306	Pierce	1,084	335,575	310
Crawford	907	343,121	378	Polk	1,910	611,046	320
Dane	12,261	3,968,614	324	Portage	2,311	764,372	331
Dodge	2,877	937,992	326	Price	682	254,239	373
Door	1,002	311,768	311	Racine	9,178	3,559,425	388
Douglas	2,098	676,504	322	Richland	800	295,587	369
Dunn	1,562	593,250	380	Rock	7,675	2,683,890	350
Eau Claire	3,763	1,228,159	326	Rusk	842	354,736	421
Florence	170	47,903	282	St. Croix	2,073	648,261	313
Fond du Lac	3,378	1,100,466	326	Sauk	2,548	826,076	324
Forest	541	200,750	371	Sawyer	1,079	440,135	408
Grant	2,051	721,653	352	Shawano	1,886	703,480	373
Green	1,429	475,531	333	Sheboygan	3,887	1,303,977	335
Green Lake	737	275,809	374	Taylor	871	306,894	352
Iowa	964	317,333	329	Trempealeau	1,348	460,107	341
Iron	315	110,278	350	Vernon	1,284	475,124	370
Jackson	1,006	353,289	351	Vilas	997	344,474	346
Jefferson	2,673	819,796	307	Walworth	3,468	1,178,228	340
Juneau	1,397	480,698	344	Washburn	867	350,150	404
Kenosha	6,706	2,534,495	378	Washington	2,906	852,369	293
Kewaunee	690	216,376	314	Waukesha	6,370	1,884,405	296
La Crosse	4,018	1,358,036	338	Waupaca	2,068	713,735	345
Lafayette	772	289,634	375	Waushara	1,042	388,884	373
Langlade	1,081	385,293	356	Winnebago	5,742	1,843,225	321
Lincoln	1,241	421,280	339	Wood	3,240	1,136,588	351
Manitowoc	2,853	994,370	349	Other*	235	63,387	270
Marathon	4,936	\$1,766,207	\$358	Total	227,497	\$83,193,383	\$366

* Includes returns for which no county was listed.
Components may not sum to total due to rounding.

F. PARTICIPATION BY COUNTY

Two measures of the extent of participation in the EITC are the percentage of tax returns from the county that claim the credit and the percentage of the county's population in tax filing units receiving the EITC. For the latter measure, the number of people in a tax filing unit was based on the filing status (married couples filing jointly counted as two persons; heads of household and single filers as one) and on the number of dependents claimed for purposes of the EITC.

Table 4 shows both of these measures and again Menominee County stands out with far higher participation than any other county. While the EITC was claimed on approximately 8% of all tax returns statewide, 41% of Menominee County returns included a claim for the credit. Similarly, 35% of Menominee County's population was in tax filing units receiving the EITC. For all other counties, the percent of returns with the EITC ranged from 3.3% (Waukesha County) to 13.8% (Milwaukee County) and the share of population in tax filing units receiving the EITC ranged from 4.9% (Ozaukee County) to 19.1% (Sawyer County).

TABLE 4
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2006

County	Tax Returns	EITC Returns	Percent of Returns with EITC (%)	2006 Population	EITC Population ¹	Percent of Population with EITC (%)
Adams	8,602	882	10.3%	21,548	2,748	12.8%
Ashland	7,715	1,032	13.4	16,906	3,190	18.9
Barron	22,748	2,447	10.8	47,247	7,523	15.9
Bayfield	7,289	734	10.1	15,828	2,302	14.5
Brown	118,228	9,631	8.1	242,733	28,256	11.6
Buffalo	6,882	600	8.7	14,142	1,940	13.7
Burnett	7,429	780	10.5	16,614	2,446	14.7
Calumet	21,140	1,058	5.0	45,711	3,247	7.1
Chippewa	28,306	2,725	9.6	60,893	8,518	14.0
Clark	14,796	1,436	9.7	34,501	4,846	14.0
Columbia	27,991	1,921	6.9	55,272	5,656	10.2
Crawford	7,939	907	11.4	17,461	2,895	16.6
Dane	234,538	12,261	5.2	464,513	35,033	7.5
Dodge	41,939	2,877	6.9	89,063	8,636	9.7
Door	14,826	1,002	6.8	29,720	3,065	10.3
Douglas	20,320	2,098	10.3	43,932	6,160	14.0
Dunn	18,182	1,562	8.6	42,752	5,053	11.8
Eau Claire	45,485	3,763	8.3	97,760	11,181	11.4
Florence	2,206	170	7.7	5,258	520	9.9
Fond du Lac	48,752	3,378	6.9	100,716	10,158	10.1
Forest	4,334	541	12.5	10,276	1,710	16.6
Grant	22,589	2,051	9.1	50,529	6,470	12.8
Green	17,734	1,429	8.1	36,054	4,389	12.2
Green Lake	9,570	737	7.7	19,353	2,282	11.8
Iowa	11,546	964	8.3	23,964	3,015	12.6
Iron	3,131	315	10.1	6,983	979	14.0
Jackson	9,164	1,006	11.0	19,969	3,089	15.5
Jefferson	38,673	2,673	6.9%	80,092	7,904	9.9%

¹ The EITC population was based on the filing status (married couples filing jointly counted as two persons; heads of household and single filers as one) and on the number of dependents claimed for purposes of the EITC.

TABLE 4 (continued)
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2006

County	Tax Returns	EITC Returns	Percent of Returns With EITC (%)	2006 Population	EITC Population	Percent of Population with EITC (%)
Juneau	12,483	1,397	11.2%	26,903	4,285	15.9%
Kenosha	73,332	6,706	9.1	159,638	19,809	12.4
Kewaunee	10,193	690	6.8	21,157	2,166	10.2
La Crosse	52,137	4,018	7.7	110,743	12,228	11.0
Lafayette	7,849	772	9.8	16,311	2,574	15.8
Langlade	10,013	1,081	10.8	21,471	3,361	15.7
Lincoln	14,441	1,241	8.6	30,565	3,773	12.3
Manitowoc	40,921	2,853	7.0	84,640	8,794	10.4
Marathon	64,470	4,936	7.7	132,697	15,314	11.5
Marinette	20,900	2,011	9.6	44,543	6,309	14.2
Marquette	7,762	679	8.7	15,252	2,171	14.2
Menominee	1,269	521	41.1	4,633	1,634	35.3
Milwaukee	437,538	60,594	13.8	936,892	177,807	19.0
Monroe	20,285	2,130	10.5	43,555	6,606	15.2
Oconto	18,086	1,527	8.4	38,690	4,761	12.3
Oneida	19,064	1,464	7.7	38,313	4,439	11.6
Outagamie	86,795	5,777	6.7	172,618	17,584	10.2
Ozaukee	42,885	1,425	3.3	86,389	4,195	4.9
Pepin	3,637	302	8.3	7,634	970	12.7
Pierce	17,711	1,084	6.1	39,805	3,245	8.2
Polk	20,767	1,910	9.2	45,139	5,821	12.9
Portage	31,662	2,311	7.3	69,591	7,055	10.1
Price	7,426	682	9.2	16,066	2,209	13.7
Racine	93,490	9,178	9.8	194,580	26,930	13.8
Richland	8,264	800	9.7	18,125	2,589	14.3
Rock	76,138	7,675	10.1	158,525	22,328	14.1
Rusk	6,842	842	12.3	15,572	2,816	18.1
St. Croix	37,633	2,073	5.5	78,028	6,257	8.0
Sauk	31,339	2,548	8.1	60,054	7,625	12.7
Sawyer	8,167	1,079	13.2	17,411	3,322	19.1
Shawano	19,367	1,886	9.7	42,304	5,971	14.1
Sheboygan	57,156	3,887	6.8	116,348	11,816	10.2
Taylor	9,238	871	9.4	19,917	2,898	14.6
Trempealeau	14,298	1,348	9.4	28,126	4,154	14.8
Vernon	13,038	1,284	9.8	29,400	4,231	14.4
Vilas	11,017	997	9.0	22,412	3,056	13.6
Walworth	46,052	3,468	7.5	99,761	10,431	10.5
Washburn	8,102	867	10.7	17,236	2,831	16.4
Washington	63,834	2,906	4.6	127,871	8,457	6.6
Waukesha	191,786	6,370	3.3	379,577	18,455	4.9
Waupaca	25,594	2,068	8.1	53,575	6,401	11.9
Waushara	11,234	1,042	9.3	25,083	3,316	13.2
Winnebago	78,225	5,742	7.3	163,867	16,910	10.3
Wood	37,605	3,240	8.6	76,937	10,023	13.0
Total*	2,756,028	227,497	8.3%	5,617,742	681,138	12.1%

* Includes returns for which no county was listed.