

WISCONSIN EARNED INCOME TAX CREDIT: SUMMARY FOR 2007

A. INTRODUCTION

A total of 236,691 tax filers claimed Wisconsin earned income tax credits (EITC) amounting to \$89.5 million in tax year 2007, according to Department of Revenue (DOR) statistics from individual income tax returns. The average credit was \$378.

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 2007 was 34% of earnings not exceeding \$8,390 for persons with one child and 40% of earnings not exceeding \$11,790 for persons with two or more children. These credits were phased out as the greater of earnings or federal adjusted gross income rose from \$15,390 to \$33,241 for single and head of household filers with one child and from \$15,390 to \$37,783 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 2007, the number of recipients and the amount of credits rose again by 4.0% and 7.6%, respectively.

TABLE 1
FEDERAL AND STATE EARNED INCOME TAX CREDITS IN WISCONSIN
TAX YEARS 1989 – 2007

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
2007	236,691	\$550,017.1	\$2,324	\$89,549.0	\$378
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
2007	4.0%	8.6%	4.4%	7.6%	3.3%

* 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 2007 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 10% 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 32% of the credit and their average credit of \$475 was substantially higher than the averages for heads of household (\$363) and single filers (\$233). Married couples had higher average credits and received a larger share of the total credit amount because a larger percentage of them had three or more children, which qualifies for the largest credit. Thirty 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, 2007

Filing Status/ Number of Dependents	Number of Credits	% of Total	Number of Dependents	Total Amount (\$ thou)	% of Total	Average Amount (\$)
Single						
1 Dependent	16,572	7.0%	16,572	\$1,294,388	1.4%	\$78
2 Dependents	5,754	2.4	11,508	2,296,923	2.6	399
3 or More Dependents	1,670	0.7	5,140	1,991,866	2.2	1,193
Subtotal	23,996	10.1	33,220	5,583,177	6.2	233
Head of Household						
1 Dependent	79,602	33.6	79,602	5,873,007	6.6	74
2 Dependents	50,570	21.4	101,140	21,118,190	23.6	418
3 or More Dependents	21,732	9.2	67,141	28,121,099	31.4	1,294
Subtotal	151,904	64.2	247,883	55,112,296	61.5	363
Married Joint						
1 Dependent	18,707	7.9	18,707	1,229,778	1.4	66
2 Dependents	23,668	10.0	47,336	7,995,000	8.9	338
3 or More Dependents	18,416	7.8	61,397	19,628,711	21.9	1,066
Subtotal	60,791	25.7	127,440	28,853,489	32.2	475
All Filers						
1 Dependent	114,881	48.5	114,881	8,397,173	9.4	73
2 Dependents	79,992	33.8	159,984	31,410,113	35.1	393
3 or More Dependents	41,818	17.7	133,678	49,741,676	55.5	1,189
Total	236,691	100.0%	408,543	\$89,548,962	100.0%	\$378

Components may not sum to total due to rounding.

D. CREDITS BY NUMBER OF DEPENDENTS

Table 2 also shows that almost half of the filers claiming an earned income tax credit had one dependent (48.5%), while 33.8% had two, and 17.7% had three or more. Because Wisconsin provides substantially larger credits to larger families, 55.5% of the credit went to recipients with three or more children, 35.1% to those with two children, and 9.4% 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 \$1,189 for those with three or more dependents, \$393 for those with two dependents, and \$73 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 2007. Milwaukee County, the state's most populous county, had 61,651 credits totaling \$27.4 million and an average credit of \$444. That county accounted for 26% of all state EITC recipients and 31% of all credits paid. The second largest county, Dane, had 12,651 recipients claiming approximately \$4.2 million, for an average credit of \$335.

The county with the highest average credit was Menominee; its \$495 average was 31% higher than the state average of \$378 and \$51 higher than the \$444 average credit in Milwaukee County, which had the second highest average.

TABLE 3
EARNED INCOME TAX CREDITS BY COUNTY, 2007

County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)	County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)
Adams	922	\$344,287	\$373	Marinette	2,026	\$709,546	\$350
Ashland	1,029	393,331	382	Marquette	599	237,892	397
Barron	2,413	815,033	338	Menominee	520	257,568	495
Bayfield	735	291,284	396	Milwaukee	61,651	27,364,931	444
Brown	9,662	3,416,613	354	Monroe	2,041	756,034	370
Buffalo	592	222,155	375	Oconto	1,520	510,335	336
Burnett	683	256,688	376	Oneida	1,466	479,418	327
Calumet	1,058	332,746	315	Outagamie	5,731	1,974,141	344
Chippewa	2,644	958,443	363	Ozaukee	1,223	402,183	329
Clark	1,352	544,363	403	Pepin	292	122,076	418
Columbia	1,961	601,503	307	Pierce	984	305,406	310
Crawford	831	321,921	387	Polk	1,770	577,694	326
Dane	12,651	4,238,764	335	Portage	2,170	752,185	347
Dodge	2,789	923,193	331	Price	615	228,418	371
Door	942	292,027	310	Racine	9,365	3,699,768	395
Douglas	2,055	684,673	333	Richland	779	282,796	363
Dunn	1,467	568,726	388	Rock	7,836	2,901,401	370
Eau Claire	3,793	1,332,073	351	Rusk	808	356,000	441
Florence	161	42,044	261	St. Croix	1,983	653,735	330
Fond du Lac	3,378	1,131,760	335	Sauk	2,443	820,446	336
Forest	543	204,454	377	Sawyer	1,030	432,506	420
Grant	1,937	690,348	356	Shawano	1,782	675,097	379
Green	1,374	485,666	353	Sheboygan	3,908	1,357,657	347
Green Lake	737	278,947	378	Taylor	861	301,531	350
Iowa	883	308,690	350	Trempealeau	1,257	443,105	353
Iron	297	100,815	339	Vernon	1,182	456,063	386
Jackson	945	328,737	348	Vilas	993	370,420	373
Jefferson	2,710	893,365	330	Walworth	3,481	1,222,804	351
Juneau	1,280	463,450	362	Washburn	882	345,450	392
Kenosha	6,945	2,644,162	381	Washington	2,753	879,399	319
Kewaunee	645	196,723	305	Waukesha	6,434	1,928,383	300
La Crosse	3,987	1,419,227	356	Waupaca	2,056	714,558	348
Lafayette	655	252,904	386	Waushara	1,037	375,615	362
Langlade	1,041	419,264	403	Winnebago	5,640	1,910,967	339
Lincoln	1,197	415,744	347	Wood	3,153	1,115,483	354
Manitowoc	2,872	978,689	341	Other*	10,231	3,984,227	389
Marathon	5,023	\$1,850,912	\$368	Total	236,691	\$89,548,962	\$378

* 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, 40% of Menominee County returns included a claim for the credit. Similarly, 36% 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 3.1% (Ozaukee County) to 14.4% (Milwaukee County) and the share of population in tax filing units receiving the EITC ranged from 4.2% (Ozaukee County) to 19.2% (Milwaukee County).

TABLE 4
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2007

County	Tax Returns	EITC Returns	Percent of Returns with EITC (%)	2007 Population	EITC Population ¹	Percent of Population with EITC (%)
Adams	8,880	922	10.4%	21,645	2,872	13.3%
Ashland	7,324	1,029	14.0	16,879	3,140	18.6
Barron	22,008	2,413	11.0	47,551	7,360	15.5
Bayfield	7,083	735	10.4	15,990	2,333	14.6
Brown	116,847	9,662	8.3	244,764	28,217	11.5
Buffalo	6,599	592	9.0	14,183	1,898	13.4
Burnett	6,728	683	10.2	16,749	2,102	12.6
Calumet	20,444	1,058	5.2	46,031	3,217	7.0
Chippewa	26,783	2,644	9.9	61,604	8,121	13.2
Clark	13,885	1,352	9.7	34,479	4,519	13.1
Columbia	27,497	1,961	7.1	55,636	5,745	10.3
Crawford	7,361	831	11.3	17,553	2,641	15.0
Dane	233,168	12,651	5.4	468,514	36,111	7.7
Dodge	40,051	2,789	7.0	89,225	8,350	9.4
Door	14,221	942	6.6	30,043	2,812	9.4
Douglas	19,524	2,055	10.5	44,096	5,975	13.5
Dunn	16,866	1,467	8.7	43,118	4,678	10.8
Eau Claire	44,807	3,793	8.5	98,000	11,309	11.5
Florence	2,023	161	8.0	5,295	501	9.5
Fond du Lac	48,232	3,378	7.0	101,174	10,076	10.0
Forest	4,170	543	13.0	10,329	1,688	16.3
Grant	20,750	1,937	9.3	51,037	6,132	12.0
Green	16,947	1,374	8.1	36,262	4,191	11.6
Green Lake	9,327	737	7.9	19,446	2,249	11.6
Iowa	10,781	883	8.2	24,130	2,755	11.4
Iron	2,974	297	10.0	7,002	891	12.7
Jackson	8,668	945	10.9	20,080	2,867	14.3
Jefferson	38,263	2,710	7.1%	80,411	8,077	10.0%

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, 2007

County	Tax Returns	EITC Returns	Percent of Returns With EITC (%)	2007 Population	EITC Population	Percent of Population with EITC (%)
Juneau	11,424	1,280	11.2%	27,177	3,865	14.2%
Kenosha	72,760	6,945	9.5	161,370	20,450	12.7
Kewaunee	9,734	645	6.6	21,198	1,965	9.3
La Crosse	51,380	3,987	7.8	111,791	12,080	10.8
Lafayette	7,092	655	9.2	16,317	2,150	13.2
Langlade	9,649	1,041	10.8	21,517	3,266	15.2
Lincoln	13,857	1,197	8.6	30,562	3,586	11.7
Manitowoc	39,597	2,872	7.3	84,603	8,723	10.3
Marathon	63,599	5,023	7.9	134,028	15,476	11.5
Marinette	19,988	2,026	10.1	44,646	6,229	14.0
Marquette	6,743	599	8.9	15,319	1,925	12.6
Menominee	1,286	520	40.4	4,606	1,648	35.8
Milwaukee	429,163	61,651	14.4	937,324	180,223	19.2
Monroe	19,657	2,041	10.4	43,838	6,315	14.4
Oconto	17,484	1,520	8.7	38,958	4,691	12.0
Oneida	18,211	1,466	8.1	38,600	4,428	11.5
Outagamie	84,885	5,731	6.8	173,773	17,228	9.9
Ozaukee	38,986	1,223	3.1	86,697	3,602	4.2
Pepin	3,307	292	8.8	7,714	932	12.1
Pierce	16,268	984	6.0	40,235	2,924	7.3
Polk	18,712	1,770	9.5	45,611	5,393	11.8
Portage	30,036	2,170	7.2	69,959	6,612	9.5
Price	6,859	615	9.0	16,069	1,979	12.3
Racine	91,817	9,365	10.2	195,113	27,391	14.0
Richland	7,927	779	9.8	18,208	2,483	13.6
Rock	74,230	7,836	10.6	159,530	22,856	14.3
Rusk	6,550	808	12.3	15,627	2,698	17.3
St. Croix	35,275	1,983	5.6	79,020	5,955	7.5
Sauk	29,542	2,443	8.3	60,673	7,287	12.0
Sawyer	7,602	1,030	13.5	17,542	3,198	18.2
Shawano	18,445	1,782	9.7	42,413	5,579	13.2
Sheboygan	56,250	3,908	6.9	117,045	11,815	10.1
Taylor	8,807	861	9.8	20,049	2,797	14.0
Trempealeau	13,438	1,257	9.4	28,119	3,869	13.8
Vernon	11,928	1,182	9.9	29,530	3,896	13.2
Vilas	10,384	993	9.6	22,545	3,053	13.5
Walworth	43,899	3,481	7.9	100,672	10,497	10.4
Washburn	7,427	882	11.9	17,403	2,830	16.3
Washington	60,484	2,753	4.6	129,316	8,038	6.2
Waukesha	189,335	6,434	3.4	381,651	18,494	4.8
Waupaca	24,843	2,056	8.3	53,773	6,291	11.7
Waushara	10,805	1,037	9.6	25,215	3,278	13.0
Winnebago	76,505	5,640	7.4	164,703	16,508	10.0
Wood	36,609	3,153	8.6	76,839	9,602	12.5
Total*	2,797,556	236,691	8.5%	5,648,124	706,025	12.5%

* Includes returns for which no county was listed.