

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

FOR KIDS, FOR COMMUNITIES, FOR KENTUCKY

A Fiscal Policy Research Brief
By Kentucky Youth Advocates

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The Federal Earned Income Tax Credit What it Meant for Kentucky and the Nation in Tax Year 2000 by Rick Graycarek

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.

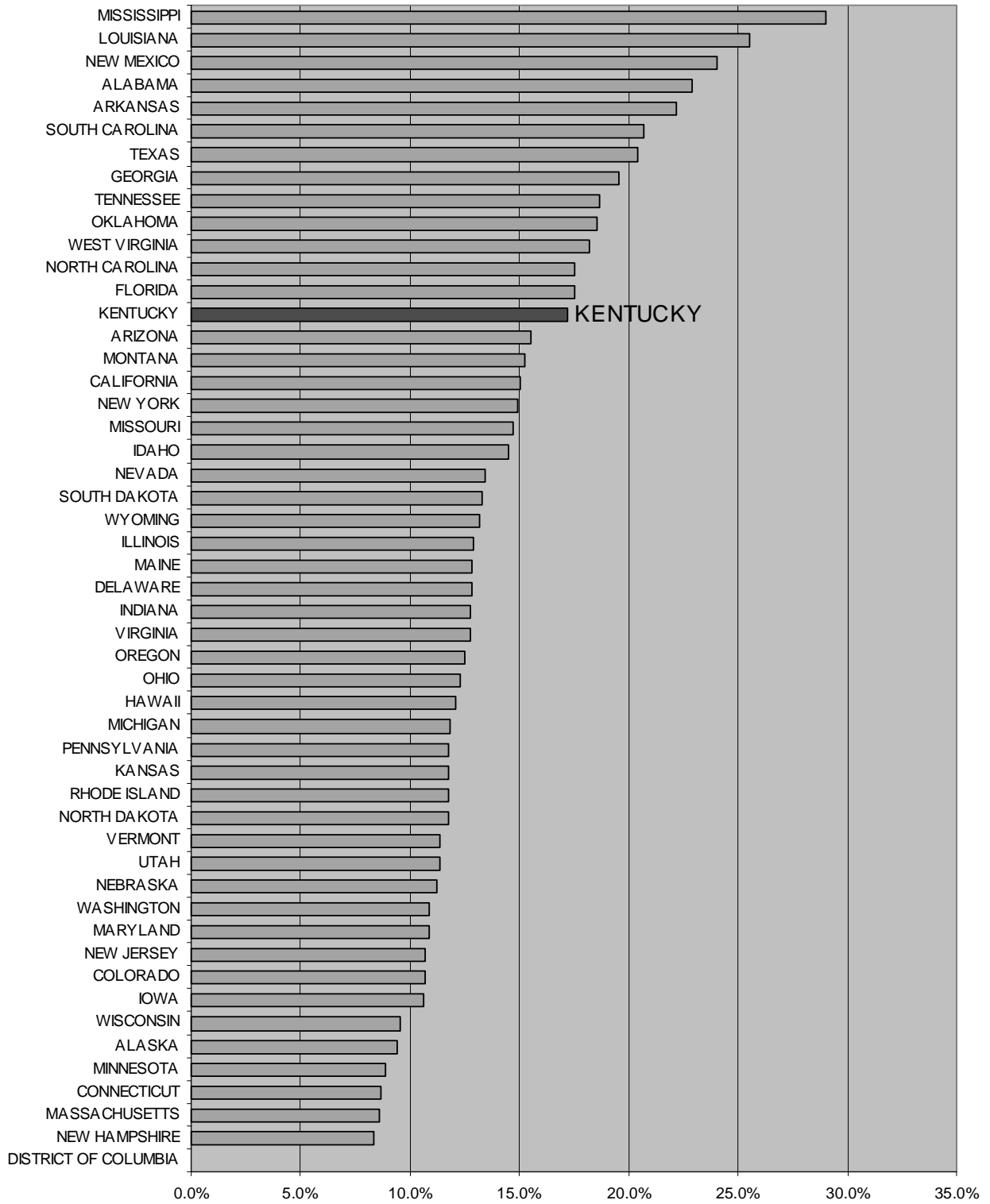
New Data

Recently, the Center on Budget and Policy Priorities obtained unpublished federal EITC data from the Internal Revenue Service (IRS).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 2000

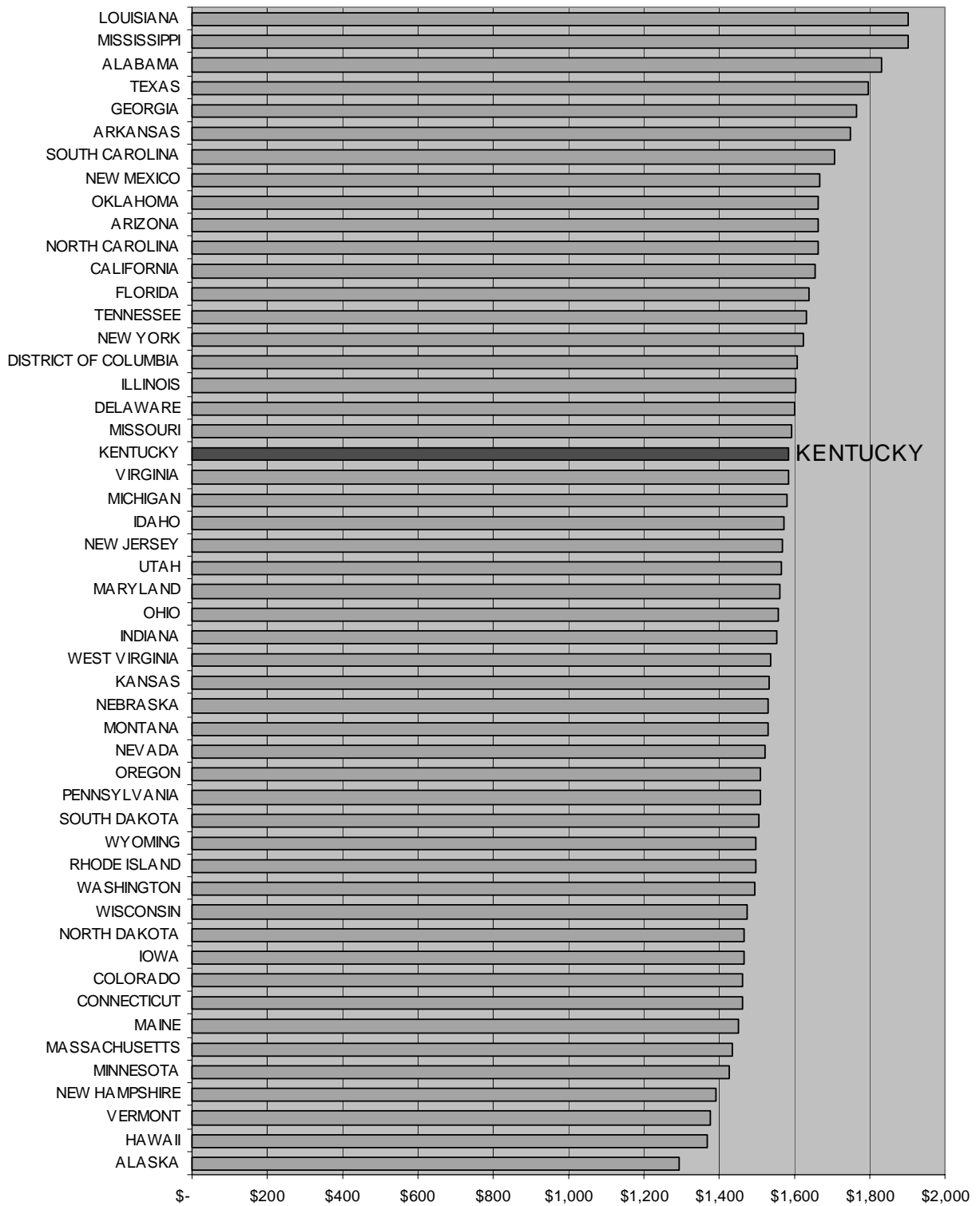
- ✓ **In Kentucky, more than \$475 million in EITC benefits were claimed by 300,000 tax-filers.**
 - Nationwide, more than \$31 billion in EITC benefits were claimed by more than 19 million tax-filers.
- ✓ **In Kentucky, 17.2% of all individual income tax-filers claimed the federal EITC.**
 - The national average was 14.8%.
 - NH had the lowest state claim rate, 8.4%; MS the highest, 29.0%.
- ✓ **In Kentucky, the average EITC benefit per claimant was \$1,585.**
 - The national average was \$1,571.
 - AK had the lowest state average, \$1,292; LA had the highest, \$1,904.
- ✓ **In Kentucky, the average EITC benefit per tax-filer was \$272.**
 - The national average was \$242.
 - NH had the lowest benefit per tax-filer, \$116; MS had the highest, \$552.
- ✓ **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%.
- ✓ **In Kentucky, 96.4% of EITC benefits went to claimants who had one or more children.**
 - The national average was 96.2%.
 - HI had the lowest rate, 93.6%; MS had the highest rate, 98.1%.

% of Individual Income Tax-Filers Claiming the Federal EITC by State

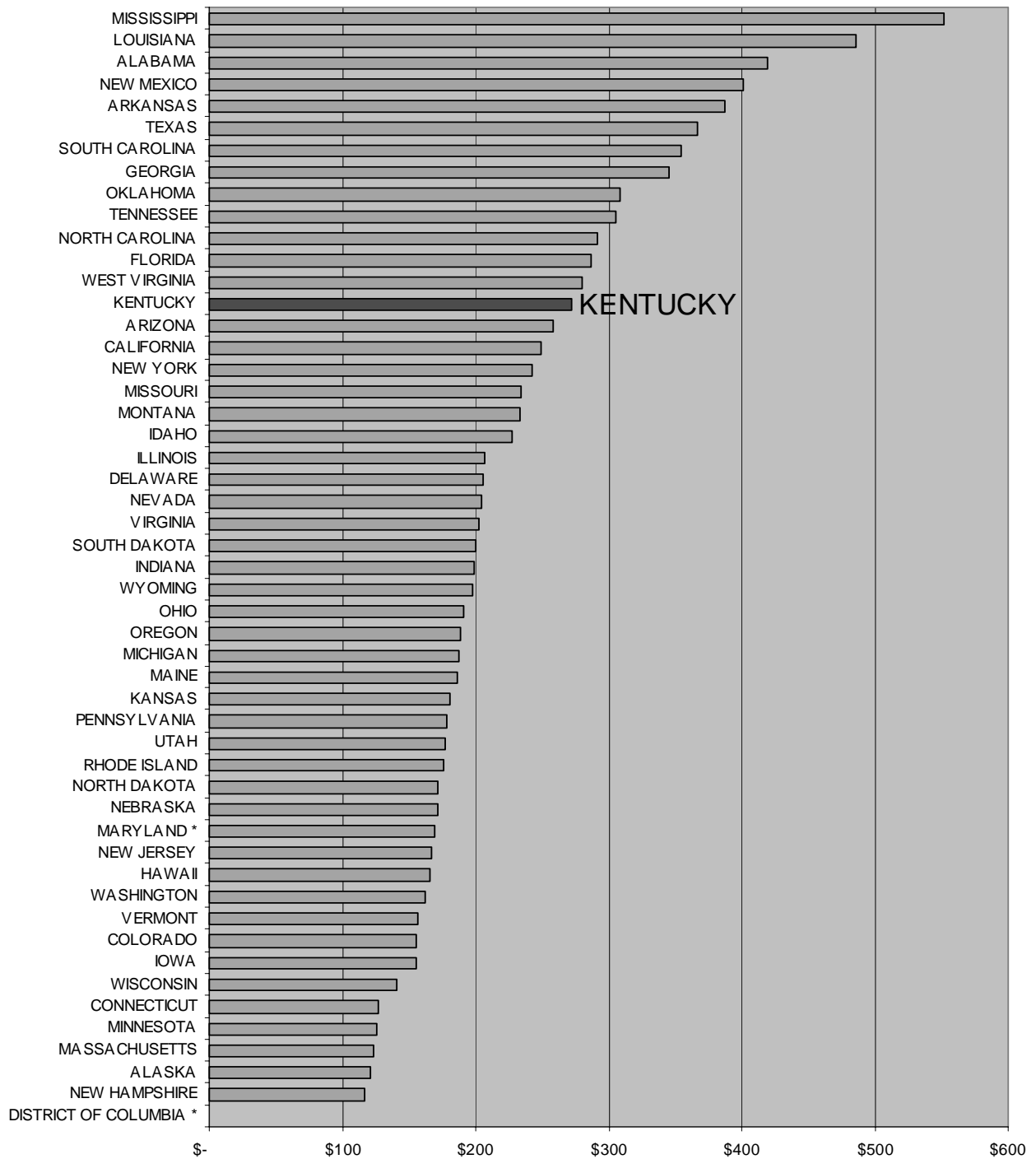


* Washington, D.C. included in MD figures.

Average Federal EITC Benefit per Claimant by State

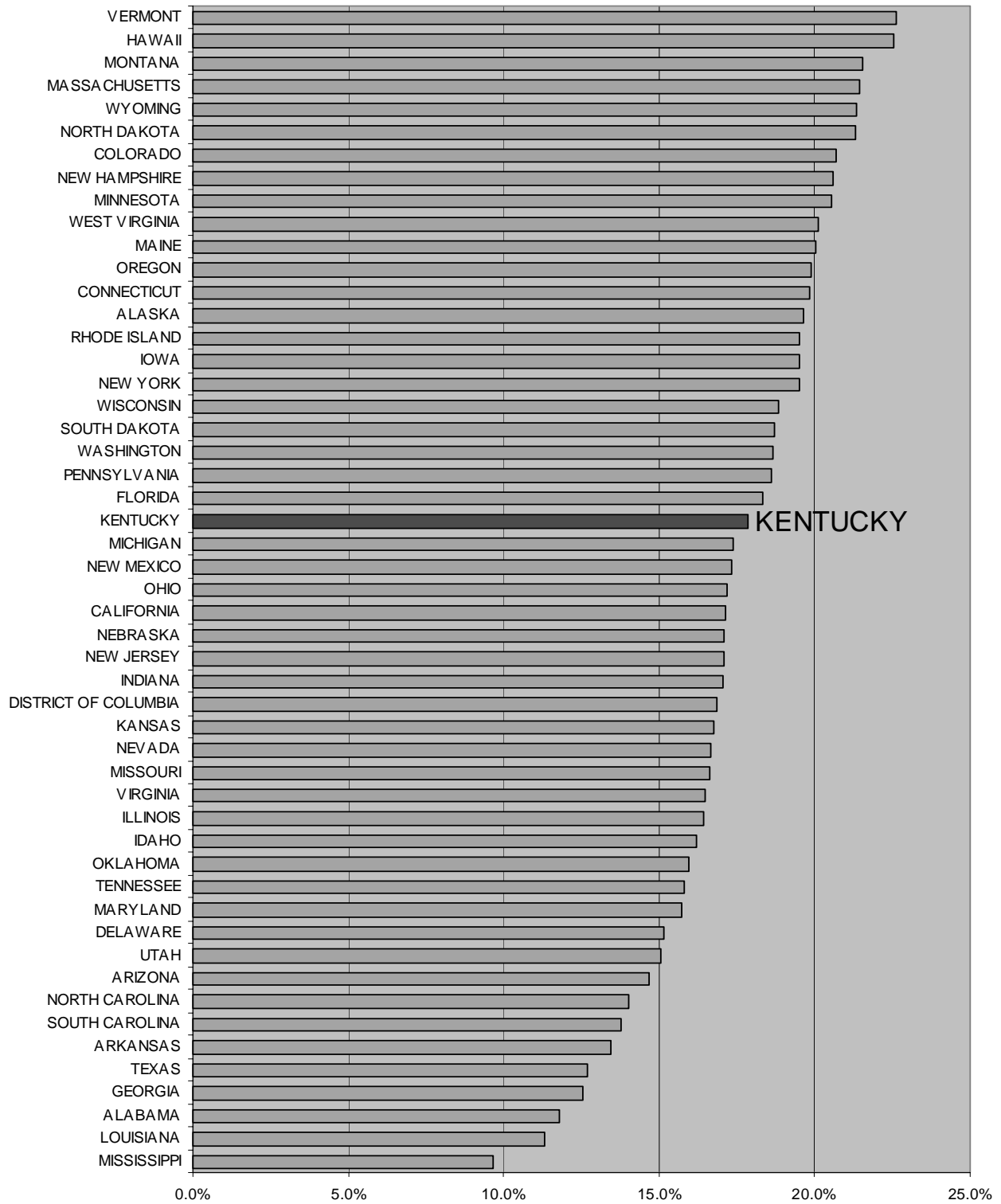


Average Federal EITC Benefit per Tax-Filer by State

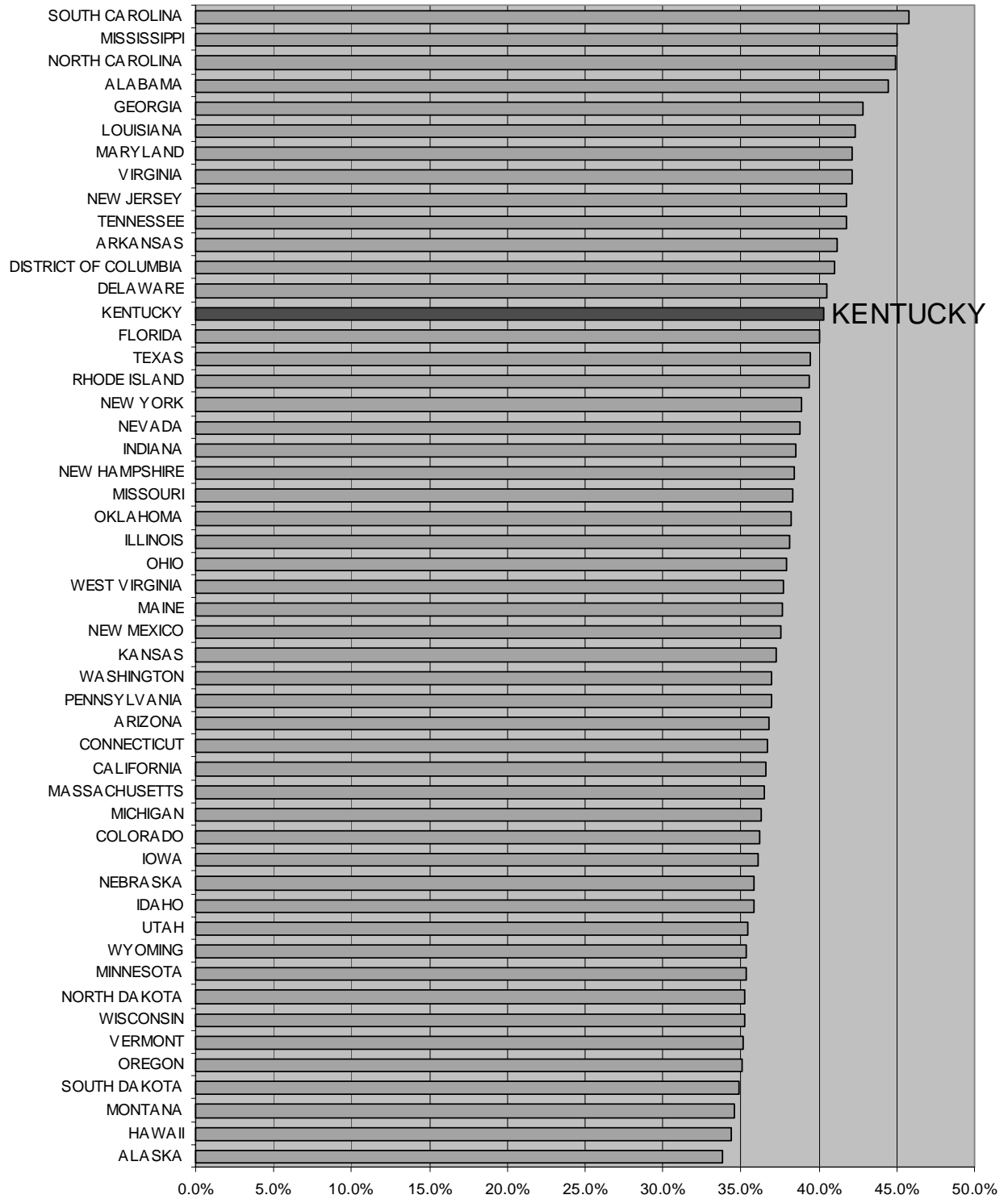


* Washington, D.C. included in MD figure.

% of Federal EITC Claimants with No Children



% of Federal EITC Claimants with One Child



% of Federal EITC Claimants with Two Children by State

