

To What Extent Do VDSS Clients Claim the Federal Earned Income Credit?

Erik Beecroft, VDSS Office of Research, erik.beecroft@dss.virginia.gov
January 31, 2008

“The EITC lifts more children out of poverty than any other single program or category of programs.”ⁱ

The federal earned income tax credit (EITC) is the nation’s largest antipoverty program for working families. Nationwide in 2004, 22 million households received \$41 billion in EITC benefits, compared to \$31 billion for food stamps and \$14 billion for TANF.ⁱⁱ Research suggests that the EITC reduces poverty among children by one-fourth.ⁱⁱⁱ Numerous studies also demonstrate that the EITC substantially increases employment among single mothers.

Given VDSS’ mission, the EITC is a critical tool in helping people out of poverty and providing stronger incentives to work, and is even more valuable because it is 100 percent federally funded. The key question is: **How can we increase the proportion of VDSS clients who claim the EITC?**

The answer to this question depends in part on how many clients already claim the EITC. Until now, however, no data have been available on EITC claims by VDSS clients. JLARC estimated that only 13 percent of eligible VDSS clients in 2003 claimed the EITC, and that as much as \$170 million annually was unclaimed by VDSS clients^{iv}. As a result of the apparently low EITC utilization rate, JLARC recommended that the General Assembly amend the Code of Virginia to: require that a question be added to the state tax return form about whether a taxpayer claimed the federal EITC; and to allow the Tax Commissioner to share data with VDSS on whether clients claimed the federal EITC. The General Assembly enacted these provisions in 2006.^v

These steps enable VDSS to more accurately measure EITC utilization by public assistance recipients. **The client-level tax return data also provide an opportunity to enhance VDSS EITC outreach efforts, because the data identify individuals who appear to be eligible for but did not claim the EITC.**

Questions addressed in this analysis. The new data from the Virginia Department of Taxation (VaTax) are used to address these questions:

- What proportion of VDSS clients are *eligible for* the federal EITC?
- What proportion of VDSS clients *receive* the federal EITC?
- What is the total *value* of EITC benefits received by VDSS clients?
- How much money may be *unclaimed* by VDSS clients eligible for the EITC?

Approach. To address these questions, we analyzed 2006 Virginia tax return data for approximately 360,000 adults age 25 to 65 who received either Medicaid, Food Stamps,

or TANF during calendar year 2006. The VaTax data show whether an individual filed a 2006 Virginia tax return and, if so, whether they claimed the federal EITC. (The VaTax data also show filing status, number of dependents, and adjusted gross income.)

For clients who submitted Virginia tax returns, we determined federal eligibility and claim status directly from the information on their return. For clients who did not submit state tax returns, we inferred EITC eligibility using client-level earnings data from the Virginia Employment Commission (VEC) and VDSS' ADAPT system.

Caveats. The findings below should be interpreted with several caveats in mind. First, we can only indirectly determine whether someone claimed the federal EITC, based on a check box on the 2006 Virginia standard tax return form (Form 760). It is possible that an individual could leave this box unchecked even though they claimed the federal EITC, or checked the box even though they did not claim the federal EITC. It is also possible that some clients submitted a federal tax return and claimed the EITC, but did not submit a state tax return.

A second caveat is that, for VDSS clients who did not submit a Virginia tax return, we infer eligibility for the EITC based primarily on earnings data reported to the Unemployment Insurance system administered by VEC, which covers roughly 80 percent of all employment. Some VDSS clients therefore may have had earnings that are not included in the VEC database, and that are not included in ADAPT (for example, if a client was not receiving benefits from VDSS when they were employed). These clients were counted as ineligible for the EITC.

Finally, we have no information on the dollar amount of the EITC for anyone in our sample. For clients who submitted a Virginia tax return, we estimated their EITC amount from their federal adjusted gross income, filing status, and number of dependents, and this estimate is likely to be fairly accurate. For those who did not submit a Virginia tax return, we used their reported earnings to make what is only a rough guess about the EITC amount they would have been able to claim.^{vi}

Key Findings

Overall, about 60 percent of adult recipients of Medicaid, Food Stamps, and TANF were eligible for the federal EITC In 2006, and about 2/3 of those clients (close to 150,000 individuals) actually claimed the EITC. The total value of EITC benefits claimed by VDSS clients in 2006 is about \$330 million, while another \$107 million in potential benefits was not claimed.

Figure 1 shows how the population of VDSS clients is divided according to EITC eligibility, whether EITC was claimed, and the dollar value of EITC claims.

- **Approximately 60 percent of adults who received Medicaid, Food Stamps, or TANF in 2006 appear to be eligible for the EITC.**

To be eligible for the EITC, individuals must have earned income. For single parents with more than one qualifying child, earned income in 2006 must have been less than \$36,348. The income ceiling is substantially lower for individuals with no children, and slightly higher for married couples filing jointly. Of the roughly 360,000 VDSS clients matched to state tax data, 61 percent (about 220,000) appear to be eligible for the EITC, based on their earnings and number of dependents.^{vii}

Of those VDSS clients who are *not* eligible, about 80 percent have no reported earnings and did not file a state tax return, and almost 20 percent had earnings that were too high (shown on the right side of the diagram). Some clients with no *reported* earnings may have had earnings and therefore been eligible to claim the EITC. Some types of employment are not covered by the Unemployment Insurance system (and therefore would not be in the data obtained from VEC), and clients may not have reported earnings to VDSS if they were not receiving benefits when they were working.

- **Of those VDSS clients who appear to be eligible for the EITC, approximately 2/3 (66 percent) claim the credit.**

Most VDSS clients who are eligible for the federal EITC—66 percent—claim the credit. This proportion is much higher than JLARC’s estimate of 13 percent, which was based on 2003 tax return data from the Virginia Department of Taxation for a sample of 14,500 VDSS clients. The JLARC report does not provide detail on how they determined EITC eligibility, but JLARC appears to have substantially underestimated the proportion of VDSS clients who claim the EITC.

The estimated EITC utilization rate of 66 percent is fairly comparable to estimates from other research. For a sample of TANF recipients in California, one study found that 52 percent of all welfare recipients (that is, regardless of earnings) claimed the federal EITC in 2000.^{viii} For a *state* EITC in Minnesota, another study found that 65 percent of EITC-eligible welfare recipients in 1999 claimed the credit.^{ix}

EITC utilization is lower for eligible families receiving welfare than for the general population of eligible families, maybe partly because earnings tend to be lower and more sporadic for welfare recipients than for other EITC-eligible families. This may mean that families receiving cash assistance are less likely to file a tax return, even if they have earnings. Using IRS data for a national sample of *all* EITC-eligible households, researchers found that 84 percent claimed the EITC in 1988.^x

- **The total value of federal EITC benefits paid to VDSS clients for 2006 is approximately \$330 million.**

For the approximately 150,000 VDSS clients who claimed the federal EITC in 2006, the estimated total EITC benefits are about \$330 million, an average of \$2,250 per recipient family.^{xi} This aggregate amount is more than half the total annual value of Food Stamp benefits for VDSS clients in 2006, and close to three times the annual

value of TANF benefits for VDSS clients in 2006. The EITC is clearly one of the most important sources of income for VDSS clients beyond their earnings.

This \$330 million benefit is only for VDSS clients; it does not include a larger amount of EITC benefits claimed by Virginians who did not receive Medicaid, Food Stamps, or TANF. According to IRS data, in 2005 a total of 478,000 Virginia households claimed \$877 million in EITC benefits.^{xii} VDSS clients therefore account for more than one-third of all EITC payments to Virginians. This inflow of federal dollars is concentrated in cities and localities with high poverty rates and provides a significant stimulus to local economies.^{xiii}

- **Of the 1/3 (34 percent) of VDSS clients who appear to be eligible for the EITC but *did not* claim the credit, 83 percent did not file a 2006 Virginia tax return.**

This is the population of greatest interest for outreach efforts: approximately 76,000 VDSS clients who appear to be eligible for the EITC (that is, they had earnings below the EITC ceiling) but did not claim it. These clients are eligible for an estimated \$107 million in unclaimed 2006 EITC benefits, or about \$1,400 per family. The average benefit is lower than for households that claimed the EITC because eligible households that did *not* claim are much more likely to have no dependents, and have lower earnings on average.^{xiv}

The vast majority (83 percent) of eligible clients who did not claim the federal EITC did not file a Virginia tax return.^{xv} Most of these clients had income below the filing threshold, although they would have received a refund if they had filed.^{xvi}

- **Of those clients who appear to be eligible for the EITC *and* who filed a state tax return, 92 percent claimed the EITC.**

For those VDSS clients who were eligible for the EITC *and* who filed a tax return, more than 90 percent claimed the EITC. The EITC utilization rate for this group may be even slightly higher, because some of the clients who appear to be eligible may not have been eligible. For example, clients may have been ineligible because they did not have a qualifying child or because they had investment income above the threshold. These results suggest that the biggest gain in EITC utilization rates will come from increasing the proportion of eligible households who submit tax returns, not from increasing EITC claim rates among those who already file tax returns.

- **Fourteen of 134 local departments of social services account for one-half of all unclaimed EITC benefits.**

The city of Richmond has the largest amount of EITC benefits unclaimed by VDSS clients in 2006, approximately \$7.3 million. The city of Norfolk and Fairfax County are next with \$7.1 million and \$6.5 million in unclaimed EITC. The fourteen local departments with the largest amount of unclaimed EITC account for half of the more than \$100 million in unclaimed EITC. Table 1 shows the estimated claimed and

unclaimed amounts for each local department, and the number of households. EITC claim rates range from a low of 42 percent in the city of Bristol to a high of 75 percent in three localities: Lee County, the city of Covington, and Bland County.

Summary and Implications

Newly available data from the Virginia Department of Taxation show that the federal EITC reaches more than 150,000 VDSS client households every year, a federal investment in VDSS clients of well over \$300 million annually.^{xvii} In 2006, approximately 75,000 additional VDSS client households were eligible for but *did not claim* the EITC, representing more than \$100 million in potential additional federal benefits.

VDSS already does a significant amount of outreach to clients to increase awareness and utilization of the EITC. This includes:

- Printing notices about the EITC on TANF and child support enforcement checks during the months December through April;
- Having AmeriCorps members in local departments of social services and community action agencies do EITC outreach;
- Supporting a full time staff person at the Virginia Community Action Partnership to work with and develop EITC coalitions throughout the state; and
- Participating in local director videoconferences to encourage EITC outreach by local staff.

The newly available client-level tax return data, however, make it possible for VDSS to directly contact individuals who were eligible for the EITC in 2006 but did not claim it. Such targeted outreach could be highly cost-effective. JLARC recommended such an approach in their report:

Based on a review of effective outreach practices in other states, one of the most extensive efforts to target potential claimants has been implemented in Wisconsin, where social services staff systematically identify and contact the clients who have not claimed the EITC. If Virginia were to follow this model, DSS staff would generate a list of its clients who have not claimed the EITC, based on records from the Virginia Department of Taxation. Staff could then screen clients' income level, filing status, and family composition to determine whether they might be eligible for the EITC. A letter would be sent to each potentially eligible client, informing them about possible eligibility and benefits, directing them to the nearest and most suitable tax preparation site, and providing them with a follow-up contact at DSS. During the tax preparation process, families could claim not only the EITC but also other credits for which they are eligible.^{xviii}

The VDSS EITC outreach coordinator arranged to send notices to the approximately 75,000 clients who appear to have unclaimed EITC benefits for 2006. The notices were

mailed at the end of January 2008. The notice includes a toll-free IRS number to locate the nearest tax preparation center.

Although clients can file a late return to claim EITC for 2006, volunteer tax preparation centers focus primarily on current year tax returns. It is unclear to what extent clients will understand they need to file a late return. Even if the notices prompt clients to file only a current year return, assuming they are eligible, the outreach will have been successful in increasing EITC claims.

The effectiveness of outreach activities is likely to be enhanced by working in partnership with local departments of social services and community action agencies, and it may be most cost-effective to target additional efforts at a small number of localities with the largest number of clients who are eligible for but did not claim the EITC. For example, VDSS staff might work with local departments and community action agencies to identify tax preparation centers that could then be included in future outreach letters. VDSS can also provide local departments with the list of eligible clients in their locality for any targeted outreach efforts they may choose.

It may also be worth investigating whether VDSS can use existing data systems (such as SPIDER or the National Directory of New Hires) to identify EITC-eligible clients sooner than they can be identified with VaTax data, so that more timely notification can be provided to clients.

Finally, future data analyses of EITC utilization by VDSS clients could be improved by expanding the file sent for matching to the Virginia Department of Taxation to include adults under 25 years old with children, because many of these individuals will be EITC-eligible. Including additional ADAPT fields in the file, especially marital status and number of children, would enable more accurate estimates of the potential EITC amount for clients who did not file a state tax return.

Figure 1
EITC Eligibility and Participation in 2006
for Medicaid, Food Stamps, and TANF Clients in Virginia

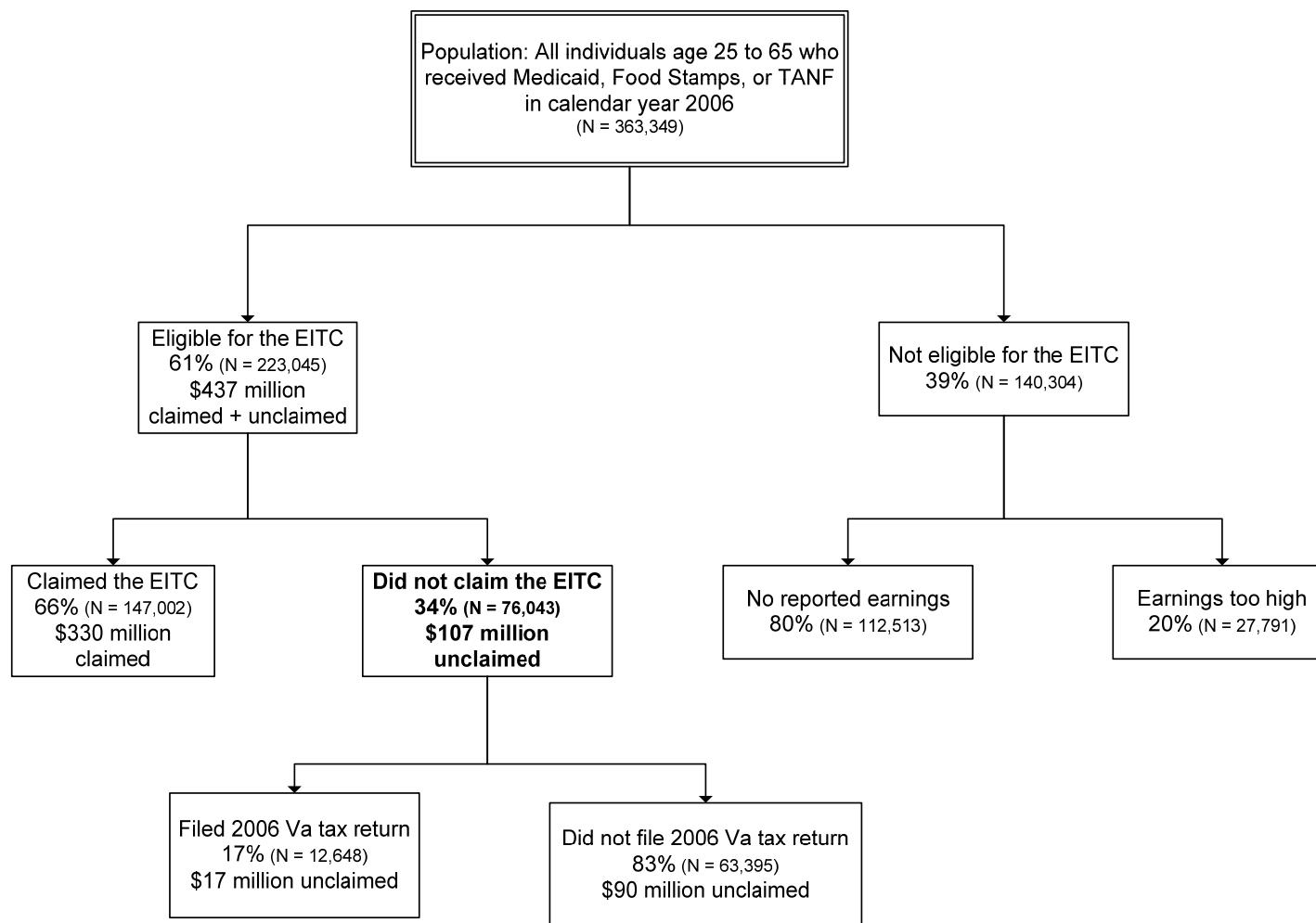


Table 1
Estimated EITC Amounts Claimed and Unclaimed by VDSS Clients, and Number of Households
By Locality, 2006

FIPs	Locality Name	EITC Claimed		EITC Unclaimed		Percent of Eligible Households Claiming EITC
		Amount	Households	Amount	Households	
760	Richmond city	\$16,896,000	6,533	\$7,268,000	5,421	55%
710	Norfolk city	\$18,705,000	6,852	\$7,088,000	4,936	58%
059	Fairfax County	\$21,994,000	8,116	\$6,525,000	3,898	68%
810	Virginia Beach city	\$13,465,000	5,001	\$4,914,000	3,109	62%
700	Newport News city	\$13,129,000	4,853	\$4,706,000	3,122	61%
153	Prince William County	\$10,536,000	3,925	\$3,594,000	2,133	65%
087	Henrico County	\$11,178,000	4,200	\$3,530,000	2,195	66%
650	Hampton city	\$8,651,000	3,201	\$3,273,000	2,150	60%
041	Chesterfield County	\$9,108,000	3,460	\$3,268,000	1,973	64%
770	Roanoke city	\$7,659,000	3,065	\$2,850,000	2,115	59%
740	Portsmouth city	\$8,701,000	3,096	\$2,693,000	1,885	62%
550	Chesapeake city	\$8,620,000	3,097	\$2,575,000	1,688	65%
800	Suffolk city	\$4,918,000	1,687	\$1,592,000	1,079	61%
680	Lynchburg city	\$5,060,000	1,931	\$1,486,000	1,095	64%
590	Danville city	\$5,253,000	1,926	\$1,353,000	1,172	62%
730	Petersburg city	\$3,676,000	1,376	\$1,322,000	976	59%
510	Alexandria city	\$4,006,000	1,532	\$1,304,000	864	64%
177	Spotsylvania County	\$3,313,000	1,274	\$1,304,000	813	61%
013	Arlington County	\$3,662,000	1,442	\$1,286,000	790	65%
107	Loudoun County	\$3,226,000	1,246	\$1,161,000	723	63%
143	Pittsylvania County	\$4,194,000	1,601	\$1,126,000	822	66%
540	Charlottesville city	\$2,242,000	886	\$1,104,000	743	54%
121	Montgomery County	\$2,790,000	1,135	\$1,082,000	719	61%
089	Henry County	\$4,447,000	1,724	\$1,073,000	795	68%
161	Roanoke County	\$3,426,000	1,305	\$1,058,000	711	65%
179	Stafford County	\$2,589,000	986	\$1,038,000	630	61%
191	Washington County	\$2,749,000	1,089	\$1,008,000	663	62%
003	Albemarle County	\$2,086,000	808	\$1,000,000	597	58%
031	Campbell County	\$2,991,000	1,178	\$872,000	630	65%
001	Accomack County	\$2,905,000	1,026	\$832,000	608	63%
165	Rockingham County	\$2,765,000	1,105	\$820,000	542	67%
520	Bristol city	\$1,219,000	460	\$816,000	623	42%
185	Tazewell County	\$3,183,000	1,287	\$812,000	605	68%
660	Harrisonburg city	\$2,065,000	814	\$807,000	529	61%
015	Augusta County	\$2,400,000	961	\$784,000	505	66%
670	Hopewell city	\$2,278,000	868	\$772,000	563	61%
019	Bedford County	\$2,129,000	845	\$734,000	469	64%
195	Wise County	\$3,164,000	1,315	\$721,000	550	71%
067	Franklin County	\$2,973,000	1,182	\$701,000	483	71%
069	Frederick County	\$2,053,000	809	\$673,000	438	65%
083	Halifax County	\$3,042,000	1,114	\$671,000	510	69%
630	Fredericksburg city	\$1,252,000	521	\$640,000	434	55%
085	Hanover County	\$1,772,000	699	\$640,000	436	62%
683	Manassas city	\$1,365,000	506	\$625,000	341	60%
117	Mecklenburg County	\$2,535,000	895	\$593,000	427	68%

Table 1
Estimated EITC Amounts Claimed and Unclaimed by VDSS Clients, and Number of Households
By Locality, 2006

FIPs	Locality Name	EITC Claimed		EITC Unclaimed		Percent of Eligible Households Claiming EITC
		Amount	Households	Amount	Households	
073	Gloucester County	\$1,320,000	541	\$584,000	386	58%
169	Scott County	\$1,264,000	505	\$582,000	354	59%
061	Fauquier County	\$1,291,000	501	\$578,000	350	59%
047	Culpeper County	\$1,717,000	672	\$572,000	354	65%
095	James City County	\$1,986,000	745	\$569,000	372	67%
155	Pulaski County	\$1,943,000	844	\$568,000	494	63%
033	Caroline County	\$1,538,000	604	\$558,000	345	64%
053	Dinwiddie County	\$1,531,000	584	\$558,000	392	60%
173	Smyth County	\$2,562,000	1,035	\$553,000	411	72%
820	Waynesboro city	\$1,375,000	560	\$553,000	366	60%
009	Amherst County	\$1,691,000	656	\$545,000	350	65%
790	Staunton city	\$1,458,000	566	\$522,000	341	62%
690	Martinsville city	\$1,788,000	695	\$503,000	387	64%
187	Warren County	\$1,384,000	563	\$496,000	303	65%
093	Isle of Wight County	\$1,402,000	506	\$491,000	351	59%
109	Louisa County	\$1,293,000	496	\$484,000	311	61%
840	Winchester city	\$1,166,000	469	\$482,000	331	59%
167	Russell County	\$2,197,000	923	\$473,000	365	72%
035	Carroll County	\$2,168,000	890	\$458,000	355	71%
147	Prince Edward County	\$1,605,000	569	\$440,000	329	63%
197	Wythe County	\$1,904,000	782	\$428,000	354	69%
171	Shenandoah County	\$1,725,000	675	\$426,000	296	70%
139	Page County	\$1,419,000	580	\$411,000	281	67%
131	Northampton County	\$1,398,000	509	\$400,000	305	63%
025	Brunswick County	\$1,484,000	556	\$397,000	267	68%
175	Southampton County	\$1,152,000	412	\$390,000	253	62%
105	Lee County	\$2,393,000	918	\$380,000	311	75%
199	York County	\$1,037,000	387	\$378,000	244	61%
135	Nottoway County	\$1,166,000	453	\$367,000	254	64%
193	Westmoreland County	\$1,140,000	436	\$360,000	250	64%
149	Prince George County	\$955,000	366	\$360,000	226	62%
099	King George County	\$697,000	289	\$350,000	220	57%
137	Orange County	\$1,125,000	441	\$349,000	231	66%
029	Buckingham County	\$1,149,000	437	\$327,000	226	66%
027	Buchanan County	\$1,592,000	667	\$319,000	253	73%
141	Patrick County	\$1,408,000	585	\$310,000	239	71%
620	Franklin city	\$938,000	340	\$305,000	218	61%
163	Rockbridge County	\$903,000	366	\$298,000	210	64%
640	Galax city	\$638,000	263	\$282,000	188	58%
079	Greene County	\$764,000	297	\$281,000	169	64%
063	Floyd County	\$757,000	308	\$272,000	171	64%
037	Charlotte County	\$989,000	364	\$272,000	182	67%
077	Grayson County	\$1,237,000	488	\$268,000	191	72%
011	Appomattox County	\$977,000	379	\$267,000	193	66%
125	Nelson County	\$663,000	276	\$263,000	165	63%

Table 1
Estimated EITC Amounts Claimed and Unclaimed by VDSS Clients, and Number of Households
By Locality, 2006

FIPs	Locality Name	EITC Claimed		EITC Unclaimed		Percent of Eligible Households Claiming EITC
		Amount	Households	Amount	Households	
071	Giles County	\$887,000	363	\$261,000	200	64%
183	Sussex County	\$749,000	269	\$259,000	185	59%
570	Colonial Heights city	\$730,000	279	\$259,000	150	65%
133	Northumberland County	\$671,000	237	\$255,000	166	59%
049	Cumberland County	\$755,000	281	\$254,000	164	63%
051	Dickenson County	\$1,155,000	513	\$242,000	189	73%
057	Essex County	\$872,000	334	\$241,000	165	67%
065	Fluvanna County	\$643,000	240	\$228,000	145	62%
005	Alleghany County	\$962,000	414	\$228,000	161	72%
007	Amelia County	\$589,000	238	\$215,000	145	62%
111	Lunenburg County	\$1,109,000	411	\$211,000	163	72%
119	Middlesex County	\$516,000	209	\$210,000	139	60%
101	King William County	\$559,000	215	\$199,000	124	63%
081	Greenville County	\$715,000	252	\$198,000	147	63%
750	Radford city	\$497,000	226	\$197,000	143	61%
103	Lancaster County	\$839,000	298	\$194,000	132	69%
023	Botetourt County	\$696,000	274	\$191,000	126	69%
181	Surry County	\$411,000	160	\$176,000	104	61%
145	Powhatan County	\$415,000	174	\$172,000	122	59%
685	Manassas Park city	\$507,000	199	\$172,000	93	68%
115	Mathews County	\$327,000	125	\$159,000	101	55%
159	Richmond County	\$533,000	208	\$158,000	111	65%
515	Bedford city	\$490,000	199	\$143,000	120	62%
595	Emporia city	\$652,000	233	\$141,000	128	65%
127	New Kent County	\$325,000	127	\$140,000	81	61%
830	Williamsburg city	\$353,000	127	\$133,000	93	58%
075	Goochland County	\$335,000	135	\$131,000	93	59%
097	King and Queen County	\$402,000	163	\$126,000	81	67%
113	Madison County	\$478,000	190	\$124,000	82	70%
036	Charles City County	\$316,000	140	\$124,000	79	64%
043	Clarke County	\$224,000	91	\$112,000	74	55%
580	Covington city	\$552,000	230	\$108,000	75	75%
530	Buena Vista city	\$404,000	164	\$101,000	72	69%
720	Norton city	\$300,000	146	\$98,000	73	67%
735	Poquoson city	\$195,000	69	\$78,000	47	59%
157	Rappahannock County	\$175,000	64	\$70,000	38	63%
678	Lexington city	\$101,000	39	\$66,000	40	49%
021	Bland County	\$304,000	125	\$60,000	41	75%
045	Craig County	\$250,000	95	\$55,000	38	71%
017	Bath County	\$172,000	65	\$48,000	33	66%
091	Highland County	\$89,000	38	\$36,000	23	62%
Total		\$329,921,000	125,796	\$109,707,000	74,147	

Appendix—Determining Eligibility for the EITC

For clients who filed a 2006 Virginia tax return, we used actual filing status, number of dependents, and federal adjusted gross income (AGI) to determine whether someone appeared to be eligible for the EITC. The AGI ceiling for EITC eligibility depends on a household's filing status and number of dependents.

For clients who did not file a 2006 Virginia tax return, we inferred EITC eligibility using 2006 earnings data from two sources:

- Earnings for FY2006 as reported by employers to the Virginia Employment Commission (quarterly earnings data from the Unemployment Insurance system); and
- Income reported by clients to VDSS.

Clients who had no 2006 earnings in the Unemployment Insurance (UI) system and reported no earnings to VDSS were assumed to be ineligible. Because not all employment is covered by the UI system, some of these clients may have worked and been eligible for the EITC.

A small number of clients who did not file a return were assumed to be EITC-ineligible because they had earnings above the 2006 maximum of \$38,348.

The remaining clients who did not file a return were assumed to be eligible. These clients had 2006 earnings. However, because they did not file a 2006 state tax return, we do not know their filing status or number of dependents. Some of these clients were probably ineligible because their earnings were above the threshold for their filing status and number of dependents, especially if they had no qualifying children. Some would have filed a joint return, and the other person's earnings may have made them ineligible.

Overall, it is unclear whether we underestimated or overestimated the number of clients in the sample who were eligible for the EITC.

ⁱ Greenstein, Robert. 2005. “The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor.” Washington, DC: Center on Budget and Policy Priorities.

ⁱⁱ Spar, Karen. 2006. *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002–FY2004*, Table 14. Washington DC: Congressional Research Service.

ⁱⁱⁱ Greenstein, *op. cit.*

^{iv} Joint Legislative Audit and Review Commission. 2006. [Self-Sufficiency Among Social Services Clients in Virginia](#). House Document No. 33. Page 97.

^v [Code of Virginia §58.1-3](#)

^{vi} ADAPT data on marital status and number of children could be used to create a more accurate estimate of the potential EITC amount for clients who did not file a state tax return. These data, however, were not included in the ADAPT extract created for the match to Department of Taxation records.

^{vii} Data on the number of dependents were available for VDSS clients in the sample who submitted a 2006 Virginia tax return. (52 percent of the VDSS clients in the sample submitted a 2006 tax return.) For the remaining clients, we determined eligibility using the maximum earnings threshold for the EITC.

^{viii} Hotz, V. Joseph, Charles Mullin, and John Karl Scholz. 2005. "Examining the Effect of the Earned Income Tax Credit on the Labor Market Participation of Families on Welfare." Unpublished manuscript.

^{ix} Hirasuna, Donald, and Thomas Stinson. 2006. "Earned Income Credit Utilization by Welfare Recipients: A Case Study of Minnesota's Earned Income Credit Program." Journal of Policy Analysis and Management 26(1), pp. 125-148.

^x Blumenthal, Marsha, Brian Erard, and Chih-Chin Ho. 2005. "Participation and Compliance with the Earned Income Tax Credit." National Tax Journal LVIII(2), pp. 189-213.

^{xi} The data from the Virginia Department of Taxation do not include the EITC amount. We therefore estimated the EITC amount based on each client's federal adjusted gross income, filing status (married or single), and the number of dependents (0, 1, and 2 or more). The estimated average 2006 Earned Income Credit is \$3,225 for VDSS clients with two or more dependents, \$2,113 for clients with one dependent, and \$259 for clients with no dependents.

^{xii} <http://www.irs-eitec.info/SPEC/>

^{xiii} For a discussion of the local economic impacts of the EITC, see: Berube, Alan. 2006. "Using the Earned Income Tax Credit to Stimulate Local Economies." The Brookings Institution.

http://www.brookings.edu/reports/2006/11childrenfamilies_berube.aspx

^{xiv} Thirty-seven percent of tax filers who appear to be eligible for the EITC but did not claim it had no dependents, compared to only 8.5 percent of tax filers who did claim the EITC. Further, based on VEC data, average 2006 earnings for eligible non-claimants were about half the average 2006 earnings of EITC claimants.

^{xv} Some small proportion may have filed a federal tax return and claimed the EITC even though they did not file a state tax return. Also, a small proportion of these clients may have moved from Virginia and filed taxes and claimed the EITC in another state.

^{xvi} Individuals are required to file a state tax return if their adjusted gross income is \$7,000 or more for single residents, and \$14,000 or more for married residents.

^{xvii} Our analysis shows 147,000 VDSS clients received the EITC, but this does not include VDSS clients in programs other than Medicaid, Food Stamps, and TANF. The count also does not include Medicaid, Food Stamps, and TANF cases headed by clients under 25 years of age.

^{xviii} JLARC *op. cit.*, p. 101.