

## **WISCONSIN EARNED INCOME TAX CREDIT: SUMMARY FOR 2008**

### **A. INTRODUCTION**

A total of 243,131 tax filers claimed Wisconsin earned income tax credits (EITC) amounting to \$95.9 million in tax year 2008, according to Department of Revenue (DOR) statistics from individual income tax returns. The average credit was \$394.

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 2008 was 34% of earnings not exceeding \$8,580 for persons with one child and 40% of earnings not exceeding \$12,060 for persons with two or more children. These credits were phased out as the greater of earnings or federal adjusted gross income rose from \$15,740 to \$33,995 for single and head of household filers with one child and from \$15,740 to \$38,646 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 \$3,000 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 2008, the number of recipients and the amount of credits rose again by 2.7% and 7.0%, respectively.

TABLE 1  
FEDERAL AND STATE EARNED INCOME TAX CREDITS IN WISCONSIN  
TAX YEARS 1989 – 2008

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
2008	243,131	\$585,144.5	\$2,407	\$95,848.1	\$394
Year over Year 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
2008	2.7%	6.4%	3.6%	7.0%	4.2%

\* 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.

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 2008 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 62% are heads of household, that is, single persons with children who are considered dependents for tax purposes, and about 11% 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 \$498 was substantially higher than the averages for heads of household (\$374) and single filers (\$262). 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 8% for single claimants and 14% for head of household claimants.

TABLE 2  
WISCONSIN EARNED INCOME TAX CREDITS  
BY FILING STATUS AND NUMBER OF DEPENDENTS, 2008

Filing Status/ Number of Dependents	Number of Credits	% of Total	Number of Dependents	Total Amount	% of Total	Average Amount
Single						
1 Dependent	18,630	7.7%	18,630	\$1,500,167	1.6%	\$81
2 Dependents	6,797	2.8	13,594	2,880,590	3.0	424
3 or More Dependents	2,213	0.9	6,803	2,869,308	3.0	1,297
Subtotal	27,640	11.4	39,027	7,250,065	7.6	262
Head of Household						
1 Dependent	79,336	32.6	79,336	5,985,282	6.2	75
2 Dependents	50,460	20.8	100,920	21,742,324	22.7	431
3 or More Dependents	21,539	8.9	66,620	28,929,652	30.2	1,343
Subtotal	151,335	62.3	246,876	56,657,258	59.1	374
Married Joint						
1 Dependent	19,774	8.1	19,774	1,369,894	1.4	69
2 Dependents	25,033	10.3	50,066	8,928,838	9.3	357
3 or More Dependents	19,305	7.9	64,261	21,640,507	22.6	1,121
Subtotal	64,112	26.4	134,101	31,939,239	33.3	498
All Filers						
1 Dependent	117,740	48.4	117,740	8,855,343	9.2	75
2 Dependents	82,290	33.9	164,580	33,551,752	35.0	408
3 or More Dependents	43,057	17.7	137,684	53,439,467	55.8	1,241
Total	243,087	100.0%	420,004	\$95,846,562	100.0%	\$394

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 (48.4%), while 33.9% had two, and 17.7% had three or more. Because Wisconsin provides substantially larger credits to larger families, 55.8% of the credit went to recipients with three or more children, 35.0% 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 \$1,241 for those with three or more dependents, \$408 for those with two dependents, and \$75 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 2008. Milwaukee County, the state's most populous county, had 62,006 credits totaling \$28.5 million and an average credit of \$460. That county accounted for 26% of all state EITC recipients and 30% of all credits paid. The second largest county, Dane, had 13,243 recipients claiming approximately \$4.6 million, for an average credit of \$348.

The county with the highest average credit was Menominee; its \$499 average was 27% higher than the state average of \$394 and \$30 higher than the \$469 average credit in Rusk County, which had the second highest average.

TABLE 3  
EARNED INCOME TAX CREDITS BY COUNTY, 2008

County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)	County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)
Adams	966	\$373,047	\$386	Marinette	2,058	\$779,189	\$379
Ashland	1,016	387,889	382	Marquette	680	285,204	419
Barron	2,477	902,497	364	Menominee	510	254,458	499
Bayfield	722	281,777	390	Milwaukee	62,006	28,517,296	460
Brown	10,250	3,739,841	365	Monroe	2,105	808,774	384
Buffalo	616	235,033	382	Oconto	1,581	546,538	346
Burnett	797	304,365	382	Oneida	1,523	512,981	337
Calumet	1,178	379,678	322	Outagamie	6,171	2,227,003	361
Chippewa	2,857	1,099,833	385	Ozaukee	1,578	500,059	317
Clark	1,441	593,532	412	Pepin	289	116,293	402
Columbia	2,090	661,386	316	Pierce	1,104	378,376	343
Crawford	921	377,484	410	Polk	2,038	737,812	362
Dane	13,243	4,610,541	348	Portage	2,378	798,055	336
Dodge	2,999	1,031,517	344	Price	670	254,964	381
Door	1,023	339,365	332	Racine	9,421	3,865,254	410
Douglas	2,186	768,209	351	Richland	823	318,157	387
Dunn	1,629	656,920	403	Rock	8,081	3,044,985	377
Eau Claire	3,967	1,465,922	370	Rusk	852	399,676	469
Florence	164	46,112	281	St. Croix	2,325	766,758	330
Fond du Lac	3,512	1,242,367	354	Sauk	2,709	976,548	360
Forest	536	216,721	404	Sawyer	1,080	457,760	424
Grant	2,058	746,659	363	Shawano	1,975	784,937	397
Green	1,497	526,150	351	Sheboygan	4,154	1,539,052	371
Green Lake	791	306,734	388	Taylor	960	343,599	358
Iowa	1,007	388,387	386	Trempealeau	1,370	510,218	372
Iron	294	91,774	312	Vernon	1,296	548,388	423
Jackson	1,026	376,544	367	Vilas	1,076	399,499	371
Jefferson	2,840	984,368	347	Walworth	3,798	1,412,927	372
Juneau	1,378	537,136	390	Washburn	912	386,894	424
Kenosha	7,099	2,818,156	397	Washington	3,084	1,015,000	329
Kewaunee	669	231,173	346	Waukesha	6,874	2,126,630	309
La Crosse	4,188	1,502,959	359	Waupaca	2,178	790,431	363
Lafayette	751	327,576	436	Waushara	1,076	409,623	381
Langlade	1,062	417,761	393	Winnebago	5,987	2,052,981	343
Lincoln	1,262	470,934	373	Wood	3,416	1,271,546	372
Manitowoc	2,978	1,094,815	368	Other*	6,151	3,127,614	389
Marathon	5,308	\$2,045,921	\$385	<b>Total</b>	<b>243,087</b>	<b>\$95,846,562</b>	<b>\$394</b>

\* 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; again Menominee County stands out with far higher participation than any other county. While the EITC was claimed on 8.8% of all tax returns statewide, 41.8% of Menominee County returns included a claim for the credit. Similarly, 34.2% 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 3.6% (Waukesha County) to 14.6% (Milwaukee County) and the share of population in tax filing units receiving the EITC ranged from 5.2% (Waukesha County) to 19.3% (Milwaukee County).

TABLE 4  
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2008

County	Tax Returns	EITC Returns	Percent of Returns with EITC (%)	2008 Population	EITC Population <sup>1</sup>	Percent of Population with EITC (%)
Adams	8,989	966	10.7%	21,836	2,982	13.7%
Ashland	7,315	1,016	13.9	16,929	3,091	18.3
Barron	22,054	2,477	11.2	47,727	7,633	16.0
Bayfield	6,985	722	10.3	16,160	2,239	13.9
Brown	117,785	10,250	8.7	245,168	30,161	12.3
Buffalo	6,621	616	9.3	14,200	1,959	13.8
Burnett	7,129	797	11.2	16,791	2,466	14.7
Calumet	20,778	1,178	5.7	46,292	3,515	7.6
Chippewa	27,499	2,857	10.4	61,872	8,928	14.4
Clark	14,197	1,441	10.2	34,589	4,836	14.0
Columbia	27,543	2,090	7.6	56,130	6,167	11.0
Crawford	7,600	921	12.1	17,629	2,924	16.6
Dane	237,724	13,243	5.6	471,559	37,846	8.0
Dodge	40,794	2,999	7.4	89,810	9,079	10.1
Door	14,517	1,023	7.0	30,303	3,109	10.3
Douglas	19,600	2,186	11.2	44,326	6,422	14.5
Dunn	17,783	1,629	9.2	43,292	5,216	12.0
Eau Claire	45,282	3,967	8.8	98,302	11,868	12.1
Florence	2,013	164	8.1	5,317	516	9.7
Fond du Lac	48,309	3,512	7.3	101,740	10,475	10.3
Forest	4,152	536	12.9	10,393	1,668	16.0
Grant	21,779	2,058	9.4	51,290	6,411	12.5
Green	17,647	1,497	8.5	36,493	4,583	12.6
Green Lake	9,344	791	8.5	19,416	2,415	12.4
Iowa	11,215	1,007	9.0	24,196	3,175	13.1

<sup>1</sup> 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.

Iron	2,899	294	10.1	7,048	879	12.5
Jackson	8,961	1,026	11.4%	20,140	3,124	15.5%

TABLE 4 (continued)  
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2008

County	Tax Returns	EITC Returns	Percent of Returns With EITC (%)	2008 Population	EITC Population	Percent of Population with EITC (%)
Jefferson	38,516	2,840	7.4%	81,022	8,488	10.5%
Juneau	11,901	1,378	11.6	27,359	4,275	15.6
Kenosha	72,795	7,099	9.8	162,094	20,922	12.9
Kewaunee	9,773	669	6.8	21,358	2,100	9.8
La Crosse	52,049	4,188	8.0	112,758	12,589	11.2
Lafayette	7,707	751	9.7	16,468	2,479	15.1
Langlade	9,633	1,062	11.0	21,680	3,304	15.2
Lincoln	13,867	1,262	9.1	30,681	3,795	12.4
Manitowoc	39,572	2,978	7.5	84,830	9,154	10.8
Marathon	63,668	5,308	8.3	135,190	16,456	12.2
Marinette	19,727	2,058	10.4	44,823	6,363	14.2
Marquette	7,179	680	9.5	15,423	2,158	14.0
Menominee	1,220	510	41.8	4,630	1,582	34.2
Milwaukee	426,092	62,006	14.6	938,490	181,524	19.3
Monroe	20,068	2,105	10.5	44,170	6,531	14.8
Oconto	17,659	1,581	9.0	39,261	4,893	12.5
Oneida	18,298	1,523	8.3	38,903	4,626	11.9
Outagamie	86,738	6,171	7.1	174,778	18,561	10.6
Ozaukee	42,210	1,578	3.7	87,008	4,630	5.3
Pepin	3,426	289	8.4	7,743	940	12.1
Pierce	17,145	1,104	6.4	40,523	3,309	8.2
Polk	20,202	2,038	10.1	45,892	6,216	13.5
Portage	31,192	2,378	7.6	70,506	7,155	10.1
Price	7,004	670	9.6	16,088	2,138	13.3
Racine	91,006	9,421	10.4	193,782	27,583	14.2
Richland	7,904	823	10.4	18,317	2,650	14.5
Rock	73,888	8,081	10.9	160,477	23,642	14.7
Rusk	6,549	852	13.0	15,657	2,803	17.9
St. Croix	37,773	2,325	6.2	79,702	6,996	8.8
Sauk	30,859	2,709	8.8	61,086	8,103	13.3
Sawyer	7,722	1,080	14.0	17,753	3,333	18.8
Shawano	18,611	1,975	10.6	42,602	6,183	14.5
Sheboygan	56,080	4,154	7.4	117,472	12,541	10.7
Taylor	8,963	960	10.7	20,065	3,085	15.4
Trempealeau	13,926	1,370	9.8	28,278	4,261	15.1
Vernon	12,446	1,296	10.4	29,719	4,345	14.6
Vilas	10,723	1,076	10.0	23,044	3,306	14.3
Walworth	45,391	3,798	8.4	101,315	11,512	11.4
Washburn	7,775	912	11.7	17,646	2,925	16.6
Washington	63,511	3,084	4.9	130,493	9,091	7.0
Waukesha	190,630	6,874	3.6	382,697	19,921	5.2
Waupaca	24,677	2,178	8.8	54,157	6,664	12.3
Waushara	10,763	1,076	10.0	25,322	3,407	13.5
Winnebago	77,648	5,987	7.7	165,358	17,411	10.5
Wood	36,822	3,416	9.3	77,049	10,494	13.6
<b>Total*</b>	<b>2,772,735</b>	<b>243,131</b>	<b>8.8%</b>	<b>5,675,161</b>	<b>727,254</b>	<b>12.8%</b>

\* Includes returns for which no county was listed.