

MONEY MATTERS...\$...\$...\$

FOR KIDS, FOR COMMUNITIES, FOR KENTUCKY

A Fiscal and Budget Policy
Research Brief

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Special points of interest:

- Kentucky experienced an increase of \$21 million in EITC benefits from the previous tax year.
- The percentage of individual tax-filers in Kentucky claiming the EITC remained stable in Tax Year 2001, though still above the national average.
- The percentage of Kentucky's total state personal income represented by the EITC remained unchanged, at 0.5%, from the previous tax year.



KENTUCKY YOUTH ADVOCATES

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The Federal Earned Income Tax Credit *What it Meant for Kentucky and the Nation in Tax Year 2001*

The federal earned income tax credit (EITC) is a program that assists working individuals and families with below average incomes by reducing the amount of federal income taxes they pay. The EITC is widely recognized as an effective and efficient means of providing targeted tax relief, particularly to families with children. In many situations, the federal EITC also provides additional tax relief via a cash refund to qualified claimants. Furthermore, the EITC improves state and local economies by bringing additional funds into local communities.

New Data

Recently, the Center on Budget and Policy Priorities obtained unpublished federal EITC data from the Internal Revenue Service (IRS). Using this data, we report EITC figures as they relate to Kentucky and the nation as a whole.

Federal EITC Highlights for Tax Year 2001

In Kentucky, more than \$496 million in EITC benefits were claimed by 304,572 tax-filers.

— Nationwide, more than \$33 billion in EITC benefits were claimed by more than 19 million tax-filers.

AK had the lowest amount claimed, \$43 million claimed by 32,000 tax-filers.

CA had the highest amount claimed, \$3.8 billion claimed by 2.2 million tax-filers.

In Kentucky, 17.3% of all individual income tax-filers claimed the federal EITC.

— The national average was 15.0%.

NH had the lowest state claim rate, 8.3%; MS the highest, 29.8%.

In Kentucky, the average EITC benefit per claimant was \$1,629.

— The national average was \$1,691.

AK had the lowest state average, \$1,355; MS had the highest, \$1,980.

In Kentucky, the average EITC benefit per tax-filer was \$282.

— The national average was \$254.

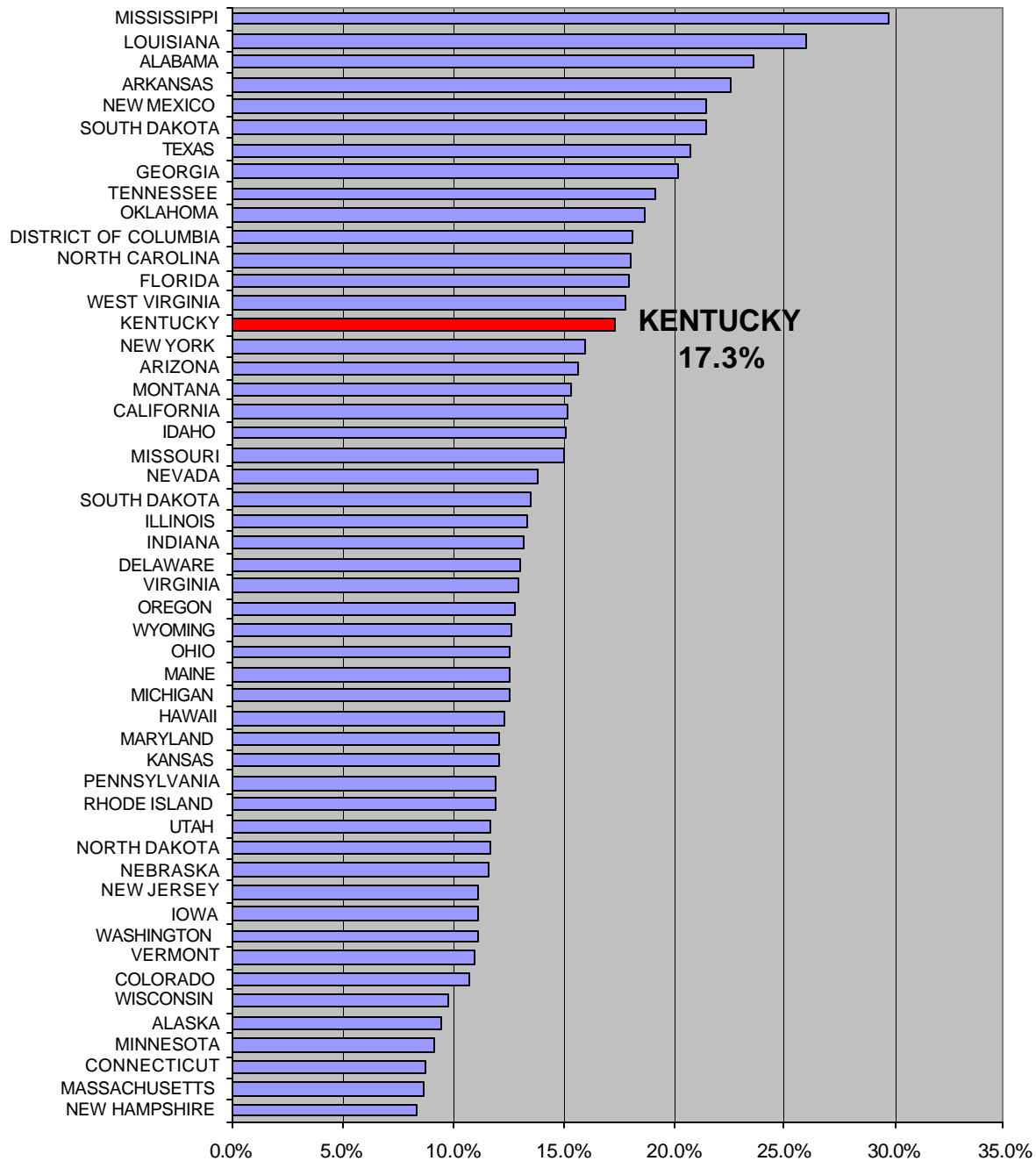
NH had the lowest benefit per tax-filer, \$120; MS had the highest, \$590.

In Kentucky, the federal EITC represented 0.5% of total state personal income.

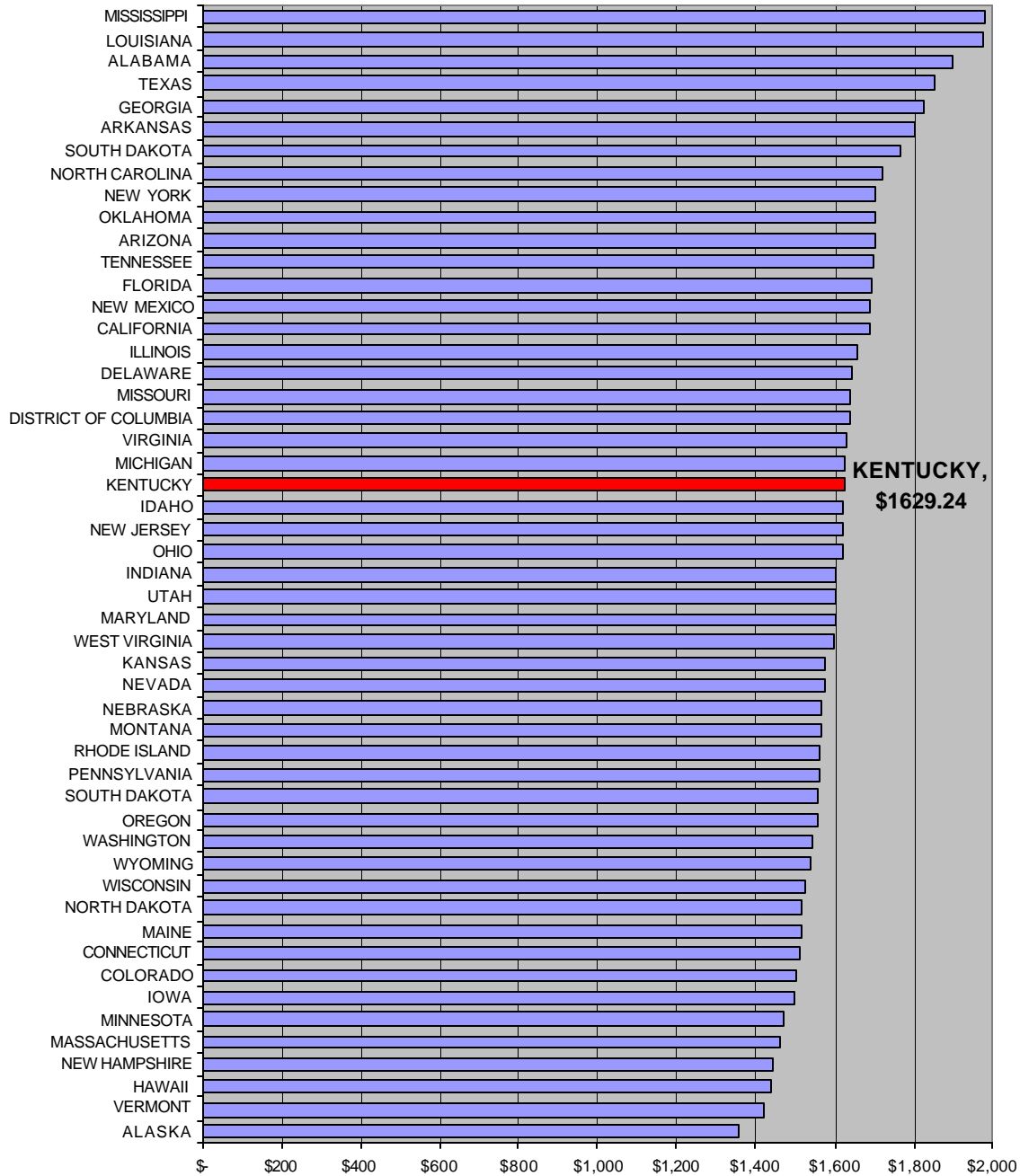
— The national average was 0.4%.

Nine states tied for the lowest, 0.2%; MS had the highest, 1.1%.

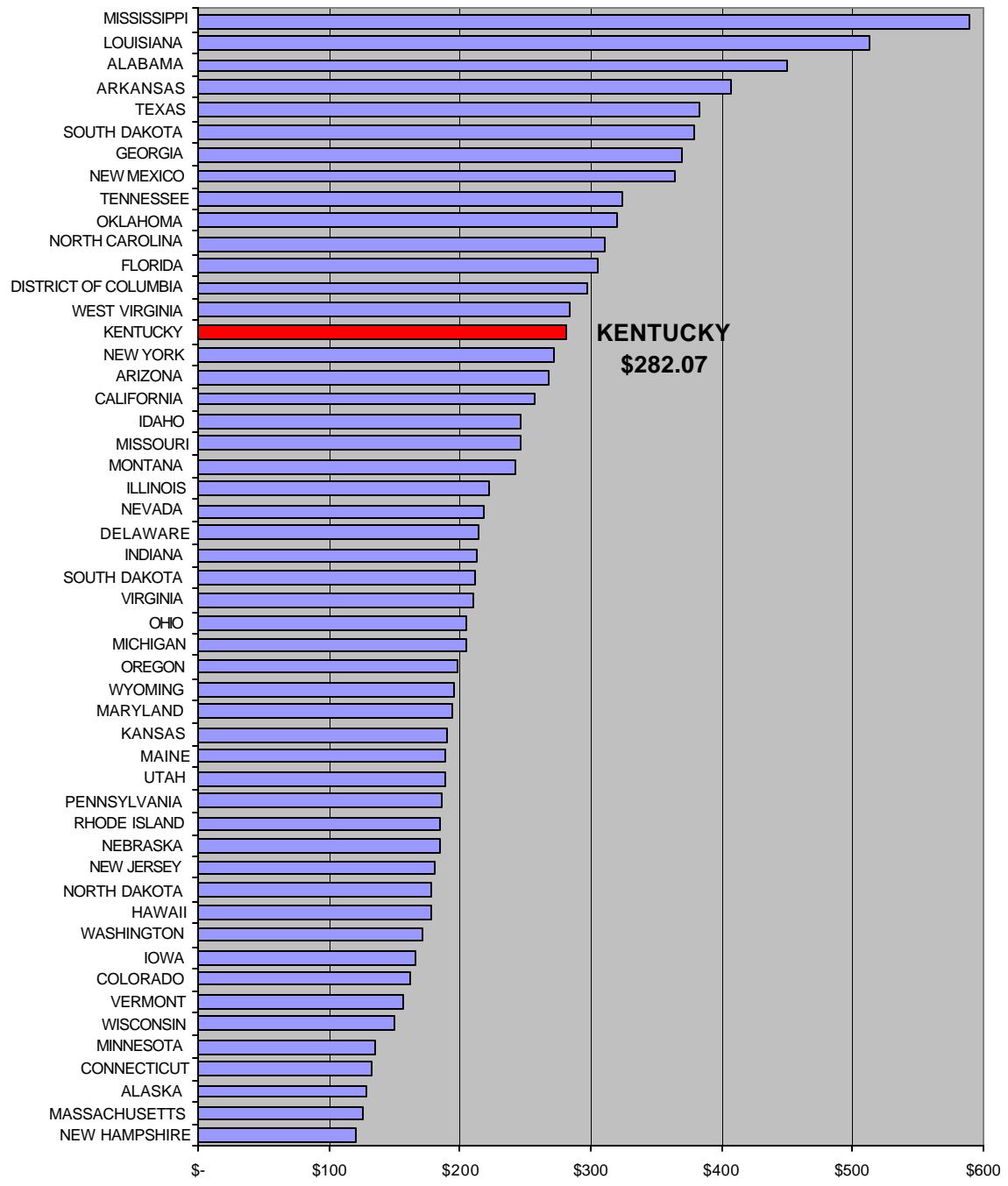
**% of Individual Income Tax-Filers Claiming the Federal EITC by State
(including Washington, D. C.)**

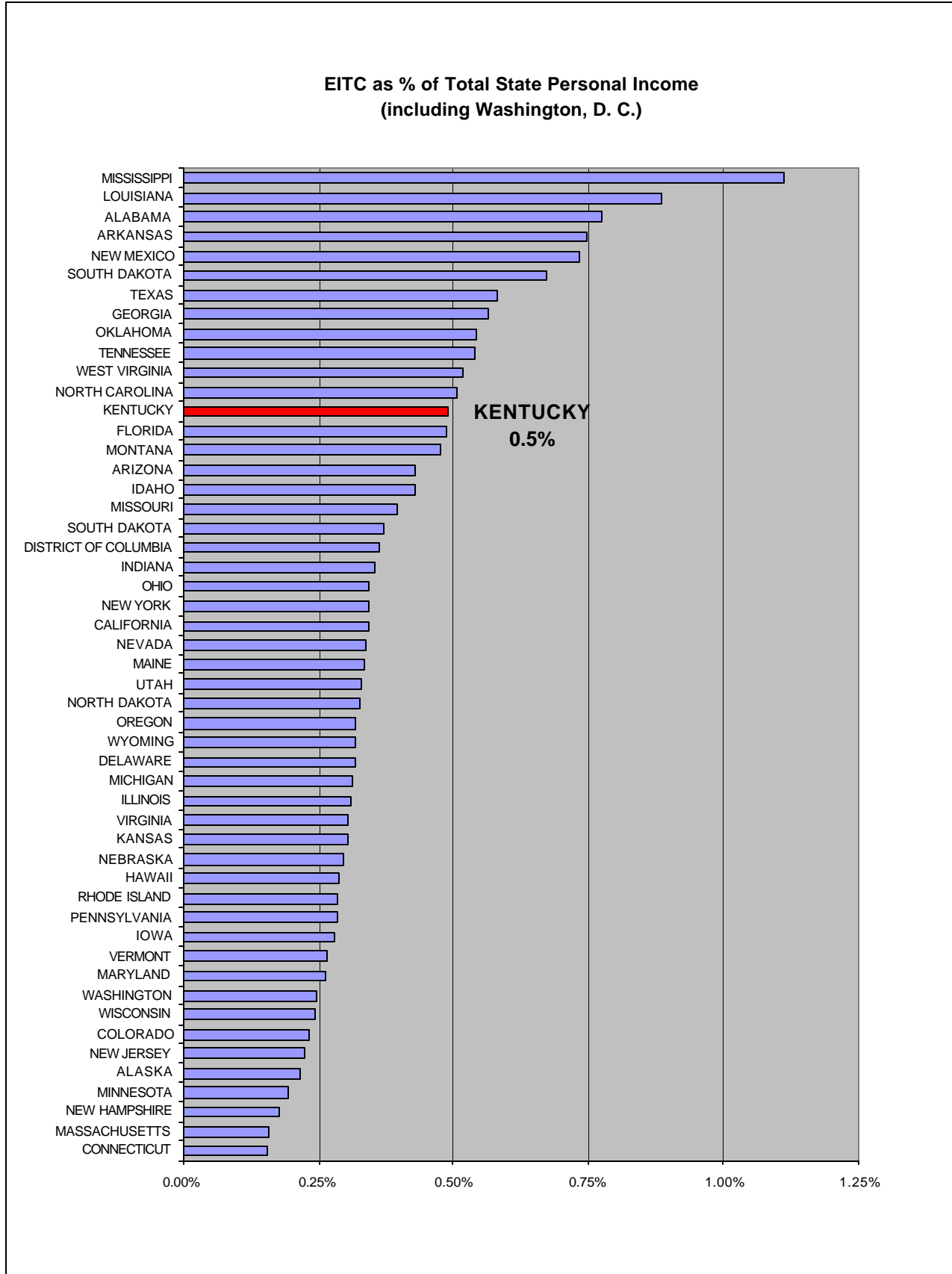


**Average Federal EITC Benefit per Claimant by State
(including Washington, D. C.)**



**Average Federal EITC Benefit per Tax-Filer by State
(including Washington, D. C.)**





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Kentucky's Children"*



The Federal Earned Income Tax Credit

What it Meant for Kentucky and the Nation in Tax Year 2001

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- ? In Kentucky, the average EITC benefit per individual income tax-filer was \$282.