

Tax Credits for Working Families

*A closer look at income tax credits
and refunds in metro Atlanta*

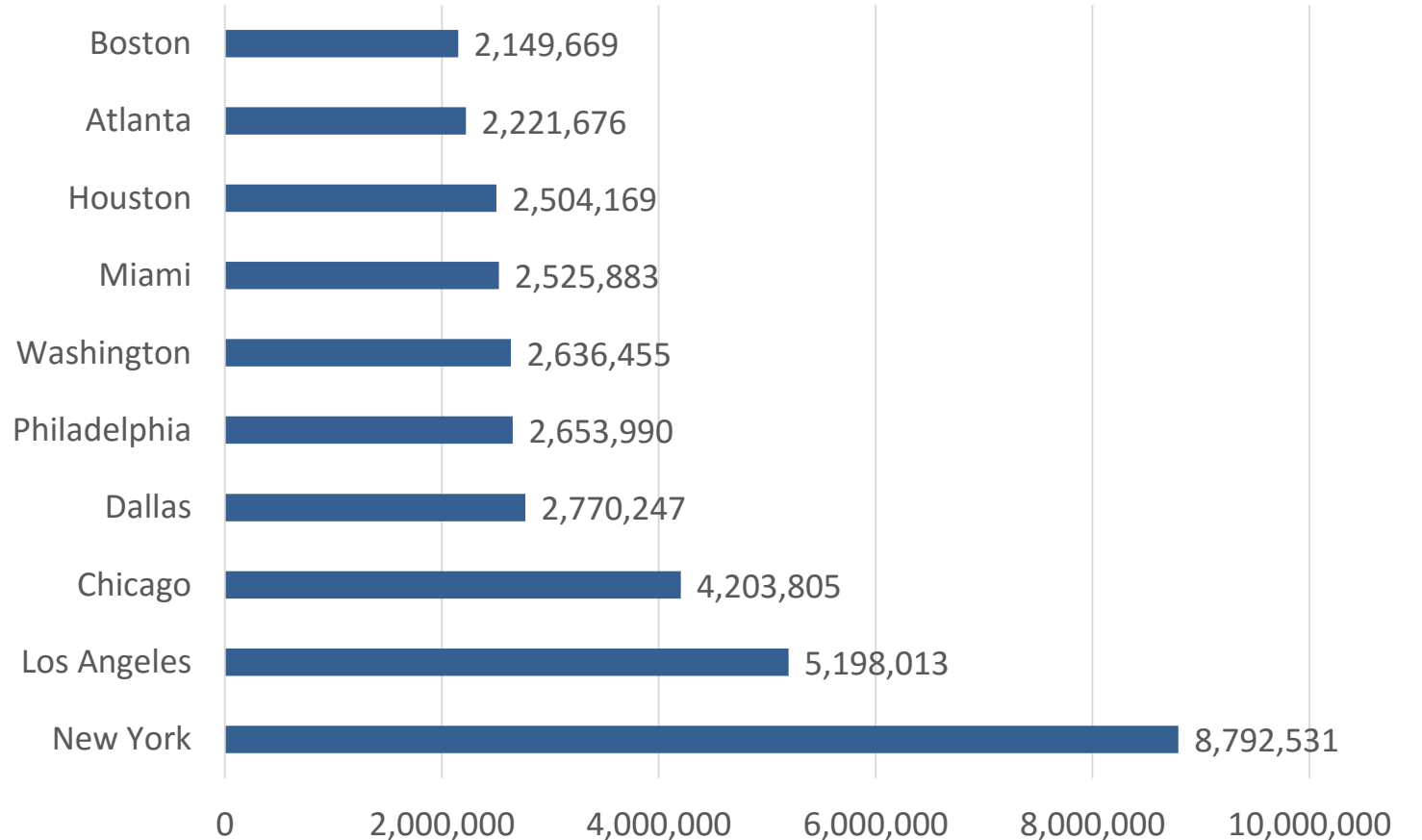
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Income taxes

What does tax season mean for you? Paperwork, owing money, and awaiting a tax refund may be on most people’s minds as the deadline approaches.

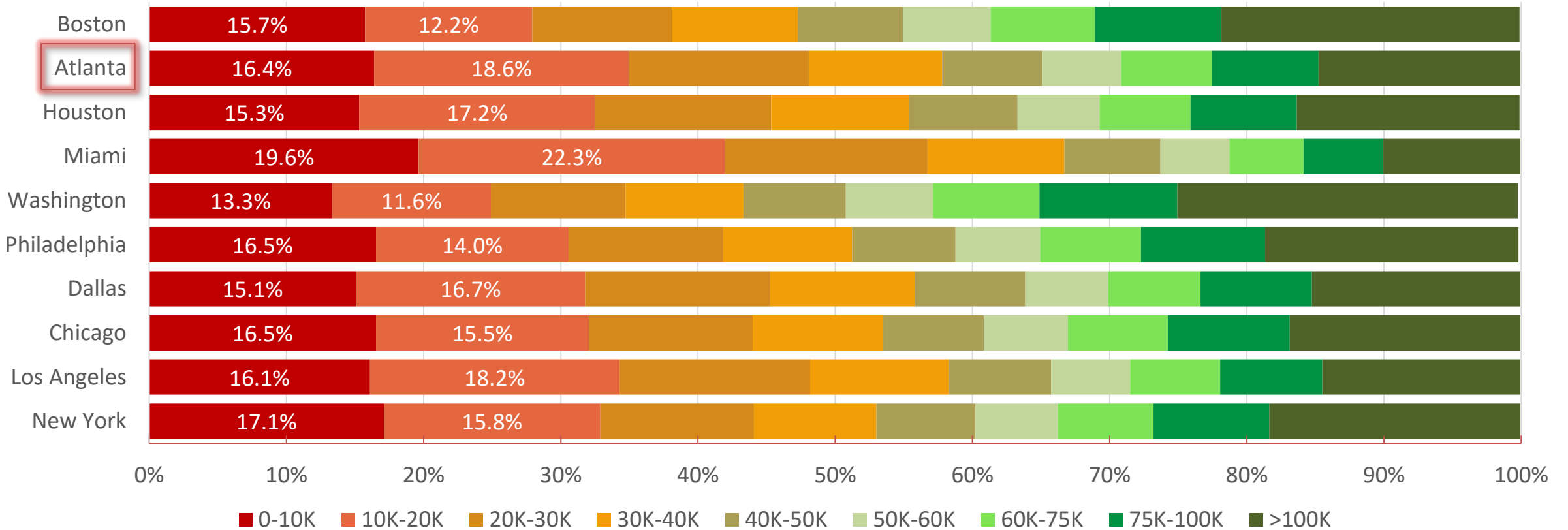
For April’s Regional Snapshot, we look at the most recent tax filer data (2013) for metro Atlanta and at the zip code level in the region. Specifically, we explore the Earned Income Tax Credit, Child Tax Credit, and trends in Adjusted Gross Income.

Total tax returns 2013 (top 10 most populous metro regions)



Metro Comparison: Adjusted Gross Income (AGI)

Percent of taxpayers by AGI group

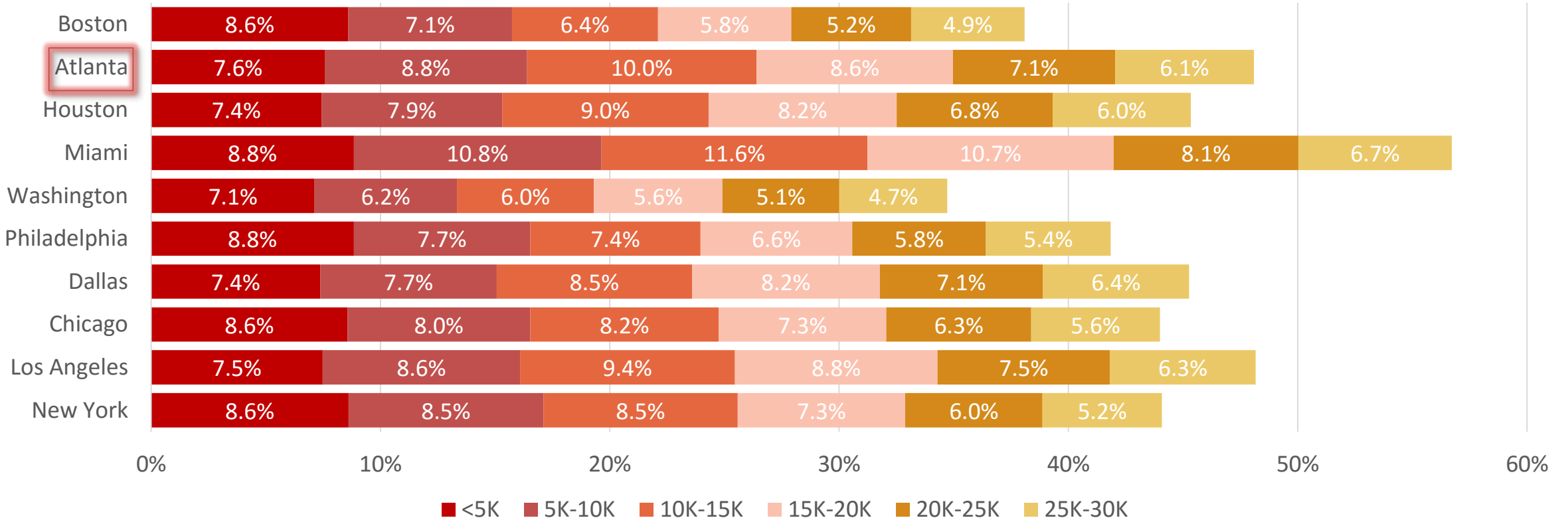


Adjusted Gross Income (AGI) is taxpayers' income minus specific deductions. AGI determines tax liability and eligibility for credits. Out of the 10 most populous metro areas (Atlanta ranks #9 in population), Atlanta ranks **#2** (behind Miami) for the percentage of taxpayers with an **AGI below \$20,000 at 35%**.



Metro Comparison: Adjusted Gross Income (AGI)

Percent of taxpayers by AGI group below \$30K



This chart further breaks up the lower AGI groups (<\$30K).
 Nearly 50% of taxpayers in metro Atlanta reported an AGI <\$30K.



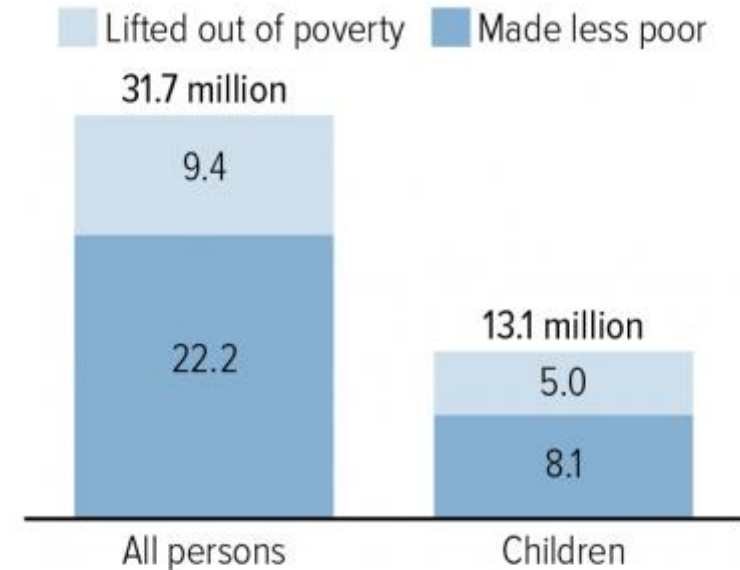
Income tax credits

For the 35 percent of taxpayers with an AGI below \$20,000 (48 percent, if you increase the AGI to include taxpayers reporting less than \$30,000), tax credits and refunds can provide enough additional income to lift them out of poverty.

The **Earned Income Tax Credit (EITC)** and the **Child Tax Credit (CTC)** are federal tax credits for low- to moderate-income workers. Together these two credits have lifted millions of people out of poverty by offsetting income taxes and providing additional income to working families.

Earned Income Tax Credit and Child Tax Credit Have Powerful Antipoverty Impact

Millions of persons lifted out of poverty or made less poor (using Supplemental Poverty Measure) by EITC and CTC, 2013

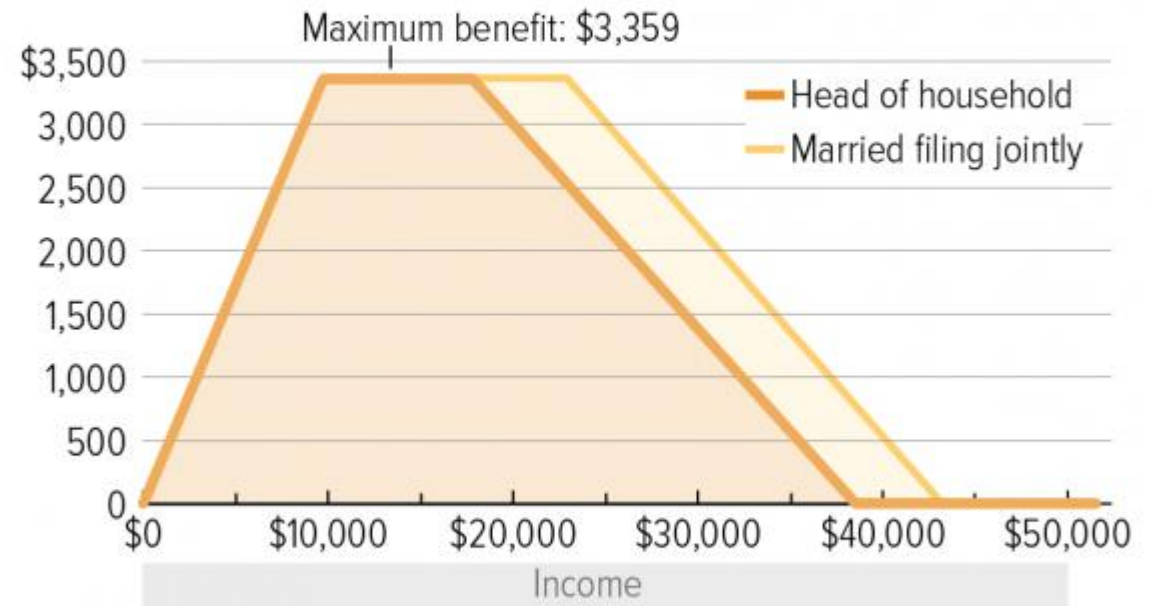


Note: Unlike the Census Bureau's official poverty measure, the SPM counts the effect of government benefit programs and tax credits. Figures may not add due to rounding.

Source: CBPP analysis of Census Bureau's March 2014 Current Population Survey and 2013 SPM public use file.

The **EITC** is based on income, marital status, and number of children. The credit amount increases with income until a maximum level and is then phased out. Working families with household incomes below about \$39K-\$53K (based on the aforementioned factors) may be eligible for the credit and a refund if the credit exceeds their taxes owed.

Earned Income Tax Credit for Households with One Child, 2015

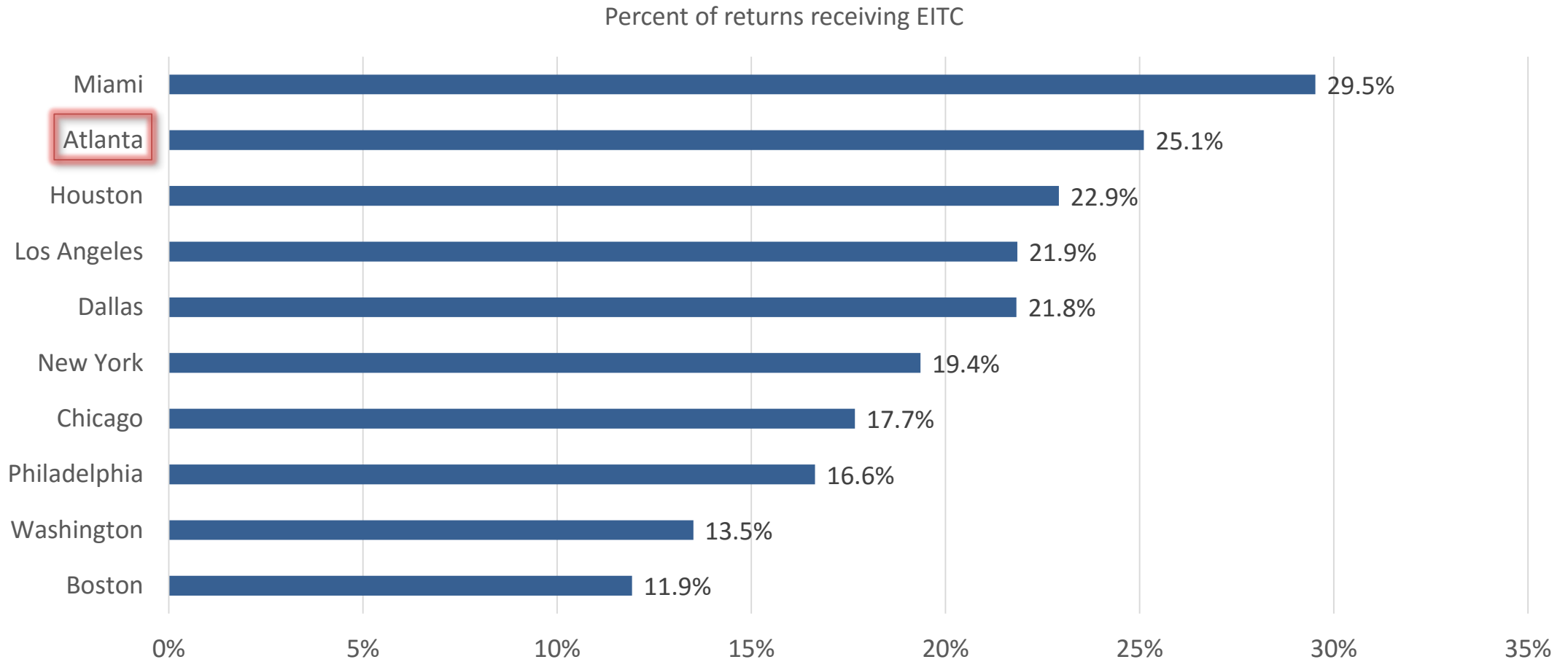


Note: Assumes all income is from earnings (as opposed to investments, for example).

Source: Internal Revenue Service

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Metro comparison: EITC



Out of the 10 most populous metro areas, Atlanta had the **second highest percent of returns receiving EITC** (25.1%), which jibes with metro Atlanta ranking second in the percentage of returns with an AGI under \$20,000

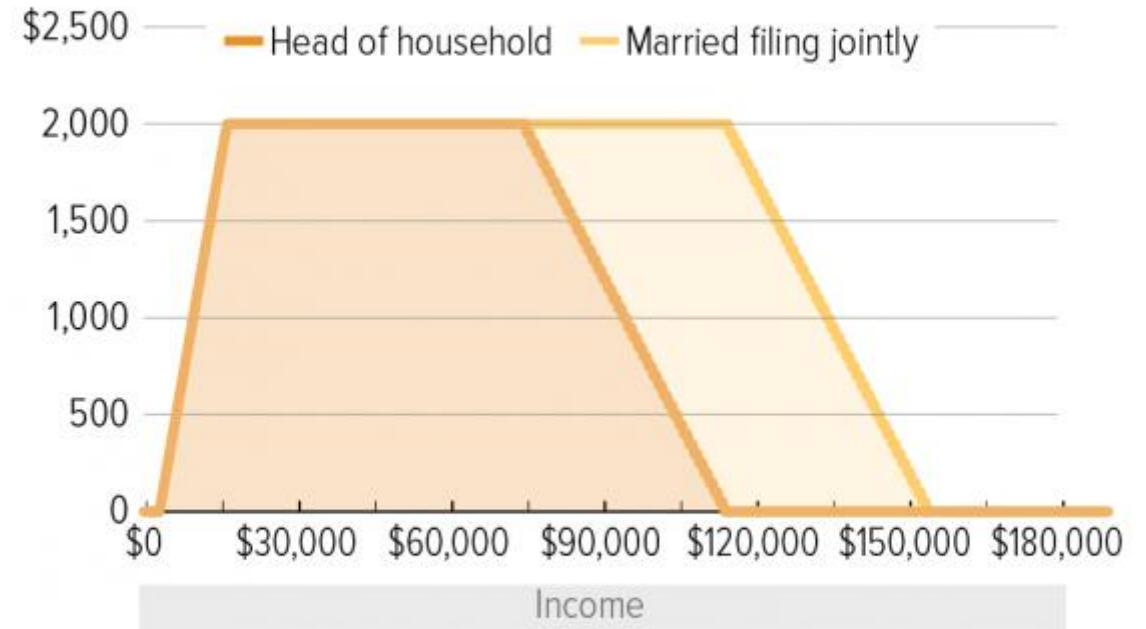
Metro comparison: EITC

Metro	Sum of EITC received	Average EITC value
Atlanta	\$1,488,215,821	\$2,668
Houston	\$1,529,714,439	\$2,665
Dallas	\$1,571,458,997	\$2,599
Chicago	\$1,849,037,173	\$2,489
Miami	\$1,829,530,618	\$2,453
Los Angeles	\$2,690,290,976	\$2,369
New York	\$3,982,298,502	\$2,340
Philadelphia	\$1,012,244,577	\$2,292
Washington	\$800,936,785	\$2,249
Boston	\$514,593,881	\$2,007

Atlanta had the **greatest average EITC value at \$2,668**

The **CTC** allows working families to subtract a credit amount from their income taxes up to \$1,000 for each child. The CTC is not refundable— if the tax credit is more than the amount owed, taxpayers can claim a separate credit for a refund called the **Additional Child Tax Credit (ACTC)**. Families can receive a refund equal to 15 percent of their earnings above \$3,000, up to the \$1,000/child limit.

Child Tax Credit for Households with Two Children, 2015



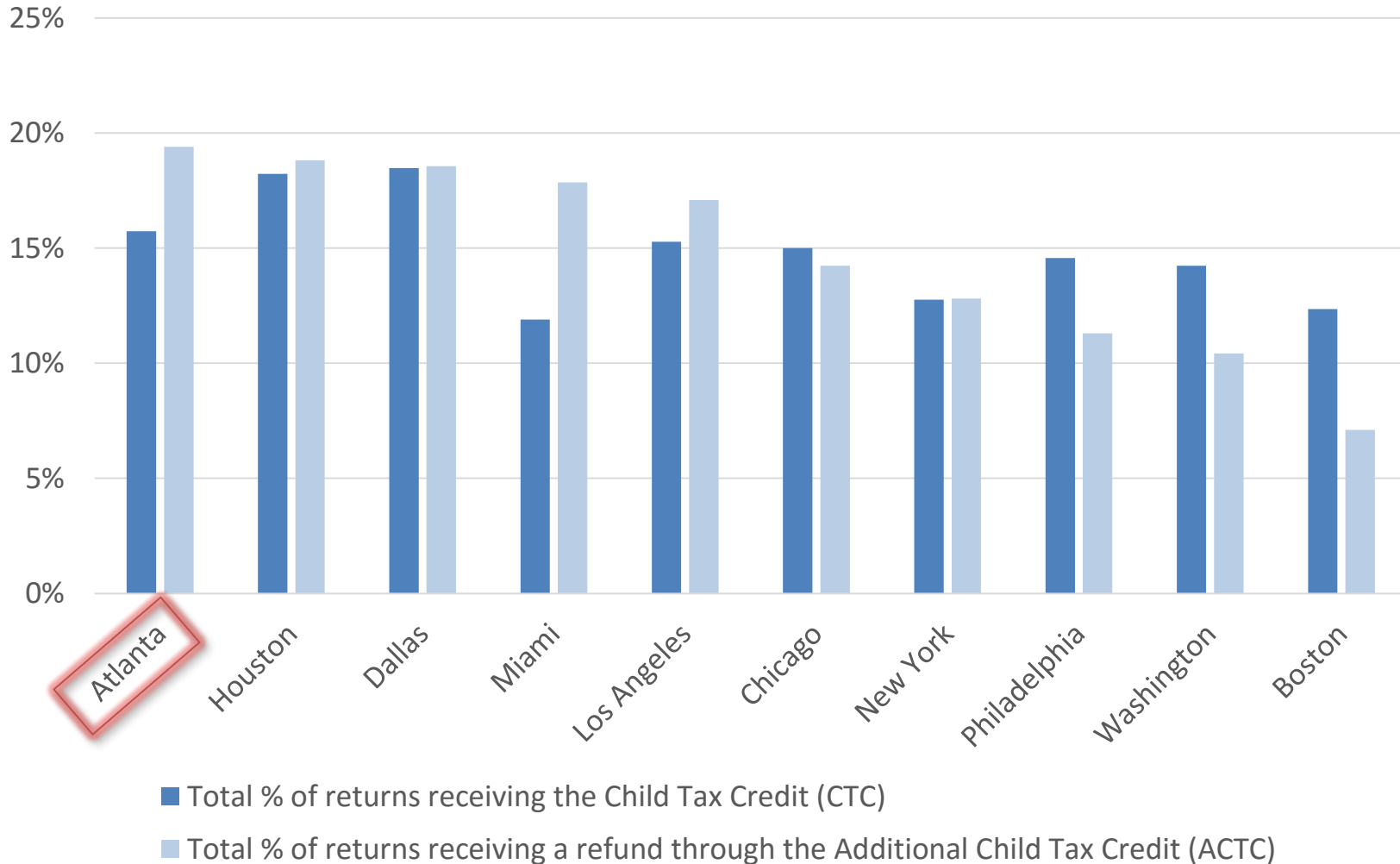
Note: Assumes all income is from earnings (as opposed to investments, for example). Low-income working families can receive their credit as a refund equal to 15 percent of their earnings above \$3,000, up to the credit's full \$1,000 value per child.

Source: Internal Revenue Service

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Metro comparison: Child Tax credit & refund

Percent of total tax returns receiving child tax credit/refund



Atlanta ranked **#1** for the percent of total tax returns receiving a **refund** from the **ACTC** (19.4 percent) and had the **second highest average ACTC refund at \$1,422**

+

Atlanta ranked **#3** for the percent of returns receiving a **credit** through the CTC (15.7 percent)

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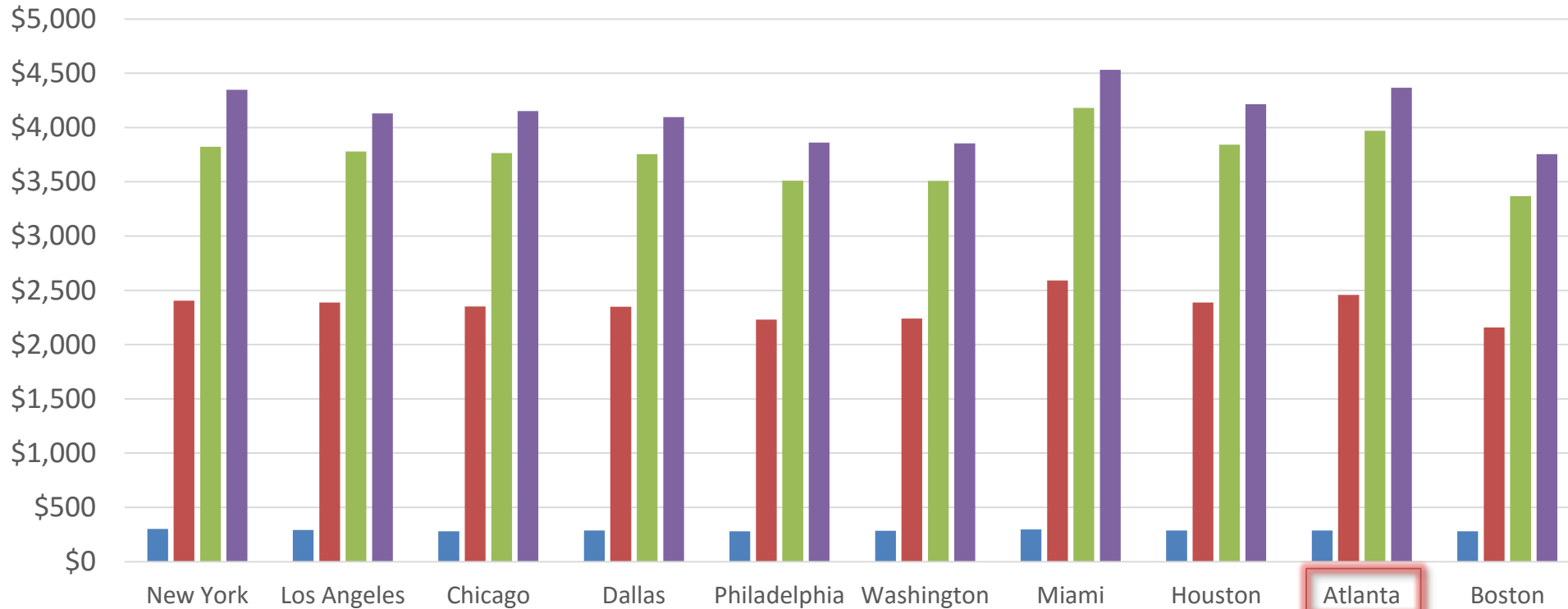
35.1 percent of tax returns in metro Atlanta claimed the **Child Tax credit/refund**

Looking at just the **EITC returns**, **19.9 percent** of those returns received the Child Tax **Credit**, and **62.8 percent** received the **refund** (average of \$1,310).

Together, this shows that **82.7 percent** of tax returns in metro Atlanta **that received the EITC also received the child tax credit/refund**



Metro comparison: EITC Amounts by Number of children



The amount of the EITC increases with the number of children; filers without children have a significantly smaller credit than children with families

■ Average EITC received by filers without qualifying children

■ Average EITC received by filers with one qualifying child

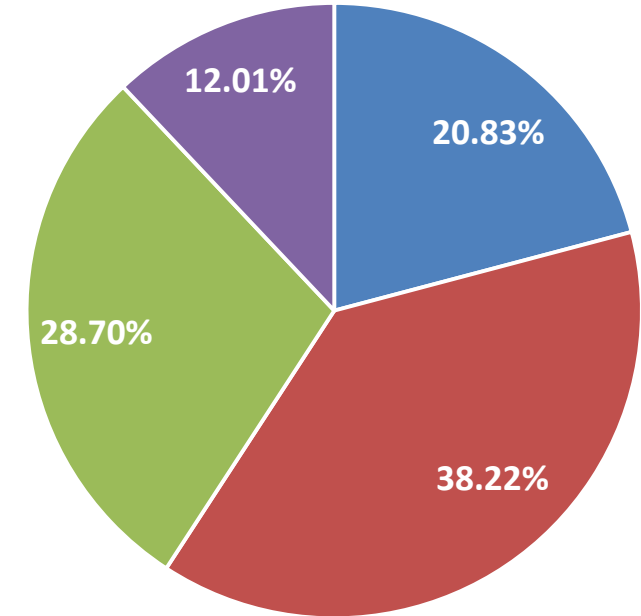
■ Average EITC received by filers with two qualifying children

■ Average EITC received by filers with three or more qualifying children

Metro Atlanta: EITC breakdown by # of children

Average EITC amount for metro Atlanta returns by # of children	
No children	\$286.30
One child	\$2,459.07
Two children	\$3,970.61
Three or more children	\$4,367.84

Atlanta tax returns: Percent of EITC filers by # of children



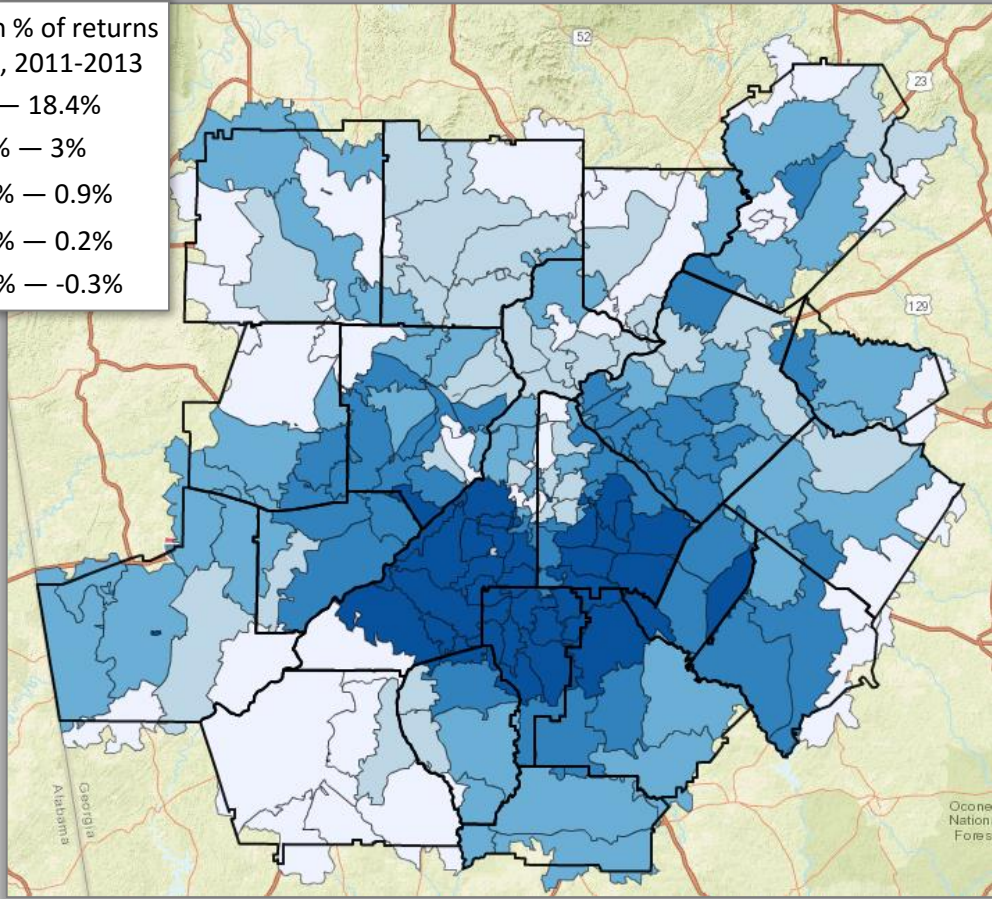
- % of EITC filers with no qualifying children
- % of EITC filers with one qualifying child
- % of EITC filers with two qualifying children
- % of EITC filers with three or more qualifying children

EITC Distribution

Change in percent of returns with EITC, 2011-2013

Change in % of returns with EITC, 2011-2013

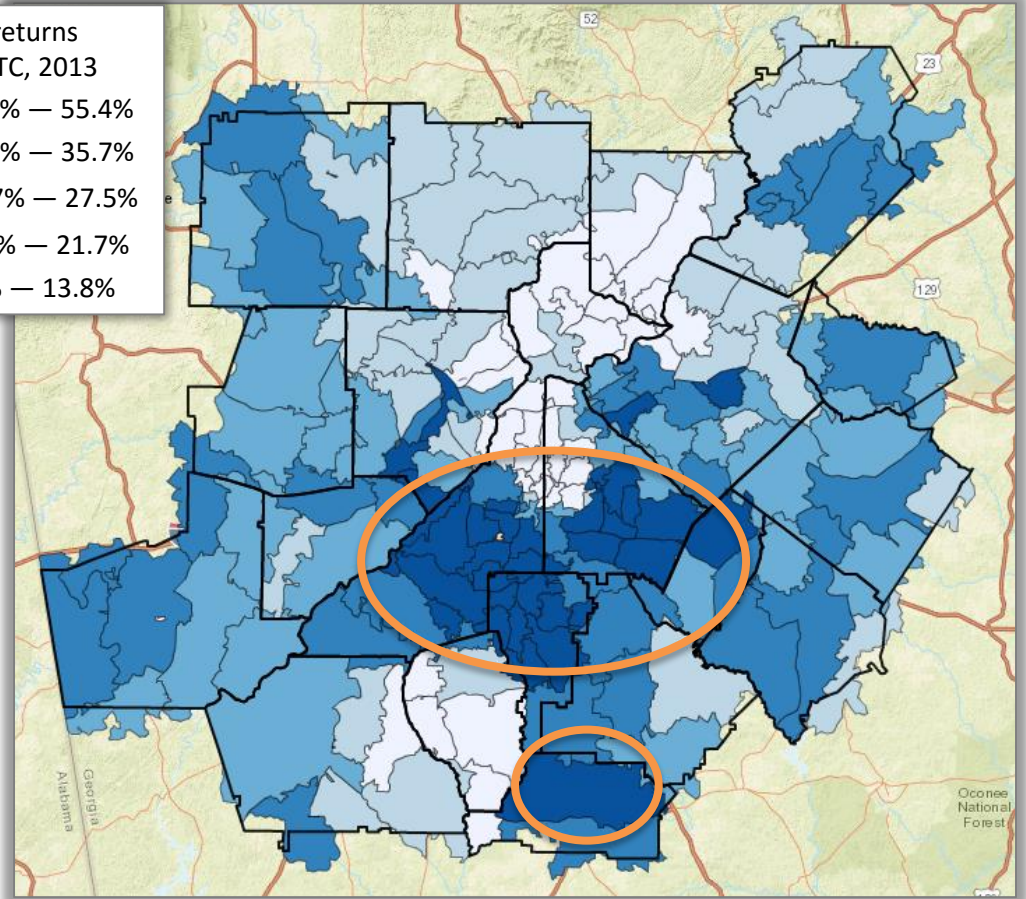
- 3% — 18.4%
- 0.9% — 3%
- 0.2% — 0.9%
- 0.3% — 0.2%
- 3.2% — -0.3%



Percent of returns receiving EITC, 2013

% of returns with EITC, 2013

- 35.7% — 55.4%
- 27.5% — 35.7%
- 21.7% — 27.5%
- 13.8% — 21.7%
- 5.2% — 13.8%

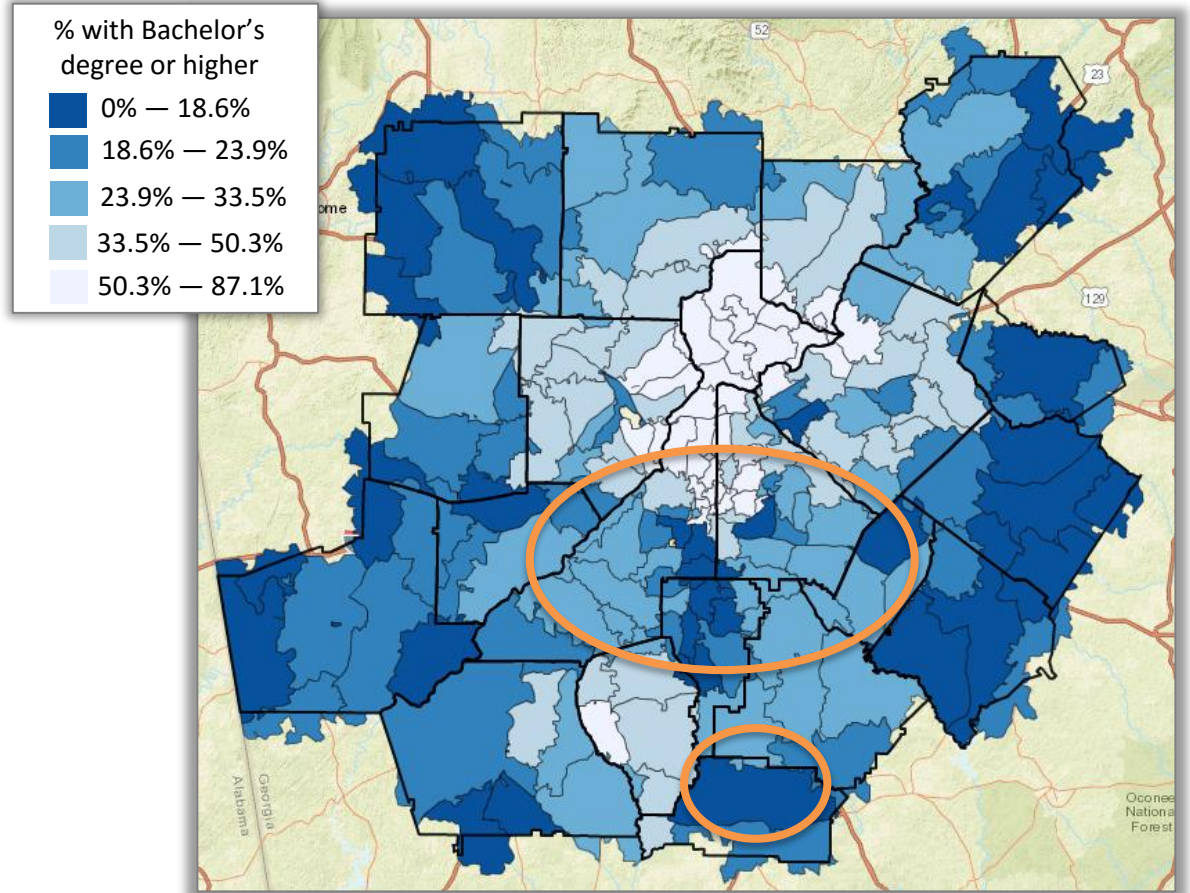
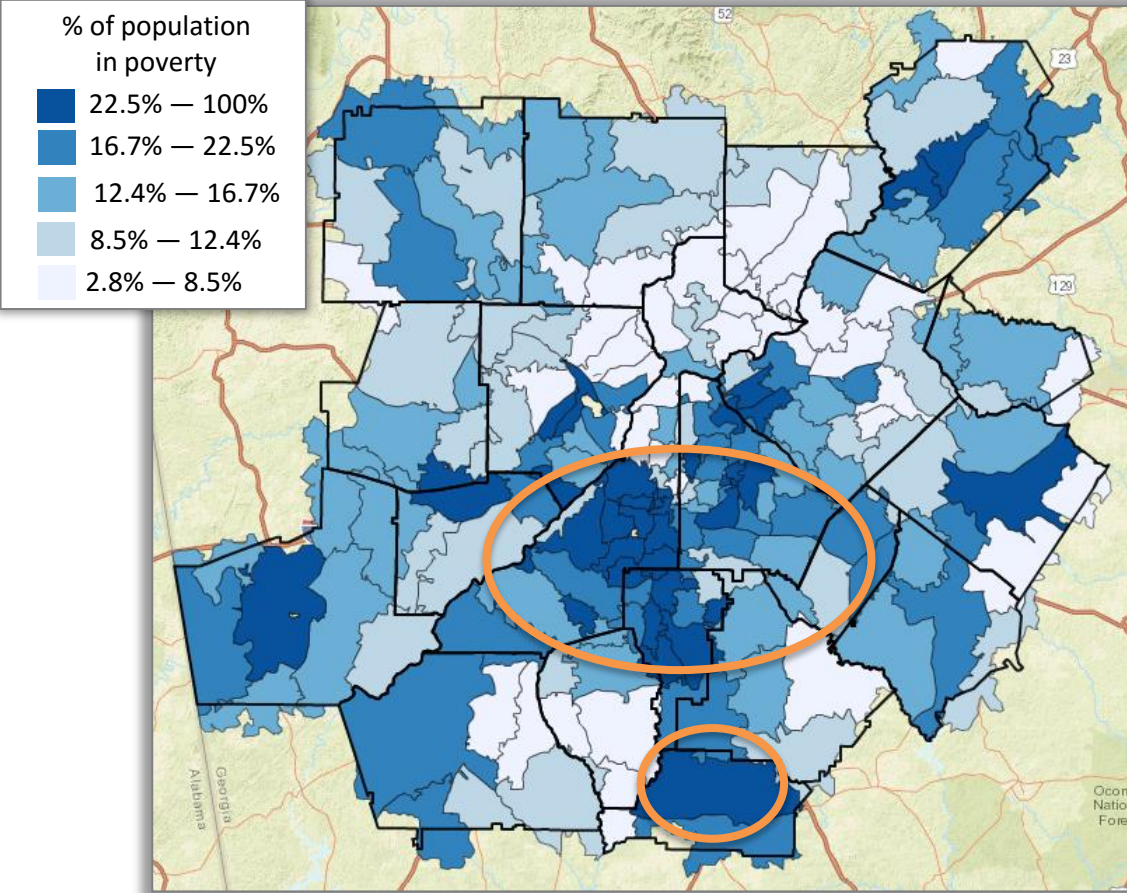


The areas that have the greatest percent of returns receiving EITC are in south Fulton, southeast DeKalb, Clayton, and Spalding counties. These same areas, except for Spalding County, have also had the highest increase in the percent of returns with EITC.

Demographics- poverty and education

Poverty

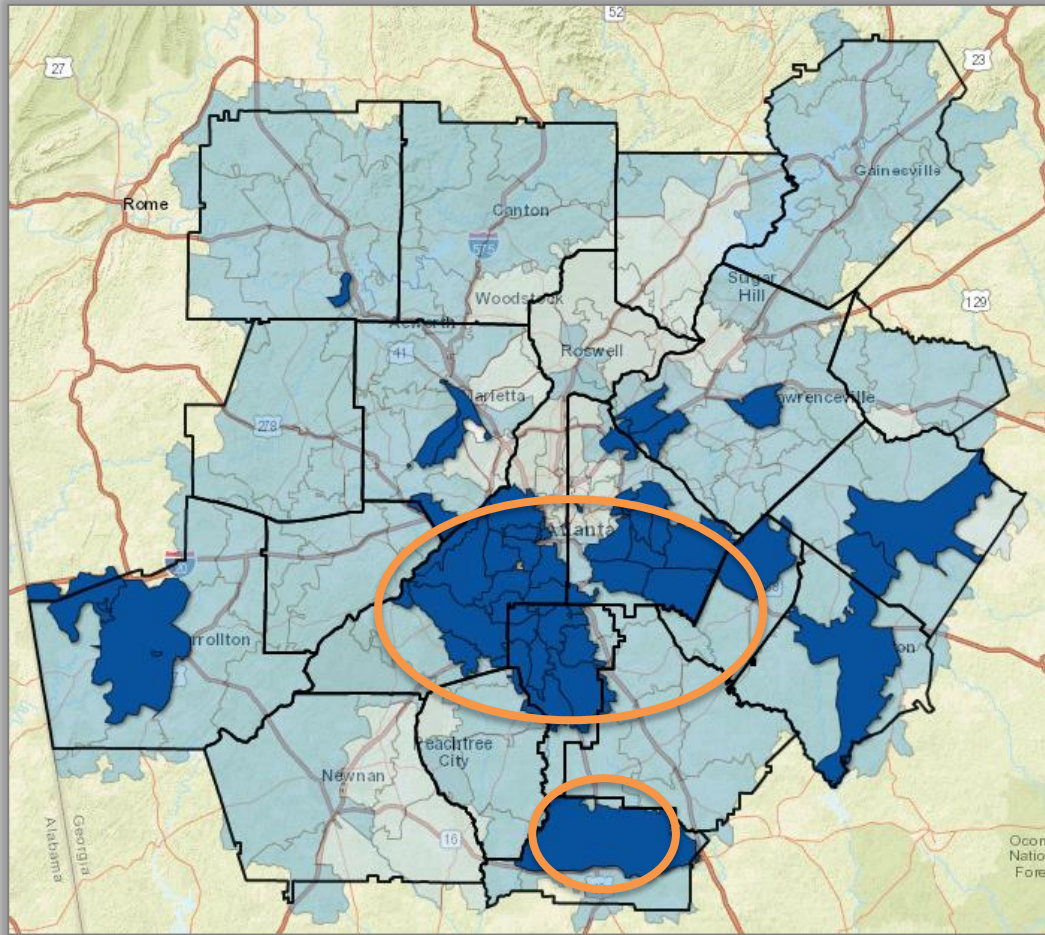
Educational Attainment



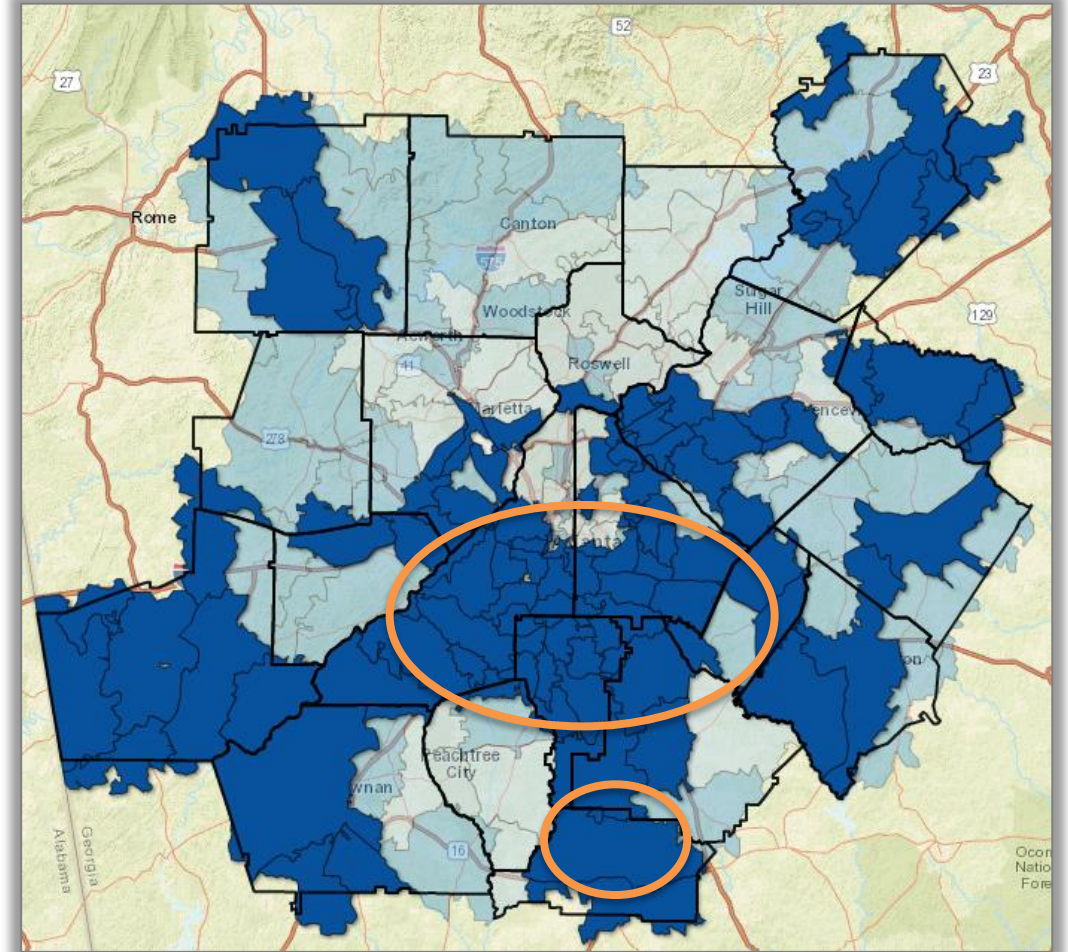
As expected, areas with high percentages of returns with EITC are correlated with high poverty rates. These same areas also have relatively low education levels. One interesting spatial pattern is that many zip codes in the outermost suburbs (Carroll, Walton, Hall, and Newton counties) also have high poverty rates and low educational attainment, but do not have as high percentages of EITC as the highlighted areas. Low-income residents near the urban core (in the identified cluster) seem to be accessing and receiving EITC, but the benefits of the credit may not be reaching low- to middle-income suburban residents.



Highest Concentrations of Filers With AGI < \$15K



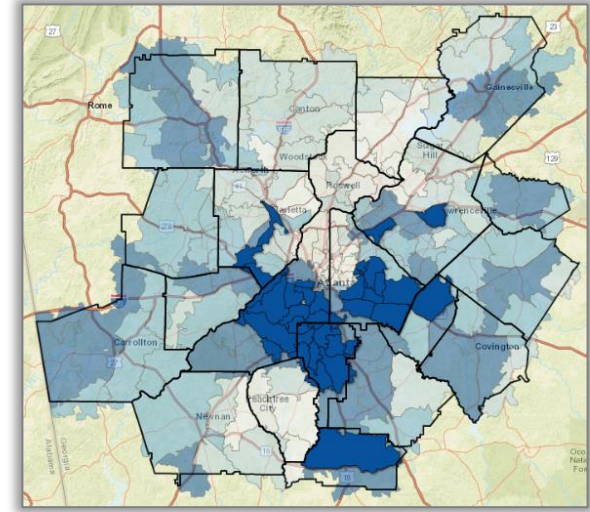
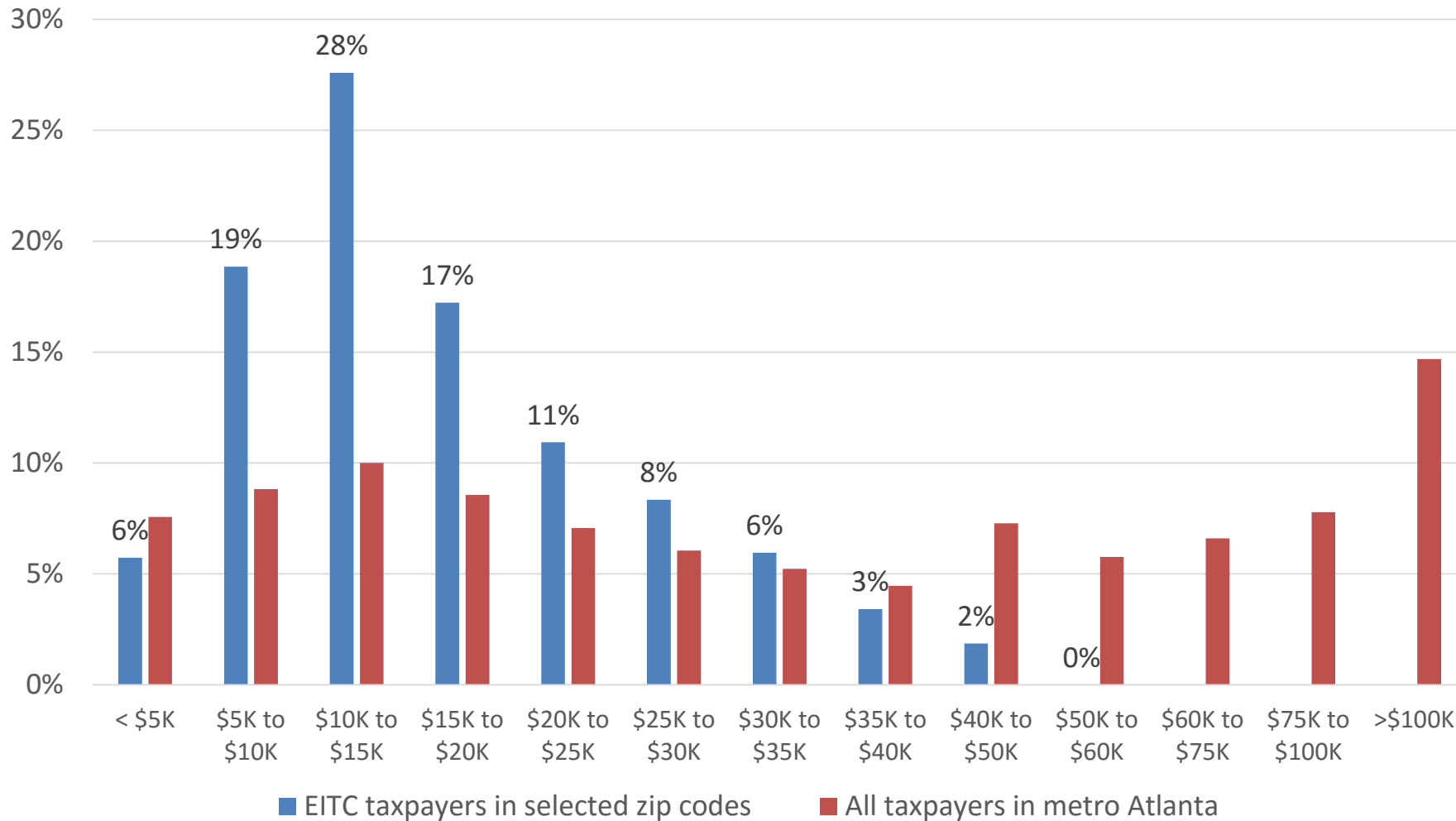
Highest Concentrations of Filers with AGI between \$15K to \$30K



These maps highlight concentrations of low-income taxpayers (orange circles indicate the areas from the previous slide that have the highest percentage of taxpayers receiving EITC). As expected, the highlighted areas include some of the lowest average AGIs in the metro area. Many zip codes in the outermost suburbs (as mentioned in the previous slide) have high percentages of low-income taxpayers, but these areas do not have among the highest shares of taxpayers receiving EITC. EITC benefits do not seem to be reaching residents living in suburban poverty.

A closer look at zip codes with high % of EITC returns

AGI: percentage of EITC taxpayers in selected zip codes vs percentage of all Atlanta taxpayers



We selected the zip codes that had the highest percentages of tax returns that received EITC

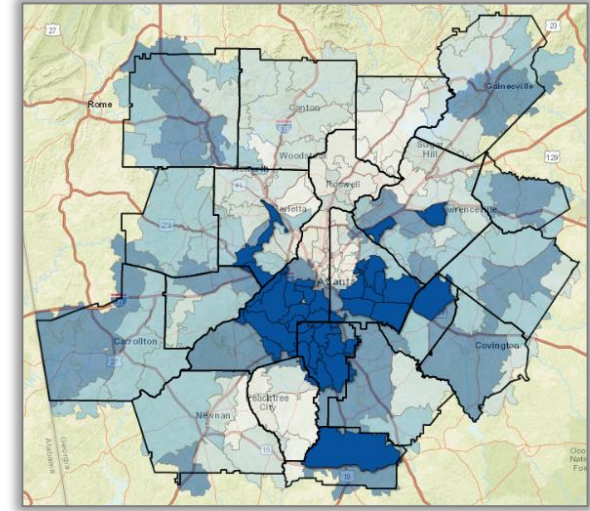
=36 zip codes where 35.7% - 55.4% of tax returns received EITC in 2013

← As expected, taxpayers in these zip codes have significantly lower AGI compared to metro Atlanta as a whole



A closer look at zip codes with high % of EITC returns

EITC taxpayers in selected zip codes	
Average EITC value	\$2,906
% Receiving Child Tax Credit/Refund	17%/66%
Average CTC credit/refund	\$607/\$1,309



For an EITC taxpayer with an AGI of \$15K: **\$2,906 EITC + \$1,309 ACTC = \$4,215 in additional income**

The additional income through the EITC combined with an ACTC refund would **boost their income by 28%**

Key takeaways

- Atlanta has a high share of low-income residents, as measured by AGI: out of the top 10 most populous metro regions, **Atlanta ranks #2 for the percentage of taxpayers with an AGI below \$20,000 (35%)**.
- For low- to middle-income taxpayers, income tax credits like the EITC, CTC, and ACTC provide additional income that may lift them out of poverty
- In Atlanta, **25% of tax returns received the EITC** (the second highest compared to other metros) at an average value of **\$2,668 (greatest average value)**
- Out of all the tax returns in metro Atlanta, **35.1% claimed the Child Tax credit/refund**
- 82.67%** of tax returns in metro Atlanta **that received the EITC also received the child tax credit/refund**
- The areas that have the **greatest percent of returns receiving EITC** are in **south Fulton, southeast DeKalb, Clayton, and Spalding counties**.
- Many zip codes in the outermost suburbs (**Carroll, Walton, Hall, and Newton counties**) also have low AGI and low educational attainment, but do not have as high percentages of EITC as the highlighted areas. The **benefits of the credit may not be reaching low- to middle-income suburban residents**.

Percent of returns receiving EITC, 2013

