

WISCONSIN EARNED INCOME TAX CREDIT: SUMMARY FOR 2009

A. INTRODUCTION

A total of 273,939 tax filers claimed Wisconsin earned income tax credits (EITC) amounting to \$127.9 million in tax year 2009, according to Department of Revenue (DOR) statistics from individual income tax returns. The average credit was \$467.

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 2009 was 34% of earnings not exceeding \$8,950 for persons with one child, 40% of earnings not exceeding \$12,570 for persons with two children, and 45% of earnings not exceeding \$12,570 for persons with three or more children. These credits were phased out for single and head of household filers as the greater of earnings or federal adjusted gross income rose from \$16,420 to \$35,463 for individuals with one child, from \$16,420 to \$40,295 for individuals with two children, and from \$16,420 to \$43,279 for individuals with three or more children. The floor and ceiling of the phase-out range for married couples filing jointly were \$5,000 higher than the floor and ceiling for single and head of household filers. The maximum eligible earnings and phase-out ranges are adjusted annually for inflation.

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

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.

Table 2 shows the annual percentage changes in the number and amount of credits claimed each year. Both the Wisconsin total credit 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 2009, the number of recipients and the amount of credits surged again due to a temporary increase in the credit rate for individuals with three or more children and a temporary increase in the eligible income range for married filers. Whereas the number of recipients and the amount of credits increased by 2.7% and 7.0%, respectively in tax year 2008, they increased by 12.7% and 33.4%, respectively in tax year 2009.

TABLE 1
FEDERAL AND STATE EARNED INCOME TAX CREDITS IN WISCONSIN
TAX YEARS 1989 – 2009

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
2009	273,939	\$708,646.4	\$2,587	\$127,868.2	\$466

* 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.

Tax Year	Number Of Recipients	Federal Credit Amount* (\$ thou)	Average (\$)	Wisconsin Credit Amount (\$ thou)	Average (\$)
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
2009	12.7%	21.1%	7.5%	33.4%	18.3%

* 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.

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 3 reports the number of 2009 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 57% 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 32% of the recipients, received 41% of the credit and their average credit of \$598 was substantially higher than the averages for heads of household (\$426) and single filers (\$293). 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-two percent of married claimants had three or more children compared to 9% for single claimants and 15% for head of household claimants.

TABLE 3
WISCONSIN EARNED INCOME TAX CREDITS
BY FILING STATUS AND NUMBER OF DEPENDENTS, 2009

Filing Status/ Number of Dependents	Number of Credits	% of Total	Number of Dependents	Total Amount	% of Total	Average Amount
Single						
1 Dependent	19,822	7.2%	19,822	\$1,657,627	1.3%	\$84
2 Dependents	6,923	2.5	13,846	3,007,005	2.4	434
3 or More Dependents	2,663	1.0	8,156	3,959,978	3.1	1,487
Subtotal	29,408	10.7	41,824	8,624,610	6.7	293
Head of Household						
1 Dependent	83,086	30.3	83,086	6,562,191	5.1	79
2 Dependents	49,813	18.2	99,626	22,237,245	17.4	446
3 or More Dependents	23,807	8.7	73,620	37,913,931	29.7	1,593
Subtotal	156,706	57.2	256,332	66,713,367	52.2	426
Married Joint						
1 Dependent	26,093	9.5	26,093	1,898,475	1.5	73
2 Dependents	33,258	12.1	66,516	12,557,380	9.8	378
3 or More Dependents	28,474	10.4	94,186	38,074,407	29.8	1,337
Subtotal	87,825	32.1	186,795	52,530,262	41.1	598
All Filers						
1 Dependent	129,001	47.1	129,001	10,118,293	7.9	78
2 Dependents	89,994	32.9	179,988	37,801,630	29.6	420
3 or More Dependents	54,944	20.1	175,962	79,948,316	62.5	1,455
Total	273,939	100.0%	484,951	\$127,868,239	100.0%	\$467

Components may not sum to total due to rounding.

D. CREDITS BY NUMBER OF DEPENDENTS

Table 3 also shows that almost half of the filers claiming an earned income tax credit had one dependent (47.1%), while 32.9% had two, and 20.1% had three or more. Because Wisconsin provides substantially larger credits to larger families, 62.5% of the credit went to recipients with three or more children, 29.6% to those with two children, and 7.9% 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 \$1,455 for those with three or more dependents, \$420 for those with two dependents, and \$78 for those with one dependent.

E. CREDITS BY COUNTY

Table 4 shows the number and amount of credits and the average credit for Wisconsin's 72 counties in 2009. Milwaukee County, the state's most populous county, had 65,919 credits totaling \$35.9 million and an average credit of \$545. That county accounted for 24% of all state EITC recipients and 28% of all credits paid. The second largest county, Dane, had 15,117 recipients claiming approximately \$6.3 million, for an average credit of \$415.

The county with the highest average credit was Menominee; its \$650 average was 39% higher than the state average of \$467 and \$96 higher than the \$554 average credit in Rusk County, which had the second highest average.

TABLE 4
EARNED INCOME TAX CREDITS BY COUNTY, 2009

County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)	County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)
Adams	1060	\$515,141	\$486	Marinette	2,409	\$1,060,665	\$440
Ashland	1,148	538,595	469	Marquette	782	367,622	470
Barron	2,777	1,262,170	455	Menominee	535	347,990	650
Bayfield	799	393,674	493	Milwaukee	65,919	35,902,561	545
Brown	11,536	5,053,000	438	Monroe	2,465	1,120,231	454
Buffalo	744	350,887	472	Oconto	1,830	776,499	424
Burnett	907	424,090	468	Oneida	1,759	697,860	397
Calumet	1,469	582,026	396	Outagamie	7,399	3,185,014	430
Chippewa	3,294	1,527,076	464	Ozaukee	1,829	665,983	364
Clark	1,702	877,442	516	Pepin	373	170,731	458
Columbia	2,422	945,834	391	Pierce	1,356	559,125	412
Crawford	1021	506,528	496	Polk	2,308	983,866	426
Dane	15,117	6,271,781	415	Portage	2,714	1,178,916	434
Dodge	3,687	1,503,158	408	Price	754	331,264	439
Door	1,178	466,137	396	Racine	10,360	5,073,127	490
Douglas	2,350	982,210	418	Richland	935	451,535	483
Dunn	1,939	914,133	471	Rock	9,024	4,027,748	446
Eau Claire	4,442	1,898,372	427	Rusk	944	522,957	554
Florence	206	79,994	388	St. Croix	2,833	1,146,914	405
Fond du Lac	4,235	1,800,316	425	Sauk	3,197	1,309,930	410
Forest	617	282,392	458	Sawyer	1,172	610,422	521
Grant	2,425	1,127,034	465	Shawano	2,259	1,059,627	469
Green	1,809	799,360	442	Sheboygan	5,039	2,174,339	432
Green Lake	929	452,123	487	Taylor	1102	554,905	504
Iowa	1,166	522,773	448	Trempealeau	1,582	684,838	433
Iron	321	114,512	357	Vernon	1,470	767,857	522
Jackson	1,126	520,206	462	Vilas	1,164	523,880	450
Jefferson	3,337	1,378,011	413	Walworth	4,291	1,966,165	458
Juneau	1,562	758,913	486	Washburn	1008	499,028	495
Kenosha	7,981	3,656,859	458	Washington	3,726	1,415,063	380
Kewaunee	817	364,440	446	Waukesha	8,376	3,112,789	372
La Crosse	4,830	2,081,410	431	Waupaca	2,599	1,120,240	431
Lafayette	875	466,759	533	Waushara	1,204	576,718	479
Langlade	1,196	558,103	467	Winnebago	6,939	2,787,538	402
Lincoln	1,489	652,186	438	Wood	3,926	1,730,625	441
Manitowoc	3,588	1,574,092	439	Other*	5,924	3,237,758	547
Marathon	6,332	2,964,172	\$468	Total	273,939	\$127,868,239	\$467

* 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 5 shows both of these measures; again Menominee County stands out with far higher participation than any other county. While the EITC was claimed on 10.0% of all tax returns statewide, 44.3% of Menominee County returns included a claim for the credit. Similarly,

35.8% 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 4.4% (Ozaukee County) to 16.2% (Ashland County) and the share of population in tax filing units receiving the EITC ranged from 6.4% (Ozaukee County) to 21.5% (Ashland County).

TABLE 5
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2009

County	Tax Returns	EITC Returns	Percent of Returns with EITC (%)	2009 Population	EITC Population ¹	Percent of Population with EITC (%)
Adams	8,811	1,060	12.0%	22,112	3,327	15.0%
Ashland	7,091	1,148	16.2	17,055	3,659	21.5
Barron	21,442	2,777	13.0	48,200	8,889	18.4
Bayfield	7,026	799	11.4	16,411	2,593	15.8
Brown	116,128	11,536	9.9	245,426	35,009	14.3
Buffalo	6,405	744	11.6	14,292	2,427	17.0
Burnett	6,963	907	13.0	16,911	2,912	17.2
Calumet	20,437	1,469	7.2	46,642	4,672	10.0
Chippewa	27,269	3,294	12.1	62,286	10,626	17.1
Clark	13,770	1,702	12.4	34,900	5,925	17.0
Columbia	27,167	2,422	8.9	56,423	7,449	13.2
Crawford	7,373	1,021	13.8	17,674	3,383	19.1
Dane	235,746	15,117	6.4	473,622	44,887	9.5
Dodge	40,006	3,687	9.2	90,022	11,521	12.8
Door	14,352	1,178	8.2	30,529	3,687	12.1
Douglas	19,209	2,350	12.2	44,448	7,108	16.0
Dunn	17,617	1,939	11.0	43,683	6,350	14.5
Eau Claire	44,939	4,442	9.9	99,019	13,657	13.8
Florence	1,958	206	10.5	5,346	656	12.3
Fond du Lac	47,138	4,235	9.0	102,151	13,284	13.0
Forest	4,103	617	15.0	10,483	1,942	18.5
Grant	21,515	2,425	11.3	51,688	7,865	15.2
Green	17,398	1,809	10.4	36,603	5,727	15.6
Green Lake	9,183	929	10.1	19,728	2,966	15.0
Iowa	11,056	1,166	10.5	24,351	3,759	15.4
Iron	2,857	321	11.2	7,096	953	13.4
Jackson	8,831	1,126	12.8	20,305	3,568	17.6
Jefferson	37,504	3,337	8.9	81,310	10,410	12.8
Juneau	11,686	1,562	13.4	27,774	4,975	17.9
Kenosha	71,695	7,981	11.1	162,243	24,149	14.9
Kewaunee	9,633	817	8.5	21,488	2,728	12.7
La Crosse	51,621	4,830	9.4	113,318	15,053	13.3
Lafayette	7,478	875	11.7	16,600	2,959	17.8
Langlade	9,475	1,196	12.6	21,844	3,864	17.7
Lincoln	13,530	1,489	11.0	30,781	4,641	15.1
Manitowoc	38,461	3,588	9.3	85,065	11,522	13.5
Marathon	62,397	6,332	10.1	136,376	20,378	14.9
Marquette	19,087	2,409	12.6	45,019	7,621	16.9
Marquette	7,089	782	11.0	15,516	2,530	16.3
Menominee	1,207	535	44.3	4,655	1,666	35.8
Milwaukee	418,868	65,919	15.7%	931,830	197,144	21.2%

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 5 (continued)
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2009

County	Tax Returns	EITC Returns	Percent of Returns With EITC (%)	2009 Population	EITC Population	Percent of Population with EITC (%)
Monroe	19,758	2,465	12.5%	44,620	7,847	17.6%
Oconto	17,424	1,830	10.5	39,455	5,841	14.8
Oneida	18,171	1,759	9.7	39,129	5,442	13.9
Outagamie	85,304	7,399	8.7	175,530	23,184	13.2
Ozaukee	41,545	1,829	4.4	87,173	5,547	6.4
Pepin	3,387	373	11.0	7,777	1,215	15.6
Pierce	16,950	1,356	8.0	40,704	4,251	10.4
Polk	19,562	2,308	11.8	46,231	7,368	15.9
Portage	30,830	2,714	8.8	70,785	8,587	12.1
Price	6,713	754	11.2	16,173	2,483	15.4
Racine	89,339	10,360	11.6	196,380	31,293	15.9
Richland	7,666	935	12.2	18,345	3,131	17.1
Rock	71,980	9,024	12.5	160,635	27,378	17.0
Rusk	6,270	944	15.1	15,697	3,185	20.3
St. Croix	37,219	2,833	7.6	79,905	8,877	11.1
Sauk	30,343	3,197	10.5	61,338	9,810	16.0
Sawyer	7,607	1,172	15.4	17,846	3,648	20.4
Shawano	18,412	2,259	12.3	42,780	7,254	17.0
Sheboygan	54,739	5,039	9.2	117,566	15,959	13.6
Taylor	8,715	1,102	12.6	20,177	3,775	18.7
Trempealeau	13,694	1,582	11.6	28,534	4,963	17.4
Vernon	12,419	1,470	11.8	29,910	5,037	16.8
Vilas	10,562	1,164	11.0	23,389	3,677	15.7
Walworth	44,418	4,291	9.7	101,808	13,558	13.3
Washburn	7,752	1,008	13.0	17,798	3,282	18.4
Washington	62,276	3,726	6.0	131,066	11,451	8.7
Waukesha	188,069	8,376	4.5	383,190	25,396	6.6
Waupaca	24,239	2,599	10.7	54,401	8,341	15.3
Waushara	10,655	1,204	11.3	25,438	3,932	15.5
Winnebago	76,365	6,939	9.1	165,864	21,043	12.7
Wood	36,092	3,926	10.9	77,171	12,443	16.1
Total*	2,727,362	273,939	10.0%	5,688,040	846,699	14.9%

* Includes returns for which no county was listed.