

Evaluating Tax Expenditures. Who Benefits? A Descriptive Analysis using the Earned Income Tax Credit

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DC EITC Overview: TY 2020 Eligibility Schedule

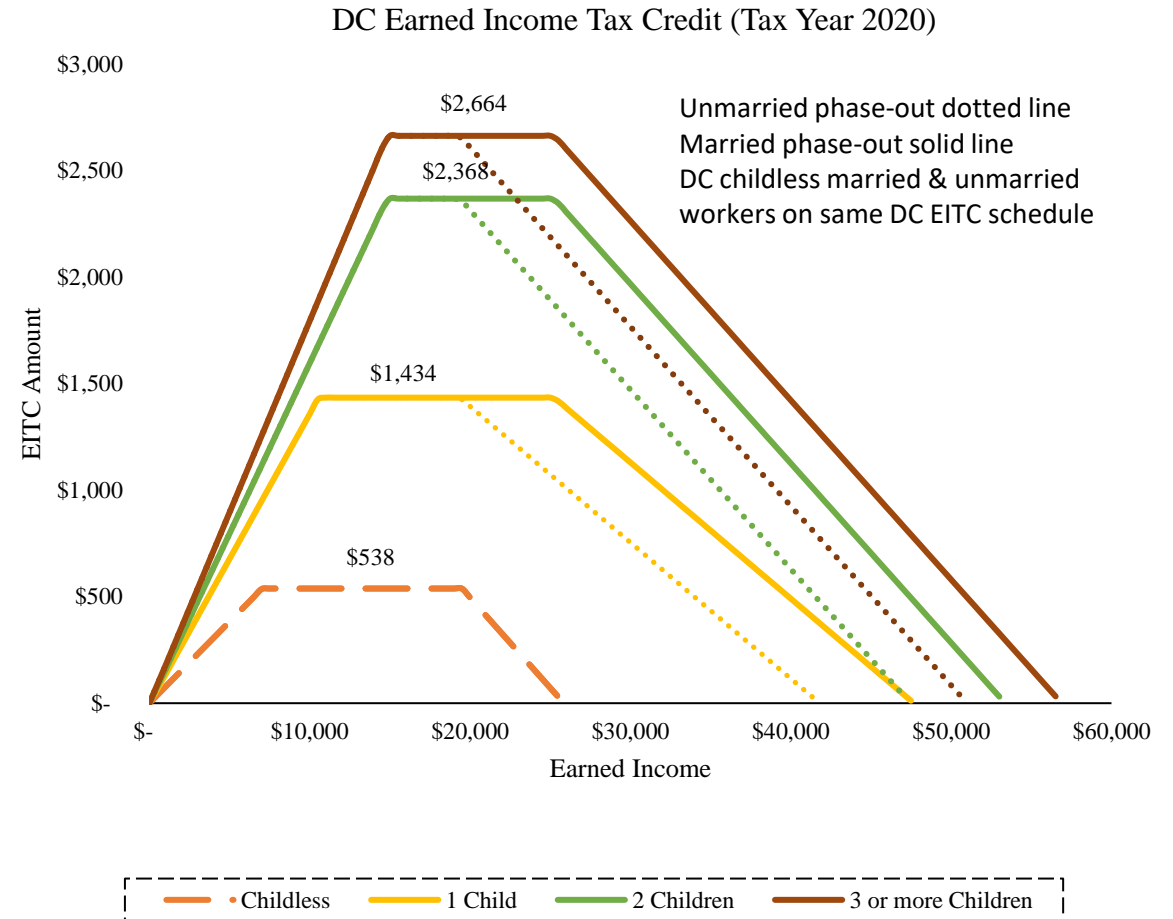


☐ Investment income received must be \$3,650 or less for the year, and a federal adjusted gross income of less than:

- \$15,820 (\$21,710 married filing jointly) with zero qualifying children (\$25,833 for DC EITC)
- \$41,756 (\$467,646 married filing jointly) with one qualifying child
- \$47,440 (\$53,330 married filing jointly) with two qualifying children
- \$50,594 (\$56,844 married filing jointly) with three or more qualifying children

☐ Maximum federal credit amounts:

- \$538 with no qualifying children
- \$3,584 with one qualifying child
- \$5,920 with two qualifying children
- \$6,660 with three or more qualifying children



ACS Demographic Data, DC



1- Year ACS Estimates (2018)

Demographic	Population	< 50% of Federal Poverty Level	< 100% of Federal Poverty Level	< 125% of Federal Poverty Level
Estimated Population	660,642	8.9%	16.6%	20.4%
Age				
Children Under 18	123,351	14.1%	25.6%	31.8%
Adults 18-64	455,807	8.1%	14.6%	17.5%
Adults 65 and Over	81,484	5.5%	14.2%	19.5%
Gender				
Male	312,968	7.8%	14.4%	18.2%
Female	347,674	9.9%	18.7%	22.4%
Race and Ethnicity				
White	238,135	4.4%	6.2%	7.3%
Black	305,419	13.3%	25.8%	31.5%
Hispanic	73,440	6.2%	13.1%	18.1%

Feasible Approaches to Evaluate Who Benefits-Gender

Use existing tax data to impute likely gender identification of taxpayers

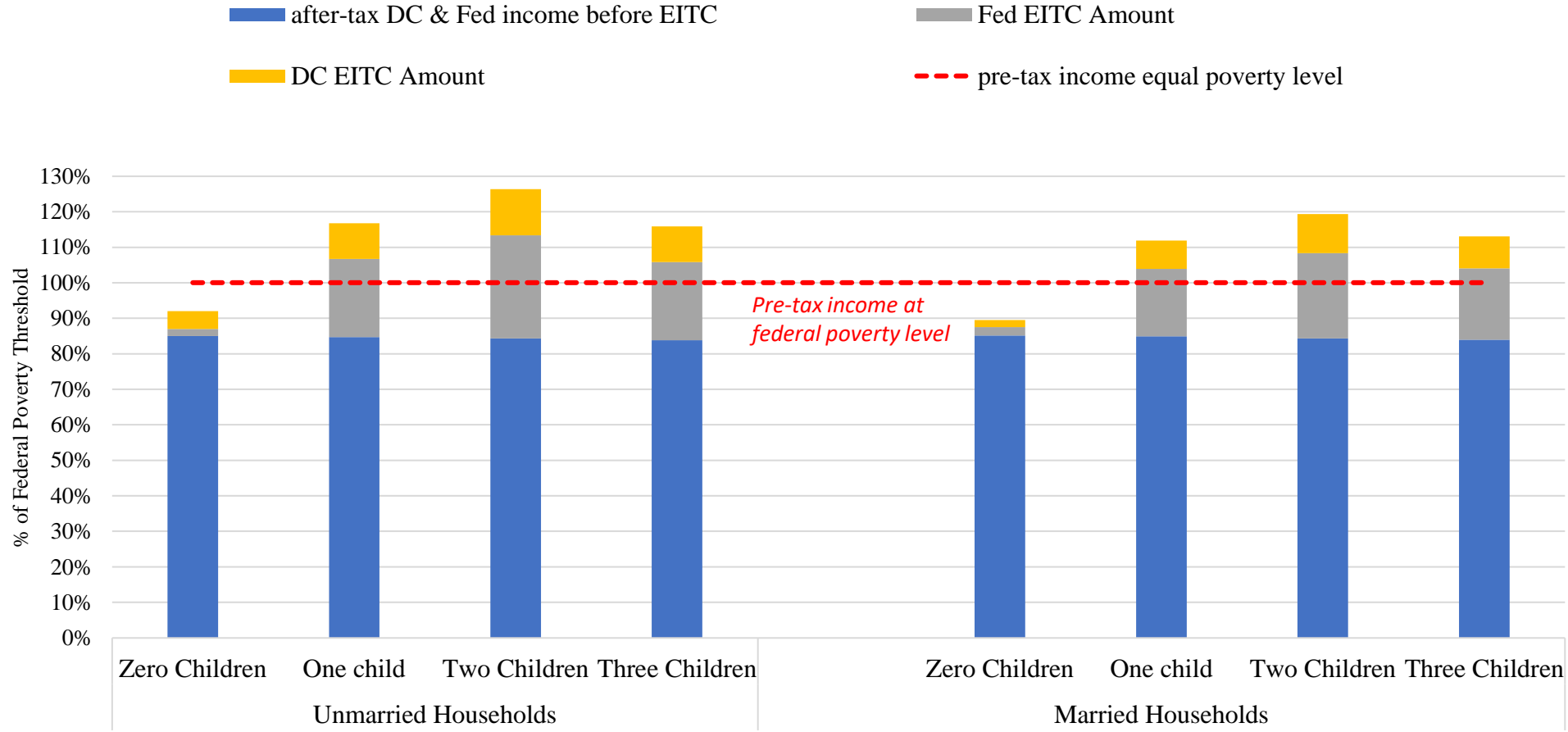
Gender	Observations	Percentage
Female	244,610	43.7%
Male	177,721	31.7%
Unassigned	137,935	24.6%
Total	560,266	100.0%

Gender	Single	Married	Head of Household
Female	11.93%	0.90%	30.83%
Male	15.97%	3.05%	12.69%
Unassigned	8.10%	1.69%	14.82%

Feasible Approaches to Evaluate Who Benefits-Income



Effects of Federal and DC Income Taxes and EITC on an Assumed Taxpayer with Pre-Tax Income at the 2018 Federal Poverty Level



Feasible Approaches to Evaluate Who Benefits-Income



DC Effective Tax Rates with and Without DC EITC for TY 2017

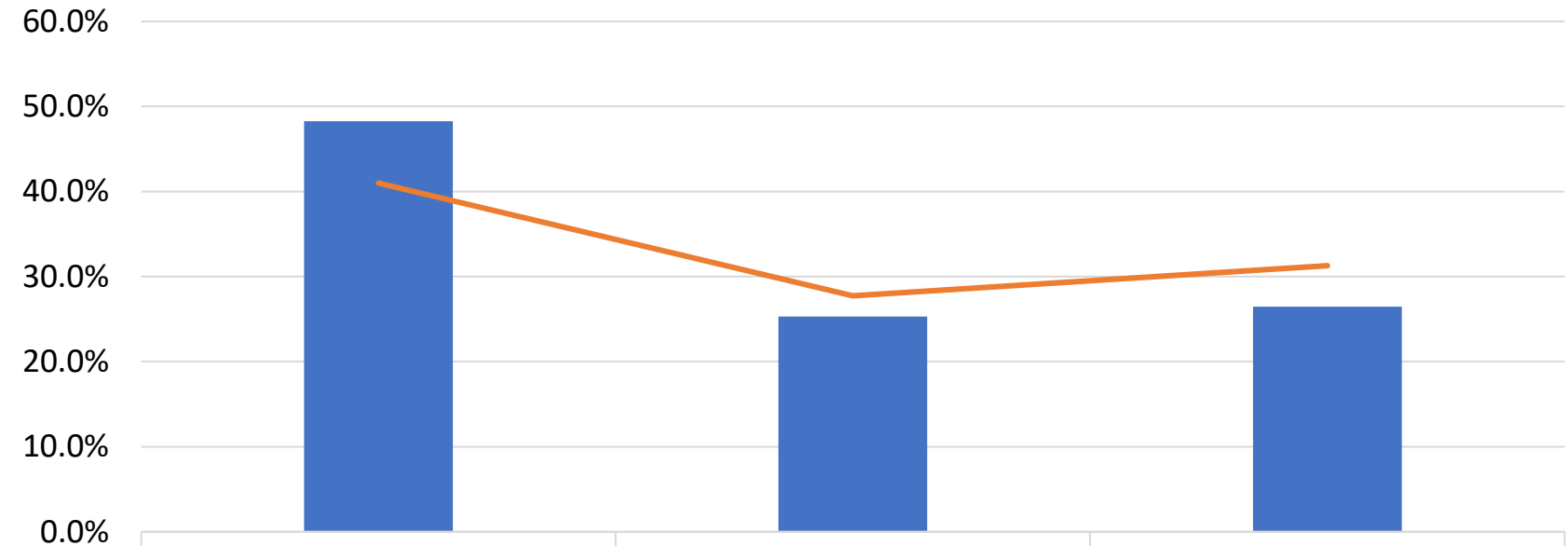
DC FAGI	Average DC Effective Tax Rate		Average Decrease in DC Tax Liability from Credit	Percent of Tax Units Who Receive the Benefit	Share of Total Value of DC EITC
	Without EITC	With EITC			
less than \$10,000	0.67%	0.04%	\$42	24.76%	16.01%
\$10,000-\$19,999	2.15%	0.10%	\$314	36.81%	48.68%
\$20,000-\$29,999	3.15%	0.64%	\$660	23.62%	25.52%
\$30,000-\$39,999	3.72%	1.11%	\$902	12.13%	8.79%
\$40,000-\$49,999	4.07%	2.17%	\$887	2.60%	0.98%
\$50,000-\$59,999	4.37%	2.69%	\$1,010	0.08%	0.02%
\$60,000-\$74,999	4.71%	4.71%	--	--	--
\$75,000-\$99,999	5.29%	5.29%	--	--	--
\$100,000 and Above	6.35%	6.35%	--	--	--

Note: ORA. Households in each income group include both those eligible and ineligible for the EITC. Observations with negative DC adjusted gross income and dependents (individuals claimed by other tax filers) are excluded from their respective income class but included in the totals.

Temporal/Cohort analysis of DC EITC Claimants



Share of Total DC EITC by # of Years and Amount Claimed



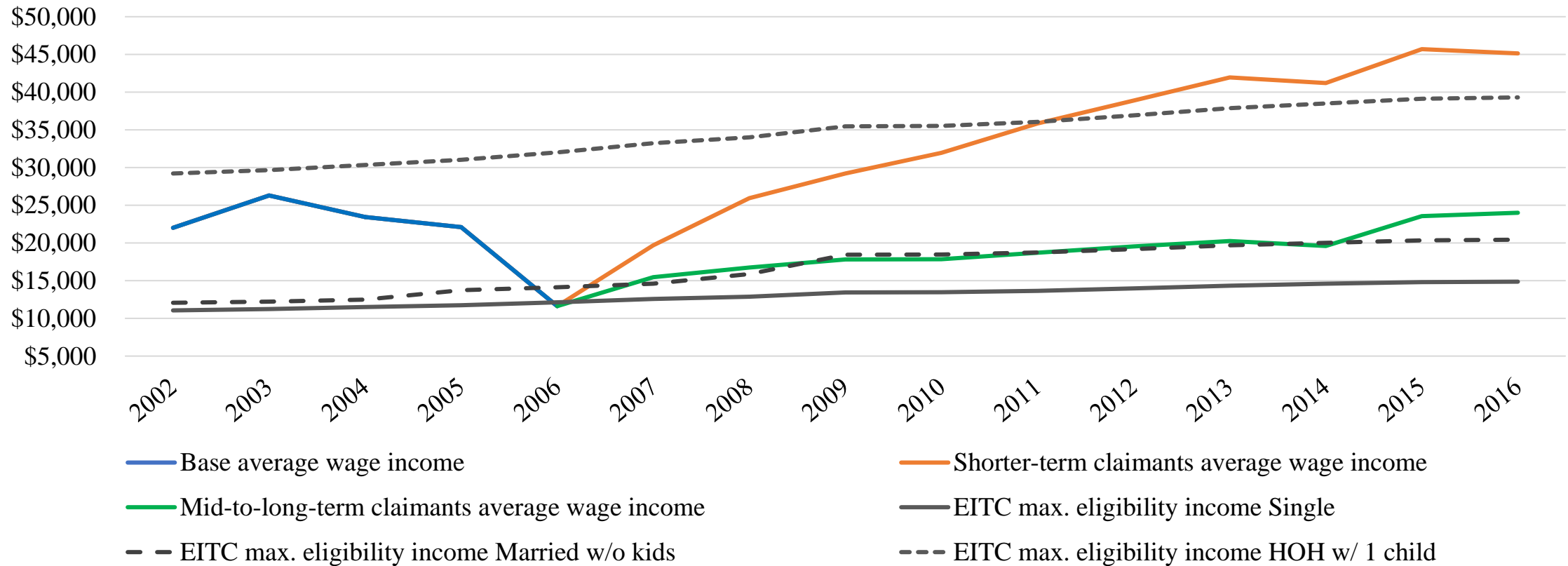
■ Share of Filers who Claimed DC EITC by Total Number of Years

— Share of Total DC EITC Claimed by Filers

Temporal/Cohort analysis of DC EITC Claimants



Average Wage Income



Temporal/Cohort analysis of DC EITC Claimants



Comparison between One-Year, Short-Term, and Long-Term EITC Claimants by Filing Status (2001-2016)

	One-year claimants	Short-term claimants	Long term claimants
	Only One EITC Claimed	Claim EITC for more than a year and at most 5 Years	Claim EITC for at least 10 Years
Filing status	Percent of tax filers	Percent of tax filers	Percent of tax filers
Single	65.6%	41.3%	13.3%
Married	5.2%	5.4%	5.7%
Head of household	29.3%	53.2%	81.0%

Comparison between One-Year, Short-Term, and Long-Term EITC Claimants by Number of Dependents (2006-2016)

	One-year claimants	Short-term claimants	Long-term claimants
	Only One EITC Claimed	Claim EITC for at most 5 Year	Claim EITC for at least 10 Years
Number of Dependents	Percent of tax filers	Percent of tax filers	Percent of tax filers
0	56.8%	29.9%	3.3%
1	24.2%	37.4%	34.5%
2	14.2%	25.0%	46.8%
3+	4.9%	7.7%	15.4%

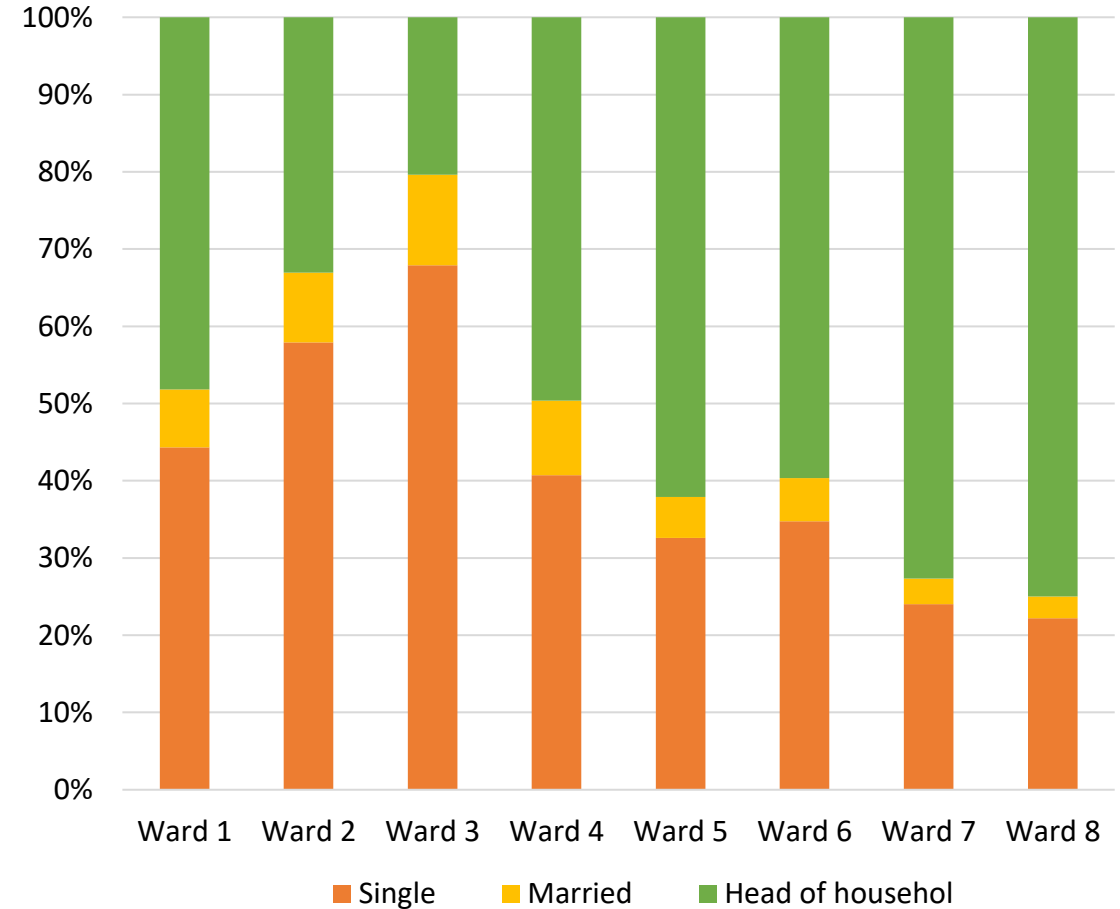
Feasible approaches to evaluate who benefits: Spatial Analysis



Total Number of EITC Households and Credits Claimed, by Ward from 2001- 2017

Wards	Number of Households	Distribution of households	Amount of Claims	Distribution of Claims	Average credit	Median credit
Ward 1	33,164	13.42%	\$83,525,277	13.60%	\$896	\$716
Ward 2	12,268	4.97%	\$19,676,754	3.20%	\$770	\$506
Ward 3	8,433	3.41%	\$6,118,383	1.00%	\$417	\$188
Ward 4	35,645	14.43%	\$90,463,120	14.73%	\$854	\$670
Ward 5	36,784	14.89%	\$82,330,286	13.40%	\$774	\$627
Ward 6	26,261	10.63%	\$54,219,759	8.83%	\$747	\$600
Ward 7	44,019	17.82%	\$122,114,336	19.88%	\$836	\$728
Ward 8	50,490	20.44%	\$155,857,245	25.37%	\$877	\$794
Total			\$614,305,160		\$828	\$677

Percent of DC EITC Filers by Filing Status and Ward



Feasible approaches to evaluate who benefits: Spatial Analysis



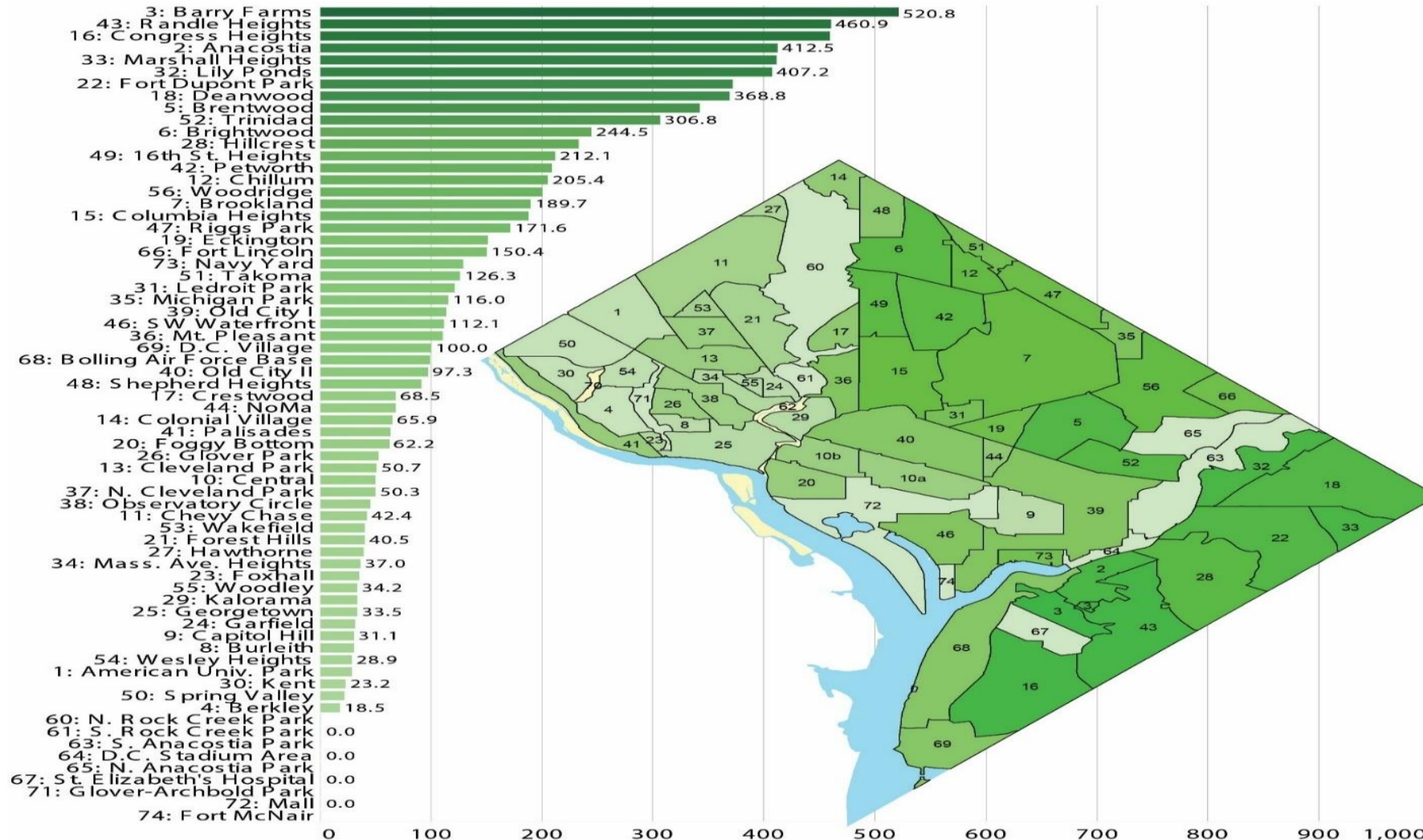
Total DC EITC Claimed by Top 20 Neighborhoods, 2017

<i>Neighborhoods</i>	<i>Number of households</i>	<i>Distribution of households</i>	<i>Amount of Claims \$</i>	<i>Distribution of Claims</i>	<i>Average credit \$</i>	<i>Median credit \$</i>
<i>Congress Heights (Ward 8)</i>	5,824	10.79%	\$6,042,628	11.89%	\$1,038	\$976
<i>Randle Heights (Ward 7)</i>	4,754	8.80%	\$5,130,752	10.10%	\$1,079	\$1,060
<i>Columbia Heights (Ward 1)</i>	4,432	8.21%	\$4,334,482	8.53%	\$978	\$675
<i>Deanwood (Ward 7)</i>	4,119	7.63%	\$4,020,008	7.91%	\$976	\$828
<i>Fort Dupont Park (Ward 7)</i>	2,703	5.01%	\$2,733,497	5.38%	\$1,011	\$923
<i>Old City 2 (Ward 6)</i>	3,063	5.67%	\$2,572,335	5.06%	\$840	\$510
<i>Old City 1 (Ward 6)</i>	2,875	5.32%	\$2,494,499	4.91%	\$868	\$510
<i>Petworth (Ward 4)</i>	2,381	4.41%	\$2,186,611	4.30%	\$918	\$622
<i>Brightwood (Ward 4)</i>	2,370	4.39%	\$2,154,115	4.24%	\$909	\$510
<i>Brookland (Ward 5)</i>	2,381	4.41%	\$2,113,535	4.16%	\$888	\$520
<i>Trinidad (Ward 5)</i>	1,850	3.43%	\$1,713,602	3.37%	\$926	\$690
<i>Barry Farms (Ward 8)</i>	1,422	2.63%	\$1,572,691	3.09%	\$1,106	\$1,092
<i>Lily Ponds (Ward 7)</i>	1,510	2.80%	\$1,572,531	3.09%	\$1,041	\$974
<i>Anacostia (Ward 8)</i>	1,429	2.65%	\$1,518,881	2.99%	\$1,063	\$1,029
<i>Marshall Heights (Ward 7)</i>	1,415	2.62%	\$1,440,239	2.83%	\$1,018	\$936
<i>Hillcrest (Ward 7)</i>	1,401	2.59%	\$1,264,897	2.49%	\$903	\$677
<i>Mt. Pleasant (Ward 1)</i>	1,215	2.25%	\$1,073,519	2.11%	\$884	\$510
<i>16th Street Heights (Ward 4)</i>	1,010	1.87%	\$1,030,943	2.03%	\$1,021	\$693
<i>Brentwood (Ward 5)</i>	869	1.61%	\$860,715	1.69%	\$990	\$757
<i>Woodridge (Ward 5)</i>	813	1.51%	\$727,030	1.43%	\$894	\$588
Top 20 Total	47,836	88.60%	\$46,557,510	91.62%	\$968	\$692
All Neighborhoods Total	53,994	100.00%	\$50,815,635	100.00%	\$941	\$704

Feasible approaches to evaluate who benefits: Spatial Analysis



Number of EITC filers per 1,000 filers by Assessment Neighborhood in Tax Year 2017



Conclusion



Using income and spatial approach to evaluate tax expenditures

- EITC is an effective anti-poverty tool and helps families with children
 - Helps lift families with dependents out of poverty
 - Marriage penalty among married childless workers vs. single childless workers
- A fraction (less than 1/3) of EITC recipients are long-term claimants and are Single-family households
- On average, almost two-thirds of the tax filers who stopped claiming the credit did so at a time that correlated with a drastic increase in their income

Other approaches being considered:

- Use existing data to get employment information of taxpayers

Questions???