

What is the Louisiana Budget Project (LBP)?

The Louisiana Budget Project is an independent research and advocacy project modeled on similar organizations in about 30 other states that participate in the State Fiscal Analysis Initiative (SFAI), coordinated by the Center on Budget and Policy Priorities. In designing the project, LANO adopted best practices from nationally recognized state and fiscal analysis programs in Maryland, Michigan and Minnesota, all of which were part of SFAI project of the Center on Budget and Policy Priorities. This research was funded by the Annie E. Casey Foundation, the W.K. Kellogg Foundation, the Open Society Institute and the Public Welfare Foundation. We thank them for their support but acknowledge that the findings and conclusions presented in this report are those of the LBP alone, and do not necessarily reflect the opinions of these foundations.

Why is LANO involved?

LANO was created to strengthen the ability of Louisiana's nonprofits to improve the quality of life in our state. To better serve their communities, nonprofits must become influential participants in the debate about the state's fiscal policy, embodied in the state budget. Our state and nonprofit agencies will only meet our collective policy goals if we are clear about where we are allocating our resources, whether we are doing so transparently and ethically, and whether we are getting the best social return on our investment.

Executive Summary

Louisiana has a tremendous opportunity to invest in its working families by providing at least a 5% match to the federal Earned Income Tax Credit (EITC). The EITC provides tax cuts for low-income families paying payroll and sales taxes. The credit also creates an incentive for individuals to join and remain in the workforce, and produces a significant boost in our local economies. The benefits of a state EITC match would reach all corners of the state and all types of communities – distributed fairly evenly among rural, suburban, and urban areas – and would help make our state a better place for families to work and to live.

What is a tax credit?

A tax credit is a dollar for dollar reduction in the amount of taxes that a taxpayer owes. Unlike exemptions and deductions, which lower the amount of income that is taxed, a credit lowers the actual amount of tax owed. A credit may be refundable or non-refundable. A non-refundable credit only benefits the taxpayer up to the amount of taxes they owe; the rest goes unclaimed. A taxpayer owing \$300 who is eligible for \$1000 in credit would only get \$300 of the credit. With a refundable credit, a taxpayer would receive the full benefit of the credit, which in this case would mean receiving a \$700 refund.

What does a state-matched EITC cost?

Based on past levels of filings in Louisiana and projections of EITC growth, if Louisiana approved a state EITC to begin in 2007, the cost in FY 2008 (when the '07 credit would be claimed) would be as follows:

- A 5% state match would cost \$51 million
- A 10% state match would cost \$101 million
- A 20% state match would cost \$202 million

These costs would be projected to rise in FY 2011 to approximately \$53 million, \$109 million, and \$218 million respectively.¹

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Introduction

The federal Earned Income Tax Credit is one of the most effective measures for advancing self-sufficiency in low-income households. Nationwide, the credit raises nearly 5 million people above the poverty line annually and lifts more children out of poverty than any other government program, including Temporary Assistance for Needy Families (TANF), Food Stamps, and the Child Tax Credit.² The EITC's broad, bipartisan support (it has been expanded under each of the last six presidents) stems in part from the fact that it promotes work as the best way of getting out of poverty. Studies have

consistently demonstrated that the EITC increases employment among single mothers; it also helps stabilize two parent households by increasing the income of the working parent, making it more feasible for the other parent to stay at home.³

The federal credit also represents a significant federal investment in local economies, particularly in the rural South.⁴ As illustrated in Appendix B, Louisiana has the second highest percentage in the country of tax filers claiming the EITC.⁵ EITC recipients typically spend much of their credit

on immediate necessities such as replacing or repairing old household goods and automobiles, paying overdue bills, and purchasing new clothes for children. This spending, which can amount to millions of dollars per zip code, creates a multiplier effect in the local economy and can produce permanent new jobs.⁶ Further more, unlike some economic development initiatives that offer benefits only to limited communities, in Louisiana the benefits of the EITC are shared statewide by working families.

Louisiana should choose to supplement the federal credit with its own refundable state credit for the following reasons:

Reduce Child Poverty

As noted above, the federal EITC raises more children above the poverty line than any other government program and does so by supporting working parents.⁷ Ninety-eight percent of EITC dollars go to families with children.⁸ The state EITC can provide the extra push needed to ensure that thousands of children with parents earning the minimum wage do not grow up below the poverty line. **As an example, a single mother working full-time, year-round, making \$6 an hour raising two children would still be below the poverty line after receiving her federal EITC. But the 5% state match would add \$277 to her income and would be enough to raise her above the poverty line.** Louisiana has the highest rate of child poverty in the country and nearly 30% of our tax filers in the state claim the EITC each year. A state EITC would support half a million people working to advance themselves and their children and would make Louisiana a better place for working families to live.

Increase In Workforce

Studies have consistently demonstrated that the EITC increases employment among single mothers. Northwestern University economists Bruce Meyer and Dan Rosenbaum found that expansions of the EITC program produced half of the increase in employment among single mothers between 1984 and 1996. They also found that state EITCs further increased workforce participation rates. The EITC also helps stabilize two parent households by increasing the income of the working parent, making it more feasible for the other parent to stay at home.⁹

Complement Welfare Reform

According to the Center on Budget and Policy Priorities, the combination of a federal and state EITC can play a crucial role helping welfare recipients transition to the workforce.¹⁰ It also helps people stay off welfare. Many people turn to welfare to survive an unforeseen financial crisis. Research has found that federal state EITC recipients spend their credits in ways that

build their human capital and financial position – by spending on educational expenses, improving their access to jobs, and putting money in a savings account – and make them less dependent on government assistance. **Few people know better than Louisianans do now about the importance of having your own resources in case of a rainy day.**

Increase EITC Participation

Available data indicate that the larger the tax credit the more eligible filers will choose to file for it.¹¹ By adding a state match to the federal credit, Louisiana can incentivize more eligible filers to claim the federal credit, raising more children and workers out of poverty, helping more Louisianans meet their basic needs and save more, and bringing more federal resources to local economies.

Where does the State EITC Go? What Impact Would the State EITC Have?

The benefit of a state EITC would be shared widely throughout Louisiana. The credit would be available to everyone claiming the federal EITC. Federal EITC participation is fairly even across different types of communities in Louisiana. For TY 2001, 34.0% of filers in large cities in the state claimed the EITC, as did 29.7% of filers in rural areas, 25.4% of filers in small metro areas, and 20.4% of filers in large suburbs.¹² Appendix C shows FY 2008 projections of how much benefit a 5% state EITC would provide to each of Louisiana's legislative districts. In every district, thousands of families would be eligible for a state EITC.

These numbers were calculated by taking district level information from TY 2004, provided by the Brookings

History & Operation

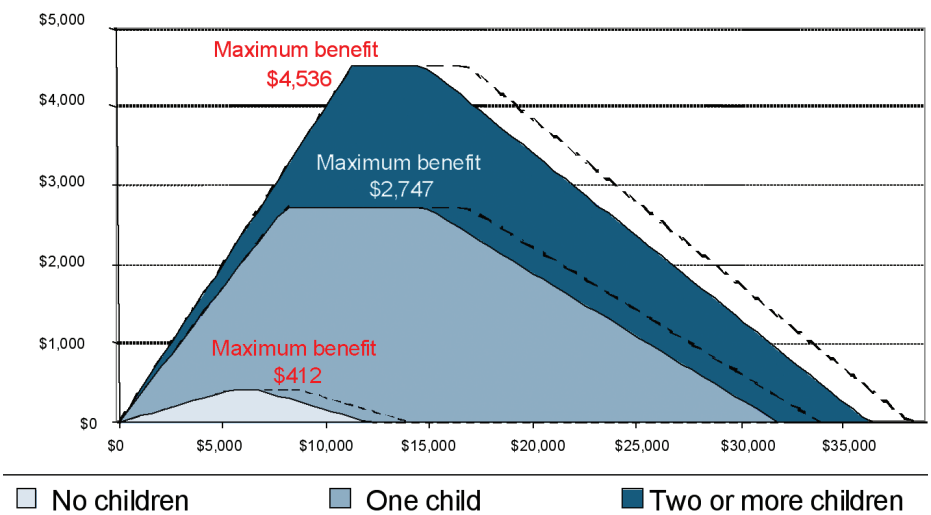
The credit began in 1975 under President Gerald Ford and has been expanded under all of subsequent administrations. It began as a form of tax relief for low income filers who were being hurt by increases in payroll taxes. After being made permanent in 1978, the program was expanded in 1986 and again in 1993.

The credit increases as the filer's income increases to a point; it then plateaus and gradually declines as the filer makes above a designated amount. The highest income a filer can earn and still receive the tax credit is \$38,348 for the 2006 tax year.¹⁴ Credit amounts and cut-off limits vary by household size and composition.

Institution, projecting it forward first using state level information from TY 2005, and then carrying it forward using projected percentage increases at the national level based on projections of the Center on Budget and Policy Priorities. It was important to first use state level TY 2005 data because this allowed the projections to incorporate a small but significant decline in EITC filings that occurred in Louisiana after Hurricanes Katrina and Rita, most likely because displaced Louisianans filed their taxes in other states or did not file at all. Projecting this way allows us to get more accurate information at the state level, but unfortunately it does not capture the population shifts that occurred in individual districts since the hurricanes in 2005.

It is also important to note that the Center on Budget and Policy Priorities has found that participation in a state EITC during the first several years of its existence is about 90% of eligible filers who are claiming the federal EITC. Often participations rates are as low as 80% for the first few years, because filers are unaware of the new state credit and do not claim it.¹³ This report used the maximum likely participation rate of 90% to generate projections for the cost and impact of a state EITC. A final point to remember is that costs for a given tax year are paid when the taxes are filed in the following fiscal year, so figures for FY 2008 below are estimates of the cost and impact of a TY 2007 credit.

The Federal Earned Income Tax Credit in Tax Year 2006



Note: Married couples with income in the phaseout range qualify for a higher credit than single parents — shown by dashed lines.

Source: Center on Budget & Policy Priorities

¹Sloane Kuney and Jason Levitis, "How Much Would a State Earned Income Tax Credit Cost in 2008" (Washington: Center on Budget and Policy Priorities, 2007).

² Alan Berube, "Using the Earned Income Tax Credit to Stimulate Local Economies" (New York: Living Cities Policy Series, 2006); Steven Holt, "The Earned Income Tax Credit at Age 30: What We Know" (Washington: Brookings Institution, 2006).

³ Holt, "The Earned Income Tax Credit EITC at Age 30".

⁴ Alan Berube and Thacher Tiffany, "The 'State' of Low-Wage Workers: How the EITC Benefits Urban and Rural Communities in the 50 States" (Washington: Brookings Institution, 2004).

⁵ Christine Scott, "The Earned Income Tax Credit (EITC): Percentage of Total Tax Returns and Credit Amount By State" (Washington: Congressional Research Service, 2005).

⁶ Berube, "Using the Earned Income Tax Credit to Stimulate Local Economies".

⁷ Nicholas Johnson, Joseph Llobrera and Bob Zahradnik, "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2003" (Washington: Center on Budget and Policy Priorities, 2003).

⁸ Robert Greenstein, "Should the EITC for Workers Without Children be Abolished, Maintained, or Expanded?" (Washington: Center on Budget and Policy Priorities, 2000).

⁹ Holt, "The Earned Income Tax Credit EITC at Age 30".

¹⁰ Johnson, Llobrera and Zahradnik, "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2003".

¹¹ Berube, "Earned Income Credit Participation—What We (Don't) Know".

¹² Alan Berube and Thacher Tiffany, "The 'State' of Low-Wage Workers: How the EITC Benefits Urban and Rural Communities in the 50 States" (Washington: Brookings Institution, 2004).

¹³ Kuney and Levitis, "How Much Would a State Earned Income Tax Credit Cost in 2008".

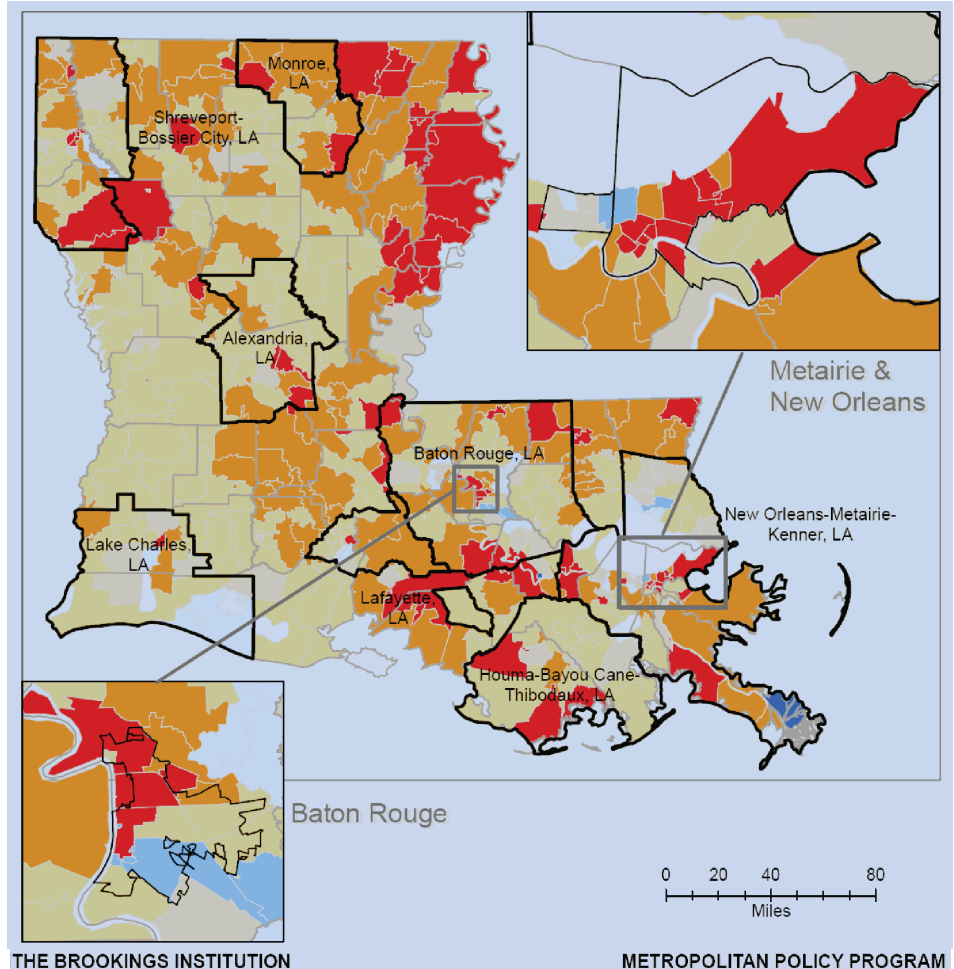
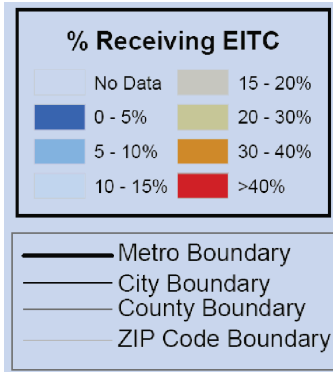
¹⁴ To qualify with this income, a filer would have to be married and filing jointly with two or more qualifying dependent children. See <http://www.irs.gov/pub/irs-pdf/p596.pdf>

¹⁵ Holt, "The Earned Income Tax Credit EITC at Age 30".

Appendix A:

EITC Recipients as a Percentage of Total Returns by Zip Code, Tax Year 2004

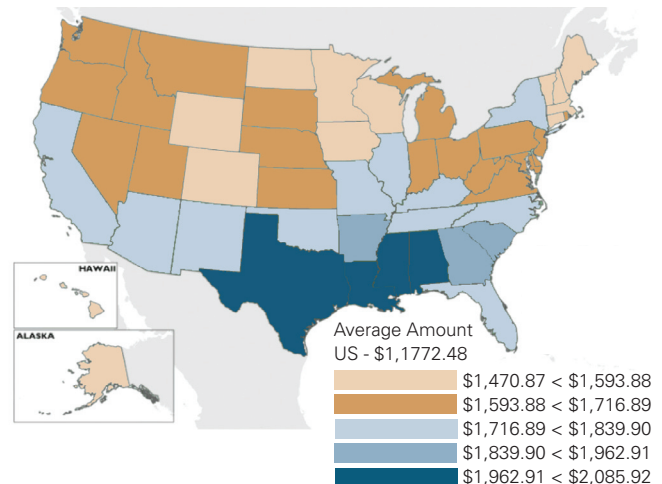
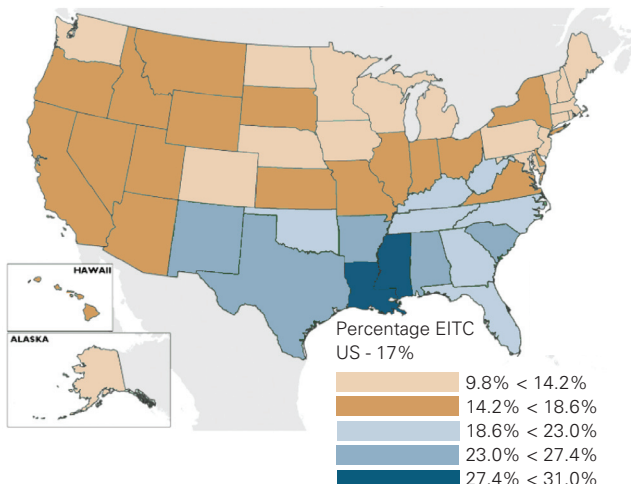
This map illustrates the percentage of EITC recipients in the total tax filing population in Louisiana as of 2004.



Appendix B: Levels of state participation in EITC

Map 1. Percentage of Tax Year 2003 Tax Return with an Earned Income Tax Credit by State

Map 2. The Average Earned Income Tax Credit by State for Tax Year 2003



Source: Maps computed by the Congressional Research Service from IRS data. Historical Table 2 (Statistics of Income Bulletin), available at <http://www.irs.gov/taxstats/article/0,,id=103106,00.html>

Christine Scott, "The Earned Income Tax Credit (EITC): Percentage of Total Tax Returns and Credit Amount By State" (Washington: Congressional Research Service, 2005).

Appendix C: Amount of tax returns by legislative district

Senate District	TY 2004			Est. Amount for FY 2008 State EITC (\$)		
	Total tax returns	EITC returns	EITC Amt (\$)	5% Match	10% Match	20% Match
District 1	37,238	9,570	19,562,825	898,393	1,796,785	3,593,571
District 2	28,357	13,467	31,316,454	1,438,160	2,876,320	5,752,641
District 3	33,516	14,159	32,143,623	1,476,147	2,952,293	5,904,586
District 4	29,310	10,996	24,322,300	1,116,964	2,233,929	4,467,857
District 5	29,023	10,746	23,591,931	1,083,423	2,166,847	4,333,693
District 6	51,295	11,230	23,929,972	1,098,947	2,197,895	4,395,789
District 7	42,838	14,523	31,906,731	1,465,268	2,930,535	5,861,071
District 8	44,372	14,695	31,354,726	1,439,918	2,879,835	5,759,671
District 9	47,657	8,038	14,633,857	672,037	1,344,075	2,688,150
District 10	44,493	9,896	20,213,770	928,286	1,856,573	3,713,146
District 11	53,034	10,558	21,394,478	982,509	1,965,017	3,930,034
District 12	46,467	15,073	33,916,905	1,557,582	3,115,164	6,230,327
District 13	56,911	11,384	22,735,192	1,044,079	2,088,158	4,176,315
District 14	44,318	16,947	40,148,253	1,843,747	3,687,494	7,374,988
District 15	47,204	17,133	39,683,387	1,822,399	3,644,797	7,289,595
District 16	57,943	8,798	17,836,399	819,109	1,638,218	3,276,437
District 17	48,321	14,230	31,131,292	1,429,657	2,859,314	5,718,627
District 18	56,089	13,505	28,713,274	1,318,613	2,637,226	5,274,452
District 19	53,197	14,185	31,711,362	1,456,296	2,912,591	5,825,183
District 20	48,845	12,265	24,245,350	1,113,431	2,226,861	4,453,722
District 21	48,408	13,998	30,000,883	1,377,745	2,755,489	5,510,978
District 22	50,785	16,474	37,092,246	1,703,405	3,406,809	6,813,618
District 23	56,590	9,863	18,799,216	863,325	1,726,650	3,453,301
District 24	41,932	15,506	34,215,408	1,571,290	3,142,580	6,285,161
District 25	45,685	11,278	22,854,437	1,049,555	2,099,110	4,198,220
District 26	45,282	12,583	25,987,910	1,193,455	2,386,910	4,773,820
District 27	48,495	13,611	28,698,530	1,317,936	2,635,872	5,271,744
District 28	42,697	14,234	30,893,756	1,418,748	2,837,497	5,674,993
District 29	45,832	14,260	30,827,584	1,415,710	2,831,419	5,662,838
District 30	42,462	10,636	21,351,128	980,518	1,961,036	3,922,071
District 31	41,641	12,855	26,683,475	1,225,398	2,450,795	4,901,591
District 32	38,818	12,854	28,097,903	1,290,353	2,580,706	5,161,412
District 33	41,595	14,300	31,815,112	1,461,060	2,922,120	5,844,241
District 34	40,724	18,108	44,081,753	2,024,387	4,048,774	8,097,548
District 35	44,339	11,639	24,880,081	1,142,580	2,285,159	4,570,318
District 36	43,889	12,574	26,326,220	1,208,991	2,417,983	4,835,965
District 37	50,775	11,517	23,612,562	1,084,371	2,168,741	4,337,483
District 38	48,427	13,028	27,762,665	1,274,958	2,549,916	5,099,831
District 39	44,662	19,234	43,476,532	1,996,593	3,993,186	7,986,372
Total	1,763,466	509,950	\$1,101,949,479	\$50,605,340	\$101,210,680	\$202,421,359

House District	TY 2004			Est. Amount for FY 2008 State EITC (\$)		
	Total tax returns	EITC returns	EITC Amt (\$)	5% Match	10% Match	20% Match
District 1	17,652	5,557	12,025,501	552,253	1,104,505	2,209,011
District 2	15,700	6,994	15,516,557	712,574	1,425,148	2,850,296
District 3	16,427	7,538	17,504,433	803,864	1,607,728	3,215,457
District 4	17,165	5,828	12,724,647	584,360	1,168,720	2,337,440
District 5	19,457	4,183	8,623,626	396,027	792,054	1,584,107
District 6	19,956	3,864	7,699,162	353,572	707,144	1,414,289
District 7	17,375	5,307	11,518,486	528,969	1,057,938	2,115,875
District 8	20,794	4,769	9,754,768	447,973	895,946	1,791,891
District 9	17,952	4,096	8,411,819	386,300	772,600	1,545,200
District 10	16,312	5,052	10,471,339	480,880	961,760	1,923,521
District 11	13,668	4,583	10,178,300	467,423	934,846	1,869,691
District 12	18,122	5,229	11,182,652	513,546	1,027,092	2,054,184
District 13	15,593	4,382	9,110,470	418,384	836,769	1,673,537
District 14	16,474	6,595	15,190,090	697,582	1,395,163	2,790,326
District 15	19,172	4,892	10,169,916	467,038	934,076	1,868,151
District 16	18,610	4,988	11,044,281	507,192	1,014,383	2,028,767
District 17	15,041	7,922	20,429,749	938,205	1,876,410	3,752,820
District 18	14,942	4,340	9,458,107	434,349	868,698	1,737,396
District 19	14,671	5,864	13,667,817	627,674	1,255,347	2,510,694
District 20	15,760	5,756	12,821,355	588,801	1,177,602	2,355,204
District 21	14,012	6,259	14,635,169	672,098	1,344,195	2,688,391
District 22	15,520	4,356	8,885,493	408,053	816,105	1,632,211
District 23	14,946	5,180	11,128,005	511,037	1,022,073	2,044,146
District 24	16,050	4,721	9,669,154	444,041	888,082	1,776,164
District 25	19,081	5,166	10,849,256	498,235	996,471	1,992,942
District 26	18,095	6,903	15,474,324	710,635	1,421,269	2,842,538
District 27	18,286	4,546	9,127,823	419,181	838,363	1,676,725
District 28	15,472	5,322	11,539,241	529,922	1,059,844	2,119,688
District 29	17,125	7,167	16,964,553	779,071	1,558,142	3,116,284
District 30	17,590	4,682	9,489,790	435,804	871,608	1,743,216
District 31	18,220	3,349	6,397,370	293,789	587,579	1,175,158
District 32	14,349	4,106	8,441,285	387,653	775,306	1,550,612
District 33	17,952	4,108	8,013,089	367,989	735,978	1,471,955
District 34	17,614	6,729	14,827,774	680,943	1,361,886	2,723,771
District 35	18,033	4,352	9,043,525	415,310	830,620	1,661,240
District 36	19,943	3,376	6,474,683	297,340	594,680	1,189,360
District 37	17,841	4,858	10,057,697	461,884	923,769	1,847,537
District 38	16,045	5,507	12,325,574	566,033	1,132,066	2,264,132
District 39	18,141	5,245	11,106,521	510,050	1,020,100	2,040,200
District 40	15,665	5,837	13,184,493	605,478	1,210,955	2,421,911
District 41	15,868	4,887	10,319,428	473,904	947,808	1,895,616
District 42	16,017	4,977	10,259,529	471,153	942,306	1,884,613
District 43	20,615	3,108	5,740,260	263,613	527,225	1,054,451
District 44	16,445	6,611	14,447,127	663,462	1,326,924	2,653,849
District 45	20,604	3,868	7,398,101	339,746	679,493	1,358,986
District 46	18,912	6,471	14,692,518	674,731	1,349,463	2,698,925
District 47	16,435	4,222	8,577,830	393,924	787,847	1,575,695
District 48	17,393	5,141	11,435,797	525,171	1,050,343	2,100,686
District 49	18,700	5,854	12,898,436	592,341	1,184,682	2,369,364
District 50	15,511	5,389	12,195,772	560,072	1,120,144	2,240,288
District 51	18,571	5,189	10,685,586	490,719	981,438	1,962,877
District 52	20,404	4,638	9,340,305	428,939	857,878	1,715,757
District 53	17,046	4,692	9,398,444	431,609	863,218	1,726,436

House District	TY 2004			Est. Amount for FY 2008 State EITC (\$)		
	Total tax returns	EITC returns	EITC Amt (\$)	5% Match	10% Match	20% Match
District 54	17,254	3,764	7,019,200	322,346	644,692	1,289,384
District 55	18,256	4,506	9,364,512	430,051	860,102	1,720,203
District 56	20,122	5,071	11,469,356	526,713	1,053,425	2,106,850
District 57	19,737	6,290	14,716,325	675,825	1,351,649	2,703,299
District 58	17,087	6,257	14,162,892	650,409	1,300,818	2,601,636
District 59	22,521	3,991	7,870,502	361,441	722,881	1,445,763
District 60	17,502	5,648	12,293,763	564,572	1,129,144	2,258,289
District 61	17,113	8,190	19,989,019	917,965	1,835,930	3,671,860
District 62	18,375	5,729	12,871,484	591,103	1,182,206	2,364,413
District 63	16,590	7,079	16,689,251	766,428	1,532,857	3,065,713
District 64	19,243	4,047	8,313,246	381,773	763,546	1,527,092
District 65	18,397	3,448	7,024,651	322,596	645,193	1,290,385
District 66	20,445	5,024	10,957,007	503,184	1,006,368	2,012,735
District 67	15,383	6,380	14,921,723	685,257	1,370,514	2,741,029
District 68	19,057	2,370	4,608,519	211,639	423,278	846,557
District 69	20,662	2,711	5,297,852	243,296	486,591	973,183
District 70	20,261	2,730	5,424,101	249,094	498,187	996,374
District 71	20,391	4,282	8,350,007	383,461	766,923	1,533,845
District 72	15,591	5,962	13,955,536	640,887	1,281,773	2,563,546
District 73	18,801	5,790	13,414,361	616,034	1,232,068	2,464,136
District 74	19,254	4,979	10,645,931	488,898	977,796	1,955,592
District 75	14,868	5,315	12,052,039	553,471	1,106,943	2,213,886
District 76	18,832	3,446	6,784,221	311,555	623,110	1,246,220
District 77	21,780	3,968	7,831,468	359,648	719,296	1,438,593
District 78	18,145	2,822	5,141,428	236,112	472,224	944,449
District 79	16,974	3,485	6,889,655	316,397	632,794	1,265,587
District 80	17,644	2,831	5,090,281	233,763	467,527	935,053
District 81	17,983	2,267	3,630,367	166,719	333,438	666,876
District 82	18,864	3,643	6,865,118	315,270	630,540	1,261,080
District 83	15,404	5,592	11,972,743	549,830	1,099,660	2,199,319
District 84	17,073	5,500	11,636,802	534,402	1,068,805	2,137,609
District 85	17,261	5,904	12,588,822	578,122	1,156,245	2,312,489
District 86	15,240	4,261	9,218,855	423,362	846,724	1,693,447
District 87	14,954	5,161	11,105,783	510,016	1,020,032	2,040,064
District 88	20,567	4,515	9,121,170	418,876	837,751	1,675,503
District 89	20,636	2,714	5,120,400	235,147	470,293	940,586
District 90	17,729	3,892	7,762,793	356,494	712,989	1,425,977
District 91	10,971	3,589	7,699,116	353,570	707,140	1,414,280
District 92	16,842	4,868	10,571,809	485,494	970,988	1,941,976
District 93	13,022	5,182	11,248,610	516,575	1,033,150	2,066,301
District 94	11,079	2,848	6,056,648	278,142	556,285	1,112,569
District 95	10,876	4,013	8,933,214	410,244	820,488	1,640,977
District 96	10,830	4,990	11,300,422	518,955	1,037,909	2,075,818
District 97	10,840	4,809	11,022,242	506,180	1,012,359	2,024,718
District 98	9,217	3,933	8,975,048	412,165	824,331	1,648,661
District 99	10,327	5,998	14,420,074	662,220	1,324,440	2,648,879
District 100	11,088	4,786	11,066,586	508,216	1,016,432	2,032,864
District 101	10,757	5,134	11,966,536	549,545	1,099,090	2,198,179
District 102	13,192	5,555	13,030,804	598,420	1,196,839	2,393,679
District 103	10,379	3,529	7,402,270	339,938	679,876	1,359,752
District 104	9,499	2,682	5,522,251	253,601	507,202	1,014,404
District 105	15,205	3,919	8,035,641	369,024	738,049	1,476,098

Total 1,763,466 509,957 \$1,101,949,479 \$50,605,340 \$101,210,680 \$202,421,359

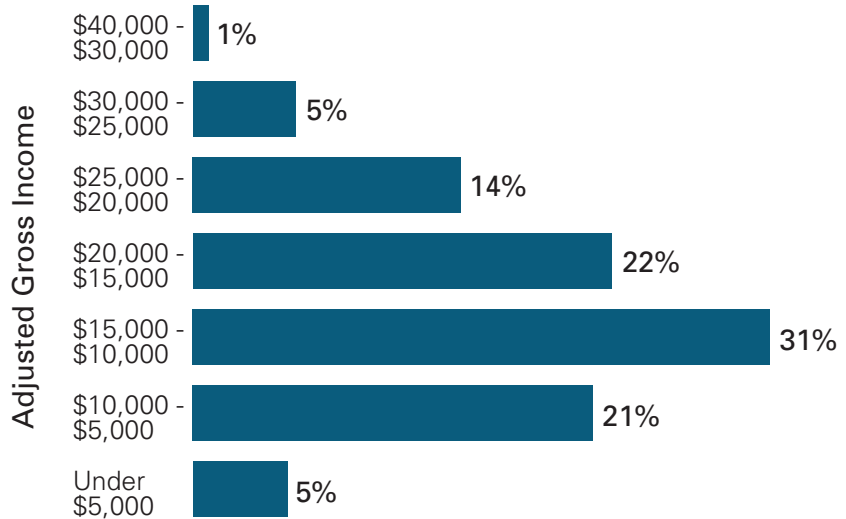
EITC Quick Facts

How does the EITC Work?

For families with very low incomes the size of the credit they are eligible for increases with each dollar of earnings. The credit is reduced gradually for families with higher earnings. The credit is paid when the worker files his or her income taxes for the previous year. The federal credit is refundable, meaning that filers can claim the full amount even if it exceeds their tax liability for the year. Administrative costs to the federal government for operating the tax credit program have generally been found by the Government Accountability Office (GAO) to be less than 1% of the total amount of credits given. Fraud protection measures have been augmented in recent years, and in 2003 the Treasury Inspector General for Tax Administration found less than 0.1% of all EITC filers to have committed fraud in claiming the credit.¹⁵

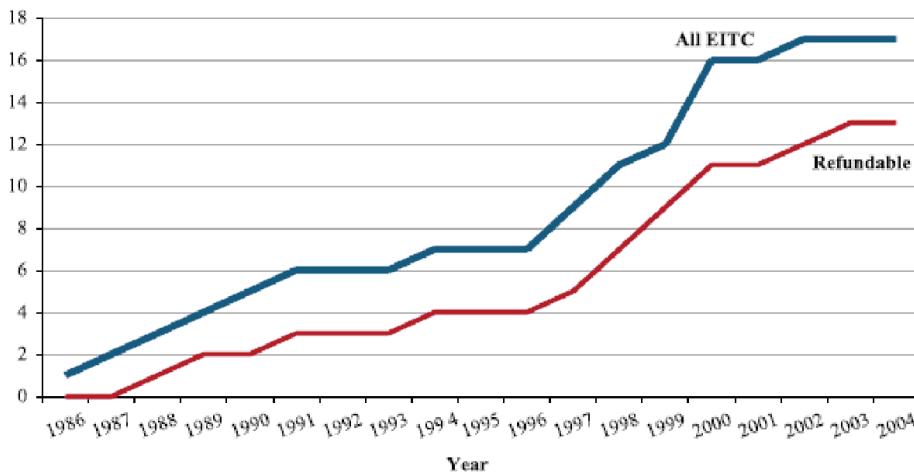
Where Do EITC Benefits Go?

In tax year 2002, about three-quarters of EITC benefits went to families with adjusted gross income between \$5,000 and \$20,000 a year.



Source: Internal revenue Service, Statistics of Income 2002, <http://www.irs.gov/pub/irs-soi/02in33ar.xls>

Number of States Offering an EITC



Source: Tax Policy Center, 2004, <http://taxpolicycenter.org/publications/template.cfm?PubID=8812>

Where does the EITC work?

Recognizing the success of the federal EITC, 21 states – and even some local governments – have enacted their own EITC. State EITCs can vary in their eligibility rules and size of the credit, but virtually all state EITCs choose the most straightforward path of administering the state credit as a percentage of the federal EITC. Furthermore, most states have chosen to offer a refundable credit to maximize the credit's impact.

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