

## **WISCONSIN EARNED INCOME TAX CREDIT: SUMMARY FOR 2010**

### **A. INTRODUCTION**

A total of 268,612 tax filers claimed Wisconsin earned income tax credits (EITC) amounting to \$124.0 million in tax year 2010, according to Department of Revenue (DOR) statistics from individual income tax returns. The average credit was \$462.

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. Beginning in tax year 2011, the Wisconsin EITC percentages will be 4% for persons with one child, 11% for persons with two children and 34% for persons with three or more children.

The maximum federal credit in 2010 was 34% of earnings not exceeding \$8,970 for persons with one child, 40% of earnings not exceeding \$12,590 for persons with two children, and 45% of earnings not exceeding \$12,590 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 \$16,450 to \$35,535 for individuals with one child, from \$16,450 to \$40,363 for individuals with two children, and from \$16,450 to \$43,352 for individuals with three or more children. The floor and ceiling of the phase-out range for married couples filing jointly were \$5,010 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 – 2010

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
2010	268,612	\$691,981.9	\$2,576	\$124,032.5	\$462

\* 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
2010	-1.9%	-2.4%	-0.4%	-3.0%	-0.9%

\* 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 2010 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 59% 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 31% of the recipients, received 39% of the credit and their average credit of \$590 was substantially higher than the averages for heads of household (\$427) and single filers (\$274). 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-three percent of married claimants had three or more children compared to 8% for single claimants and 15% for head of household claimants.

TABLE 3  
WISCONSIN EARNED INCOME TAX CREDITS  
BY FILING STATUS AND NUMBER OF DEPENDENTS, 2010

Filing Status/ Number of Dependents	Number of Credits	% of Total	Number of Dependents	Total Amount	% of Total	Average Amount
Single						
1 Dependent	19,261	7.2%	19,261	\$1,612,794	1.3%	\$84
2 Dependents	6,164	2.3	12,328	2,728,032	2.2	443
3 or More Dependents	2,177	0.8	6,679	3,228,017	2.6	1,483
Subtotal	27,602	10.3	38,268	7,568,843	6.1	274
Head of Household						
1 Dependent	84,241	31.4	84,241	6,676,498	5.4	79
2 Dependents	49,778	18.5	99,556	22,136,875	17.8	445
3 or More Dependents	24,425	9.1	75,578	38,906,069	31.4	1,593
Subtotal	158,444	59.0	259,375	67,719,442	54.6	427
Married Joint						
1 Dependent	24,540	9.1	24,540	1,769,988	1.4	72
2 Dependents	30,855	11.5	61,710	11,554,630	9.3	374
3 or More Dependents	27,171	10.1	90,039	35,419,574	28.6	1,304
Subtotal	82,566	30.7	176,289	48,744,192	39.3	590
All Filers						
1 Dependent	128,042	47.7	128,042	10,059,280	8.1	79
2 Dependents	86,797	32.3	173,594	36,419,537	29.4	420
3 or More Dependents	53,773	20.0	172,296	77,553,660	62.5	1,442
Total	268,612	100.0%	473,932	\$124,032,477	100.0%	\$462

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 (47.7%), while 32.3% had two, and 20.0% 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, 29.4% to those with two children, and 8.1% 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 \$1,442 for those with three or more dependents, \$420 for those with two dependents, and \$79 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 2010. Milwaukee County, the state's most populous county, had 64,889 credits totaling \$35.3 million and an average credit of \$544. That county accounted for 24% of all state EITC recipients and 28% of all credits paid. The second largest county, Dane, had 15,256 recipients claiming approximately \$6.3 million, for an average credit of \$415.

The county with the highest average credit was Menominee; its \$642 average was 39% higher than the state average of \$462 and \$98 higher than the \$544 average credit in Milwaukee County, which had the second highest average.

TABLE 4  
EARNED INCOME TAX CREDITS BY COUNTY, 2010

County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)	County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)
Adams	1,001	\$450,591	\$450	Marinette	2,204	\$922,509	\$419
Ashland	1,098	506,118	461	Marquette	770	346,694	450
Barron	2,696	1,192,327	442	Menominee	545	349,706	642
Bayfield	782	369,909	473	Milwaukee	64,889	35,281,603	544
Brown	11,569	5,005,805	433	Monroe	2,369	1,024,224	432
Buffalo	683	296,531	434	Oconto	1,733	732,576	423
Burnett	848	396,963	468	Oneida	1,709	661,767	387
Calumet	1,394	529,666	380	Outagamie	7,290	3,023,462	415
Chippewa	3,163	1,428,558	452	Ozaukee	1,796	659,722	367
Clark	1,605	825,320	514	Pepin	327	155,641	476
Columbia	2,404	901,499	375	Pierce	1,261	491,653	390
Crawford	967	469,085	485	Polk	2,218	970,187	437
Dane	15,256	6,328,945	415	Portage	2,751	1,133,645	412
Dodge	3,514	1,413,034	402	Price	728	335,107	460
Door	1,176	456,922	389	Racine	10,174	4,988,636	490
Douglas	2,283	940,219	412	Richland	854	425,134	498
Dunn	1,852	873,099	471	Rock	9,062	3,968,384	438
Eau Claire	4,369	1,800,395	412	Rusk	891	472,723	531
Florence	191	72,842	381	St. Croix	2,799	1,143,388	409
Fond du Lac	4,000	1,684,437	421	Sauk	3,071	1,236,076	403
Forest	572	262,443	459	Sawyer	1,109	538,285	485
Grant	2,382	1,080,953	454	Shawano	2,213	1,057,788	478
Green	1,683	709,603	422	Sheboygan	4,948	2,121,555	429
Green Lake	855	386,447	452	Taylor	1,040	482,171	464
Iowa	1,133	485,866	429	Trempealeau	1,476	640,945	434
Iron	311	109,527	352	Vernon	1,450	718,105	495
Jackson	1,039	455,396	438	Vilas	1,145	509,857	445
Jefferson	3,312	1,352,151	408	Walworth	4,306	1,978,734	460
Juneau	1,511	686,814	455	Washburn	982	481,683	491
Kenosha	8,039	3,729,491	464	Washington	3,655	1,390,522	380
Kewaunee	816	372,277	456	Waukesha	8,361	3,114,269	372
La Crosse	4,692	1,993,549	425	Waupaca	2,477	1,048,279	423
Lafayette	803	422,617	526	Waushara	1,184	565,835	478
Langlade	1,105	524,434	475	Winnebago	6,794	2,699,020	397
Lincoln	1,426	605,721	425	Wood	3,808	1,655,608	435
Manitowoc	3,383	1,448,358	428	Other*	6,073	3,230,357	532
Marathon	6,237	\$2,908,715	\$466	<b>Total</b>	<b>268,612</b>	<b>\$124,032,477</b>	<b>\$462</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 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 9.7% of all tax returns

statewide, 46.0% of Menominee County returns included a claim for the credit. Similarly, 36.4% 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 4.3% (Ozaukee County) to 15.4% (Milwaukee County) and the share of population in tax filing units receiving the EITC ranged from 6.2% (Ozaukee County) to 20.8% (Milwaukee County).

TABLE 5  
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2010

County	Tax Returns	EITC Returns	Percent of Returns with EITC (%)	2010 Population	EITC Population <sup>1</sup>	Percent of Population with EITC (%)
Adams	8,778	1,001	11.4%	22,213	3,150	14.2%
Ashland	7,225	1,098	15.2	17,071	3,489	20.4
Barron	21,576	2,696	12.5	48,399	8,539	17.6
Bayfield	7,055	782	11.1	16,674	2,484	14.9
Brown	117,174	11,569	9.9	246,654	34,874	14.1
Buffalo	6,336	683	10.8	14,268	2,174	15.2
Burnett	7,017	848	12.1	17,002	2,703	15.9
Calumet	20,641	1,394	6.8	46,958	4,366	9.3
Chippewa	27,459	3,163	11.5	62,600	10,042	16.0
Clark	13,878	1,605	11.6	34,950	5,575	16.0
Columbia	27,519	2,404	8.7	56,549	7,280	12.9
Crawford	7,424	967	13.0	17,745	3,141	17.7
Dane	238,920	15,256	6.4	474,839	45,230	9.5
Dodge	40,096	3,514	8.8	89,962	10,932	12.2
Door	14,461	1,176	8.1	30,568	3,693	12.1
Douglas	18,986	2,283	12.0	44,710	6,897	15.4
Dunn	17,689	1,852	10.5	43,992	6,051	13.8
Eau Claire	45,787	4,369	9.5	99,275	13,311	13.4
Florence	1,969	191	9.7	5,417	607	11.2
Fond du Lac	47,212	4,000	8.5	102,385	12,429	12.1
Forest	4,122	572	13.9	10,540	1,789	17.0
Grant	21,738	2,382	11.0	51,780	7,632	14.7
Green	17,355	1,683	9.7	36,621	5,296	14.5
Green Lake	9,105	855	9.4	19,772	2,695	13.6
Iowa	11,083	1,133	10.2	24,329	3,628	14.9
Iron	2,861	311	10.9	7,093	940	13.3
Jackson	8,864	1,039	11.7	20,360	3,212	15.8
Jefferson	37,721	3,312	8.8	81,362	10,188	12.5
Juneau	11,732	1,511	12.9	27,760	4,828	17.4
Kenosha	72,333	8,039	11.1	162,694	24,330	15.0
Kewaunee	9,693	816	8.4	21,530	2,667	12.4
La Crosse	52,170	4,692	9.0	113,758	14,618	12.9
Lafayette	7,485	803	10.7	16,556	2,703	16.3
Langlade	9,438	1,105	11.7	21,868	3,544	16.2
Lincoln	13,491	1,426	10.6	30,822	4,441	14.4
Manitowoc	38,416	3,383	8.8	85,074	10,848	12.8
Marathon	62,704	6,237	9.9	136,874	20,042	14.6
Marinette	19,149	2,204	11.5	45,188	6,891	15.2
Marquette	7,107	770	10.8	15,536	2,481	16.0
Menominee	1,185	545	46.0	4,656	1,696	36.4
Milwaukee	422,185	64,889	15.4%	928,449	193,021	20.8%

<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.

TABLE 5 (continued)  
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2010

County	Tax Returns	EITC Returns	Percent of Returns With EITC (%)	2010 Population	EITC Population	Percent of Population with EITC (%)
Monroe	19,828	2,369	11.9%	44,791	7,523	16.8%
Oconto	17,325	1,733	10.0	39,567	5,518	13.9
Oneida	18,163	1,709	9.4	39,282	5,282	13.4
Outagamie	85,931	7,290	8.5	176,123	22,504	12.8
Ozaukee	41,824	1,796	4.3	87,447	5,432	6.2
Pepin	3,338	327	9.8	7,760	1,082	13.9
Pierce	16,763	1,261	7.5	40,776	3,822	9.4
Polk	19,427	2,218	11.4	46,171	7,081	15.3
Portage	31,111	2,751	8.8	71,242	8,617	12.1
Price	6,744	728	10.8	16,182	2,366	14.6
Racine	89,619	10,174	11.4	196,456	30,609	15.6
Richland	7,692	854	11.1	18,366	2,909	15.8
Rock	72,040	9,062	12.6	160,826	27,396	17.0
Rusk	6,223	891	14.3	15,678	2,988	19.1
St. Croix	36,936	2,799	7.6	79,919	8,748	10.9
Sauk	30,969	3,071	9.9	61,481	9,392	15.3
Sawyer	7,510	1,109	14.8	17,935	3,447	19.2
Shawano	18,436	2,213	12.0	42,752	7,101	16.6
Sheboygan	54,993	4,948	9.0	117,650	15,543	13.2
Taylor	36,936	2,799	7.6	79,919	8,748	10.9
Trempealeau	13,757	1,476	10.7	28,569	4,584	16.0
Vernon	12,488	1,450	11.6	29,974	4,911	16.4
Vilas	10,590	1,145	10.8	23,422	3,606	15.4
Walworth	44,890	4,306	9.6	102,022	13,581	13.3
Washburn	7,765	982	12.6	17,848	3,148	17.6
Washington	62,775	3,655	5.8	131,343	11,182	8.5
Waukesha	189,402	8,361	4.4	383,864	25,291	6.6
Waupaca	24,524	2,477	10.1	54,500	7,796	14.3
Waushara	10,826	1,184	10.9	25,539	3,864	15.1
Winnebago	76,924	6,794	8.8	166,308	20,476	12.3
Wood	36,213	3,808	10.5	77,123	11,970	15.5
<b>Total*</b>	<b>2,764,452</b>	<b>268,612</b>	<b>9.7%</b>	<b>5,693,619</b>	<b>825,110</b>	<b>14.5%</b>

\* Includes returns for which no county was listed.