

Making Work Pay: A State Earned Income Tax Credit for West Virginia

by Andrea Franco-Cook
and Ted Boettner



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AREAS OF RESEARCH

- Retirement Security
- Medicaid and Healthcare
- Budget and Tax Policy
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INTRODUCTION	1
WV WORKING FAMILIES STRUGGLE TO MAKE ENDS MEET	2
THE FEDERAL EITC	4
RETURNS OVER \$250 MILLION TO WV	8
A STATE EITC	8
MAP - EITC CLAIMS BY COUNTY	10
WV FAMILY TAX CREDIT COMPARED TO THE SEITC	18
COST OF SEITC	21
WV EITC OUTREACH PROGRAMS	21
CONCLUSION	22
APPENDIX	24

EXECUTIVE SUMMARY

The federal Earned Income Tax Credit (EITC) is recognized as one of the most effective anti-poverty tools in the United States. With more than 30 years of proven results at federal and state levels, the credit helps low-income working families with children by making work pay, increasing tax fairness, supplementing wages and most importantly, lifting millions of these families out of poverty each year.

Although the federal EITC benefits more than 145,000 hard-working West Virginia families, many still struggle to make ends meet. Stagnant wages, regressive taxes, high poverty rates and the rising cost of basic expenses are key contributors to the economic struggles confronting low-income working West Virginians. States facing the same economic problems as West Virginia have enacted State Earned Income Tax Credits (SEITC) to build on the strengths of the federal credit.

West Virginia does not offer a SEITC. Instead, over the last 11 years, the state has offered a tax exclusion that exempts residents with annual incomes (wages, salaries and tips) of \$10,000 or less from paying state income taxes. Recognizing that West Virginians with incomes above \$10,000 also needed tax assistance, the state in 2007, enacted a non-refundable tax credit called the State Family Tax Credit (SFTC), which provides a partial credit to offset the tax liability for families with incomes at, below, or slightly above the federal poverty line.

In 2007, the SFTC helped to offset the tax liability of 68,754 West Virginians. Although this credit is an important first step toward alleviating the problems of poverty and inadequate incomes, a SEITC modeled after the federal credit would benefit approximately 76,578 more West Virginians than the current SFTC. This is more than double the participation rate of the SFTC.

Due to the EITC's overwhelming success, 24 states have their own SEITC programs modeled after the federal credit. A West Virginia SEITC would increase tax fairness and provide families with additional income to help them close the gap between what they earn and what they need to meet basic expenses.

Key Findings

- *Low-income families are struggling to make ends meet. Almost half of all 3-person households in the state do not earn enough to meet their basic family budget needs. Low-income workers also pay more of their income in state and local taxes despite only making 5¢ more today than in 1979.*
- *A West Virginia SEITC set at 20 percent of the federal credit would benefit more than 145,000 working families giving them an average benefit of \$351. One out of five West Virginia working families would qualify for a SEITC. Of those eligible, 71 percent earn less than \$20,000 annually and 60 percent work full-time.*
- *A SEITC would reduce the tax rate of the lowest 20th percentile from 9.1 to 7.8 percent, and reduce the rate for the second 20th percentile from 9.5 to 8.8 percent, thereby increasing tax fairness in the state.*
- *In 2007, the State Family Tax Credit provided an average benefit of \$166 to 68,754 families. A refundable SEITC would provide more than twice the benefit and reach twice as many low-income families.*
- *A SEITC in West Virginia could be financed at a modest administration cost to the state and could increase participation in the federal EITC.*

INTRODUCTION

Recent economic trends are making it more difficult for low-income working families in West Virginia to make ends meet. The rising costs of household expenses, stagnant wages, and high taxes stretch families' overextended budgets beyond their limits. With more money going out than coming in, 16.9 percent of West Virginians are forced to live below the poverty line (an income of less than \$21,200 for a family of four), compared to the national average of 13 percent.¹

The federal Earned Income Tax Credit (EITC) helps bridge the gap between what low-income workers earn and what they need to maintain a basic standard of living. A State EITC (SEITC) would build on the benefits of the federal EITC and provide an additional financial boost to those families who need the most assistance.

The following section explores the economic challenges facing low-income working families in West Virginia. These problems include stagnant wages and a regressive tax structure that takes a bigger share of low-income families' earnings than those of high-income families. The remainder of the brief examines the history and structure of the federal EITC and explains the need for a SEITC in West Virginia.

Table 1

REAL WAGE GROWTH FOR LOW-INCOME WORKERS 1979-2007

	1979	2007	Gain/Loss
Kentucky	\$8.59	\$8.82	\$0.23
Maryland	\$9.60	\$10.76	\$1.16
Ohio	\$9.31	\$9.20	(\$0.11)
Pennsylvania	\$9.35	\$9.62	\$0.27
Virginia	\$8.60	\$9.94	\$1.34
West Virginia	\$8.76	\$8.81	\$0.05

Source: CBP Analysis of EPI

U.S. Bureau of Labor Statistics Data

Note: Low-income workers are those in the 20th Percentile

WEST VIRGINIA'S WORKING FAMILIES STRUGGLE TO MAKE ENDS MEET

Despite their hard work, many West Virginians find it difficult to earn sufficient wages to meet their basic needs. Although there are a number of reasons for their financial hardships, wage stagnation is a key contributor to their economic struggles. As shown in Table 1, over the last 28 years, the wages of the poorest West Virginians only increased by five cents per hour after adjusting for inflation, leaving this group with lower hourly wages than those in the surrounding states.²

In July 2009, West Virginia's minimum wage is scheduled to increase to \$7.25 per hour as required by federal law, raising annual incomes for full-time minimum wage earners to about \$15,000.³ Even with this increase, such meager earnings fail to provide sufficient income to lift a family of three out of poverty.

While the number of families living in poverty is one measure of need, another measure of a family's financial security is whether their income meets the basic budget standard for their state. Basic budget standards measure the median cost of housing, child care, healthcare, food and transportation in particular locations. If a family's income is above this standard, it is considered economically secure.⁴

The soaring cost of basic necessities is making it increasingly difficult for families to achieve economic security. From 1997 to 2007, the price of natural gas, which 43 percent of low-income West Virginians use to heat their homes, has risen by 111 percent,⁵ while the cost of motor fuel has climbed 222 percent from \$1.22 to \$3.93 per gallon.⁶ The household cost of food is rising faster than inflation, growing 40 percent over the last ten years.⁷ Shown in Table 2, in West Virginia, the

Table 2

BASIC BUDGET IN WEST VIRGINIA TWO ADULTS ONE CHILD	
Monthly Costs	
Housing	\$556
Food	\$514
Childcare	\$486
Transportation	\$468
Health Care	\$324
Miscellaneous	\$257
Taxes	\$331
Total	\$2,936
Annual Total	\$35,232

Source: Center for Economic and Policy Research

basic budget threshold for a family of three (two parents, one child) to pay for basic monthly necessities is \$2,936 or \$35,232 annually,⁸ slightly lower than the state's median household income of \$37,060.⁹ To put this into perspective, 48 percent of all households in West Virginia earn less than the basic budget standard for a family of three, demonstrating that too many West Virginians are forced to survive on substandard incomes.¹⁰

Since low-income working West Virginians are unable to maintain a basic standard of living under the current wage system, many depend on public work supports to supplement the income needed to pay for basic necessities like gas and food. However, many of these supports like food stamps and TANF cease to provide benefits when an individual's income exceeds 185 percent of the poverty line, or \$39,220 for a family of four. As a result, a family that manages to increase its earnings slightly may lose more in public benefits than it gains in earnings, creating a disincentive to earn more.

While in a typical state, only 5 percent of people in working families need the assistance of public work supports to reach their basic family budget threshold, 9 percent of working families in West Virginia rely on these benefits to reach economic security.¹²

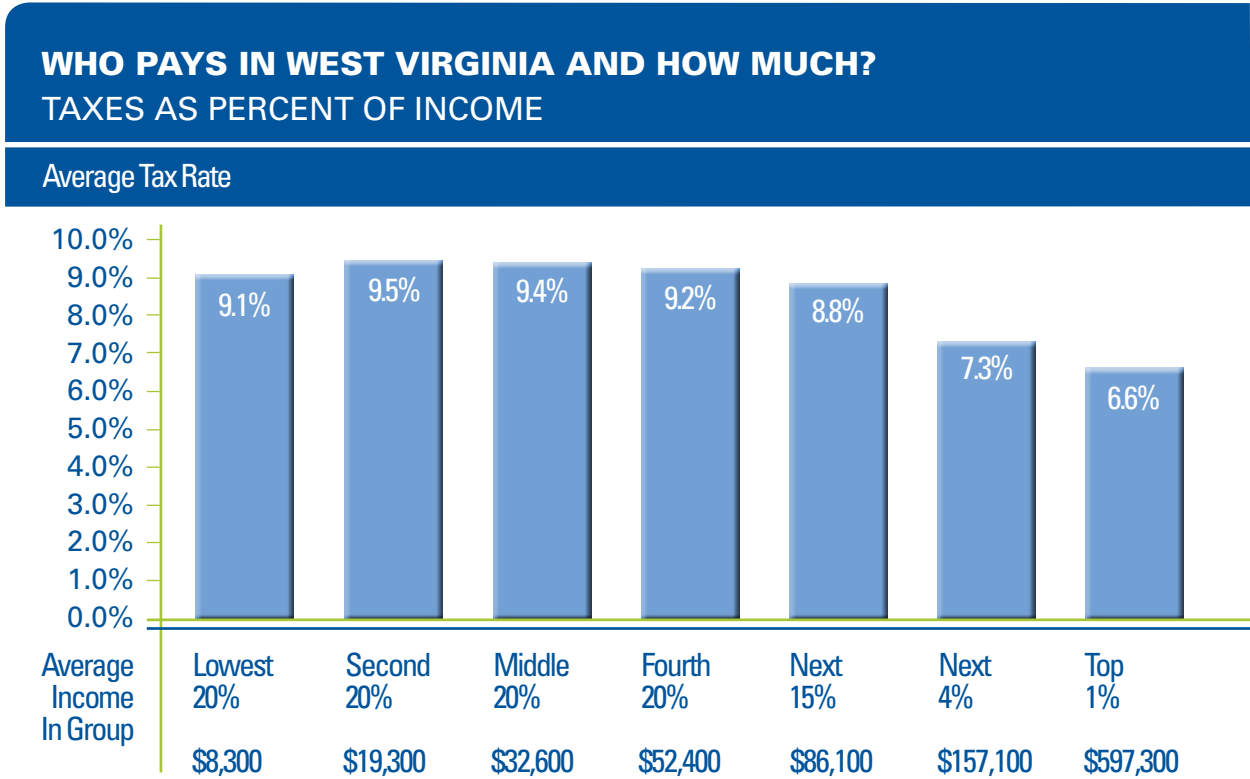
Taxes Unfairly Hurt Low-Income Families in West Virginia

A report by The National Conference of State Legislatures defined a high quality revenue system as one that treats individuals equitably, imposes similar taxes on people in similar circumstances, and increases tax fairness for low-income individuals.¹³

West Virginia’s tax structure does not meet these criteria. A recent study conducted by the Bureau of Business and Economic Research at West Virginia University shows that West Virginia’s tax system is moderately regressive.¹⁴

As illustrated in Figure 1, low-income families in the state contribute a larger portion of their incomes toward state and local taxes than any other group. For example, on average, families with earnings between \$14,000 and \$24,000 pay 9.5 percent of their incomes toward state and local taxes, while those in the top 1 percent only pay 6.6 percent.

Figure 1



Source: Institute for Taxation and Economic Policy (ITEP).
Note: Figure 1 shows 2008 tax laws at 2006 income levels

Poverty Rates are Higher than the National Average

In 2007, 16.9 percent of West Virginia's population lived in poverty, 25 percent higher than the national average of 13 percent.¹⁵ This was the sixth highest poverty rate in the country. This means that more than 300,000 of the state's residents live below the 2007 federal poverty thresholds of \$21,203 for a family of four and \$10,590 for an individual.¹⁶ This includes 22.8 percent of all children in our state, leaving more than 86,000 West Virginia children below a basic standard of living.¹⁷



THE FEDERAL EITC

The federal Earned Income Tax Credit (EITC) is the nation's largest and most effective anti-poverty program. It is targeted toward low- and moderate-income working families with children and has played a significant role in enhancing their economic security. With more than 30 years of proven results at the federal level, the EITC makes work pay and lifts millions of working families out of poverty by increasing tax fairness and supplementing wages.

The federal EITC was enacted by Congress in 1975 to alleviate regressive payroll (Social Security and Medicare) and income taxes on low-income working families, encourage them to move from welfare into the workforce, and supplement earnings. The program was expanded and modified several times during the 1980s and the 1990s to increase its effectiveness. Presidents Ford, Carter, Reagan and Clinton have praised the EITC's success.

West Virginia's poverty rate was the sixth highest in the country in 2007.

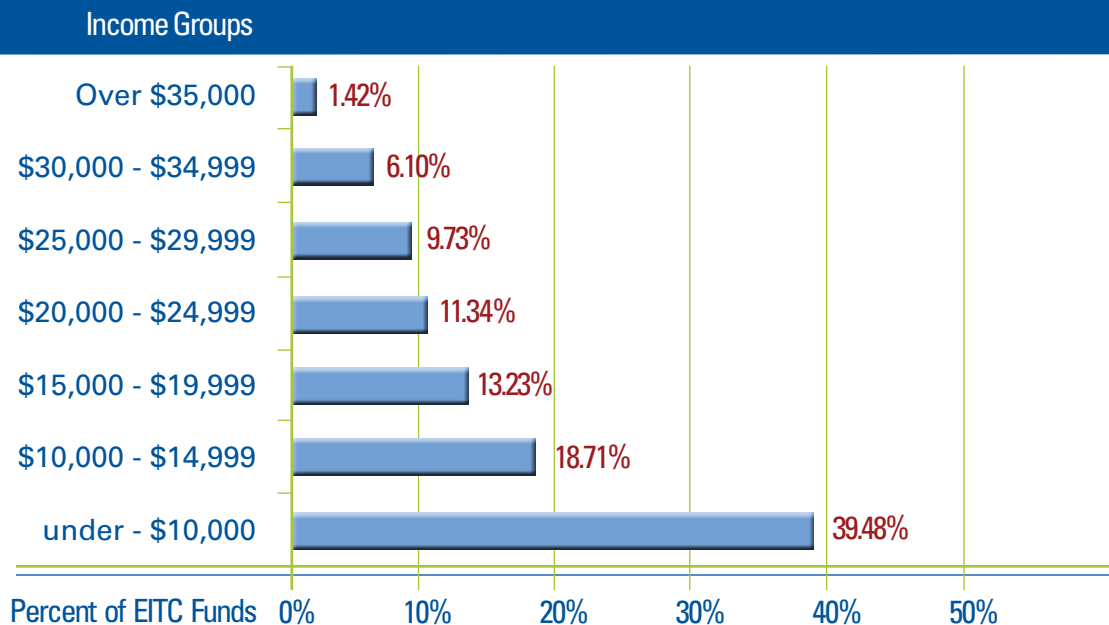
In 2005, the most recent year for which data is available, more than 19 percent of working West Virginia families claimed the federal EITC. The average benefit per family was \$1,753, bringing more than \$254 million into the state's economy (see Appendix C).¹⁸

As shown in Figure 2, the highest portion of claims in West Virginia were filed by families with incomes

of less than \$15,000, slightly above poverty level for a single-parent family of two. This is significant since 32 percent of EITC filers in the state were single parents in 2005. Given that single-parent households incur additional expenses like child care, the benefit goes to those families requiring the most financial assistance. Overall, more than 71 percent of claims went to families earning less than \$20,000 annually.

Figure 2

WHERE DO FEDERAL EITC CREDITS GO IN WEST VIRGINIA?



Source: IRS individual master file :Statistics of income, September 2007.

Moving Toward a Living Wage

How the Federal EITC Works

The federal EITC is a refundable tax credit extended to low-wage workers. It is administered in the form of a personal income tax rebate that offsets the amount of taxes owed. If the credit exceeds the liability, then the remaining amount is refunded to the filer. Eligibility for the federal EITC is limited to individuals and families that work.

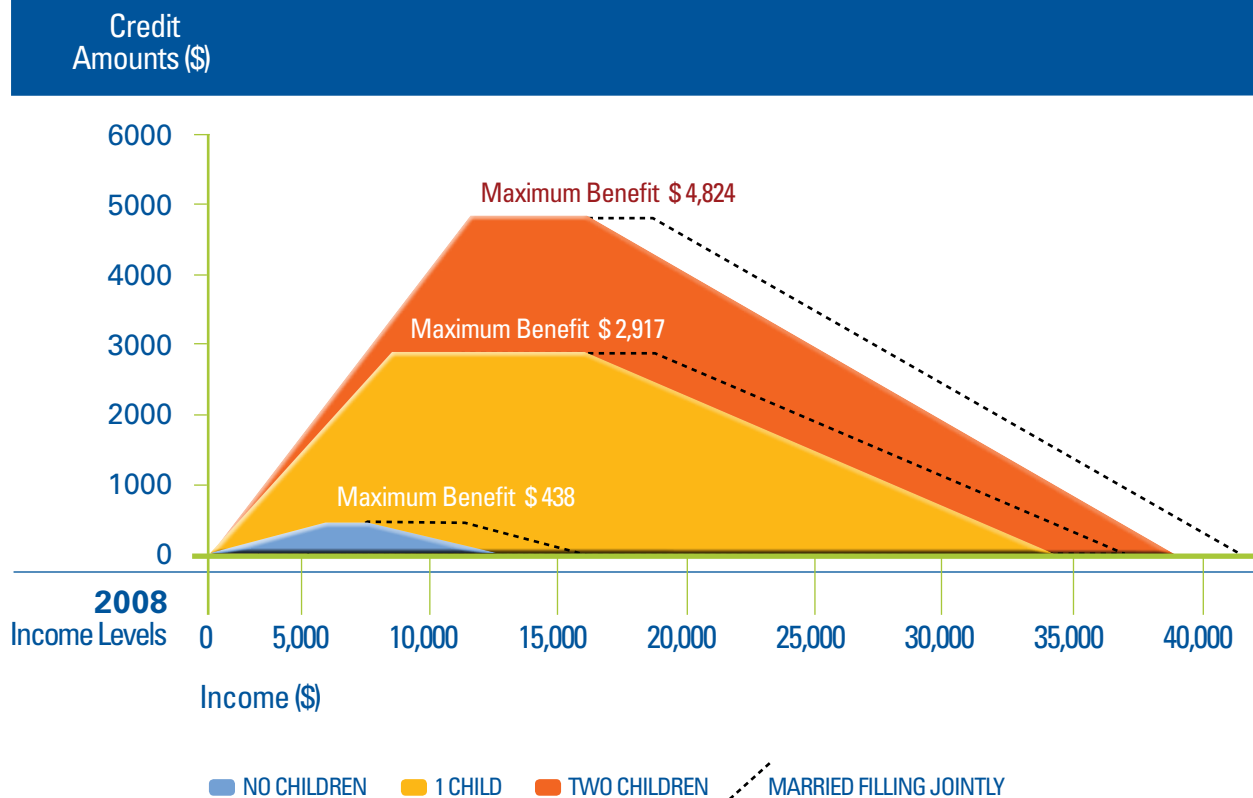
The amount of the credit is dependent upon the annual amount of earnings (wages, salaries and tips) and family size. For example, if a filer owed \$2,000 in taxes and was eligible for an EITC of \$2,500, the credit would fully offset the tax liability, yielding a refund of \$500.

As shown in Figure 3, the credit is structured in three phases: First, is the “phase in” range where the amount of money credited increases as earnings increase. Second, is the “plateau range” where the maximum credit has been attained and the amount remains unchanged as earnings increase. This is followed by the “Phase out” stage where the credit decreases as earnings increase.

The EITC takes into account that West Virginians with earnings exceeding the poverty level still require financial assistance. The program gradually phases out the benefit as earnings increase, capping eligibility at close to 200 percent of the poverty line, \$41,646 for married couples with two or more children and \$36,995 for those with one child.¹⁹

Figure 3

FEDERAL EITC REWARDS LOW WAGE EARNINGS, SUPPORTS FAMILIES MOVING TOWARD A LIVING WAGE



Source: Center on Budget and Policy Priorities

In tax year 2008, eligible families with two or more children earning income in the plateau ranges (\$12,060 to \$18,740 for a married couple) are eligible for a maximum credit of \$4,824. One-child households with incomes in the plateau range (\$8,580 to \$18,740 for a married couple) qualify for a maximum benefit of \$2,917. A married couple with no children earning between \$5,720 and \$10,160 is eligible for a credit of up to \$438.

THE FEDERAL EITC RETURNS OVER \$250 MILLION TO WEST VIRGINIA TAXPAYERS

Participation in the federal EITC is broadly distributed across West Virginia, with residents in all 55 counties claiming the credit. As illustrated in Appendix A, 19.4 percent of all income tax filers in the state claimed the federal EITC in tax year 2005, bringing \$254 million back to the state. The map on page 10 shows the percentage of EITC filers by West Virginia county. The rural counties of Webster, McDowell and Clay filed the greatest proportion of claims. McDowell County had the highest rate at just over a third of all filers, with the lowest claims filed in the urban counties of Putnam, Monongalia and Jefferson counties, with Jefferson County having the lowest rate at 12 percent.

There is a strong correlation between the number of EITC claims, county poverty rates, and the average EITC benefit per filer. Webster, McDowell and Clay counties have some of the highest poverty rates in the state, with McDowell ranking the highest at 39 percent. Conversely, Jefferson and Putnam counties have the lowest poverty rates, with Jefferson at 9 percent.²⁰

As shown earlier, the high cost of basic necessities, combined with a regressive tax structure and stagnant wages, diminishes the value of the federal credit. A West Virginia SEITC would complement the strengths of the federal EITC by supplementing incomes and improving tax fairness among low to moderate-income working West Virginians. The additional income from both the federal and state credit could mean the difference between living with or without economic security.

A STATE EITC (SEITC) BUILDS ON THE STRENGTHS OF THE FEDERAL EITC

In 2005, more than 145,000 West Virginians received the federal EITC. For many of these working families, the federal EITC refund is the largest lump sum payment they receive all year. Recipients use their benefit for home and automobile repairs, child care, and to pay off debts. Some have applied their credit toward advancing their education, which may lead to a higher paying job.

As of 2008, 24 states have adopted SEITC programs, most with eligibility requirements modeled after the federal credit. The majority of SEITCs are set at a fixed percentage of the federal EITC—ranging from 3.5 percent to 40 percent. As shown in Figure 4, of the 24 states with SEITCs, 21 offer a refundable credit.

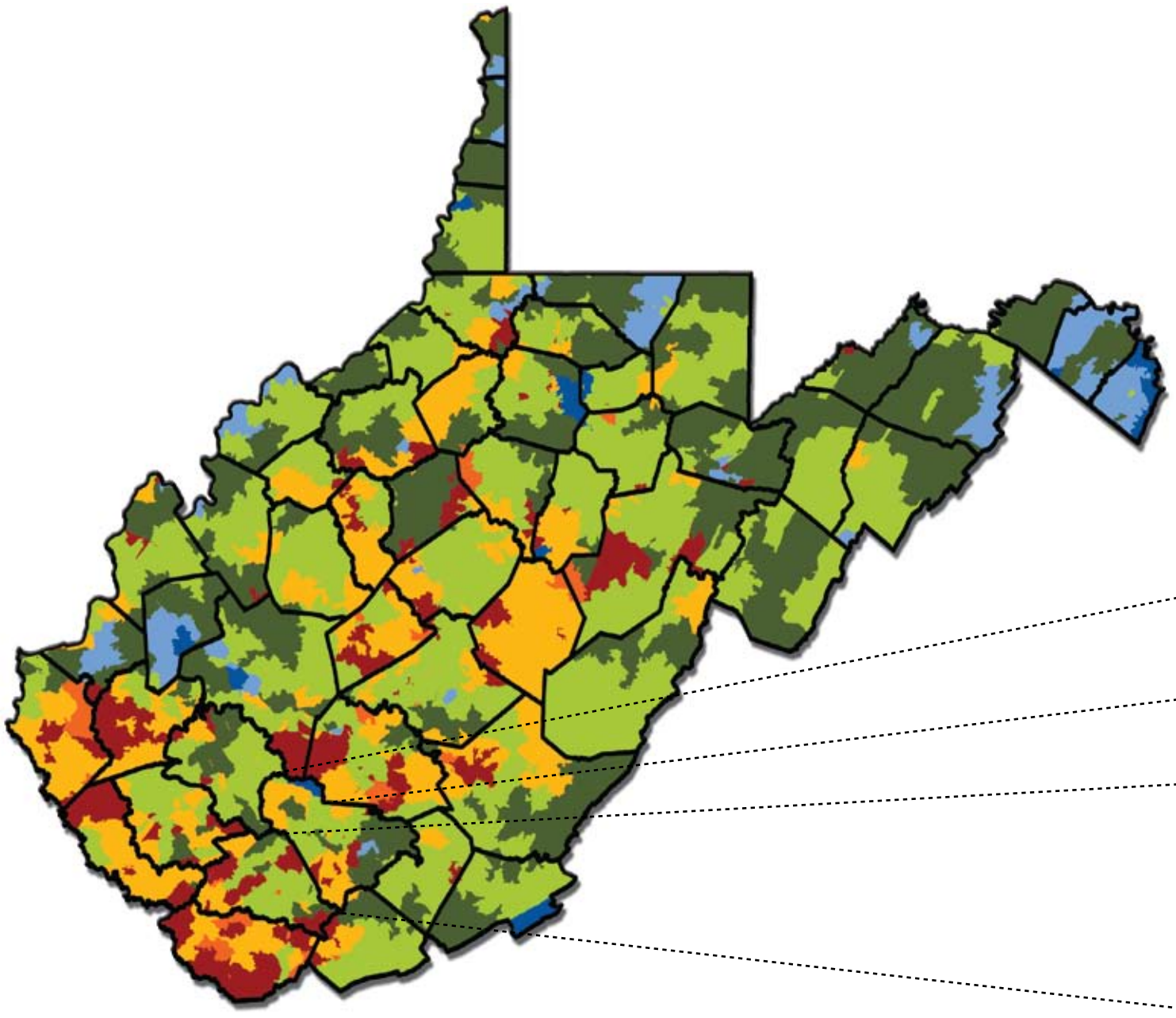


If West Virginia offered a refundable SEITC with at least a 20 percent match to the federal credit, it would provide additional funds to offset the high cost of payroll and sales taxes, create an incentive for individuals to join the workforce, and reduce poverty. The benefits of a SEITC would extend to the entire state, providing much-needed financial relief to many low-income working West Virginians.

It is important to note that a non-refundable SEITC provides significantly less benefit—or even no benefit—to many low-income families the SEITC is intended to help. This is because it is limited to the amount of state income taxes the participant pays. For example, if an individual owes \$200 in taxes and is eligible for a \$400 credit, any amount above \$200 would go unclaimed. With a refundable credit, however, the taxpayer would receive a \$200 refund. An individual who pays no income taxes—for example, a family of four with income under \$20,000—would receive no benefit at all from a non-refundable EITC, even though such a family pays a large amount of other state and local taxes.

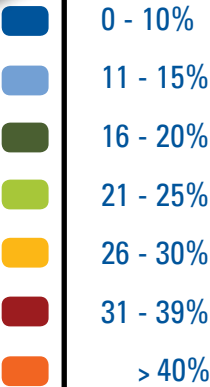


EITC CLAIMS BY WEST VIRGINIA COUNTY





PERCENTAGE OF FILERS
CLAIMING THE EITC



RALEIGH COUNTY, WV

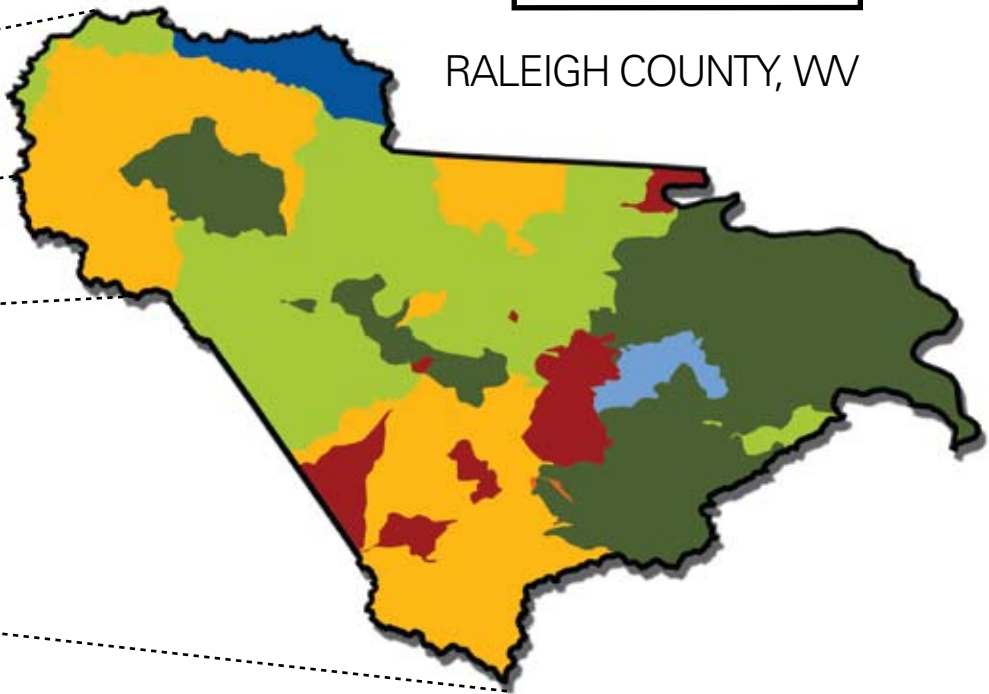


Figure 4

State Earned Income Tax Credits Based On The Federal EITC

State	Percentage of Federal Credit (Tax Year 2008 Except as Noted)	Refundable?	Workers Without Qualifying Children Eligible?
Delaware	20%	No	Yes
District of Columbia	40%	Yes	Yes
Indiana	6% (to 9% in 2009)	Yes	Yes
Illinois	5%	Yes	Yes
Iowa	7%	Yes	Yes
Kansas	17%	Yes	Yes
Louisiana	3.5%	Yes	Yes
Maine	5%	No	Yes
Maryland ^A	25%	Yes	Yes
Massachusetts	15%	Yes	Yes
Michigan	10% (to 20% in 2009)	Yes	Yes
Minnesota ^B	Average 33%	Yes	Yes
Nebraska	10%	Yes	Yes
New Jersey	22.5% (to 25% in 2009)	Yes	Yes
New Mexico	8%	Yes	Yes
New York ^C	30%	Yes	Yes
North Carolina	3.5%	Yes	Yes
Oklahoma	5%	Yes	Yes
Oregon	6%	Yes	Yes
Rhode Island	25%	Partially ^F	Yes
Vermont	32%	Yes	Yes
Virginia	20%	No	Yes
Washington	5% (to 10% in 2010) ^G	Yes	Yes
Wisconsin	4% — one child 14% — two children 43% — three children	Yes	No

Notes: From 1999 to 2001, Colorado offered a 10% refundable EITC financed from required rebates under the state's "TABOR" amendment. Those rebates, and hence the EITC, were suspended beginning in 2002 due to lack of funds and again in 2005 as a result of a voter-approved five-year suspension of TABOR. Under current law, the rebates will resume in 2011, but a recent income tax cut that also depends on the rebates is likely to exhaust the funds, leaving the EITC unfunded.

^A Maryland also offers a non-refundable EITC set at 50 percent of the federal credit. Taxpayers in effect may claim either the refundable credit or the non-refundable credit, but not both.

^B Minnesota's credit for families with children, unlike the other credits shown in this table, is not expressly structured as a percentage of the federal credit. Depending on income level, the credit for families with children may range from 25 percent to 45 percent of the federal credit; taxpayers without children may receive a 25 percent credit.

^C Should the federal government reduce New York's share of the TANF block grant, the New York credit would be reduced automatically to the 1999 level of 20 percent.

^F Rhode Island made a very small portion of its EITC refundable effective in TY 2003. In 2006, the refundable portion was increased from 10 percent to 15 percent of the nonrefundable credit (i.e., 3.75 percent of the federal EITC).

^G Washington's EITC is worth five percent of the federal EITC or \$25, whichever is greater. When the matching rate rises to ten percent in 2010, the minimum value will rise to \$50.

Source: Center on Budget and Policy Priorities

Example 1**IMPROVES TAX FAIRNESS**

FAMILY 1: A married couple, both working, is raising two children. The mother is a part-time child care worker who spends her day caring for children, ensuring their emotional and intellectual needs are met. Despite her significant role in developing the young minds of West Virginia's children, her job only pays \$6.55 an hour, yielding an annual salary of \$6,812.

The father is a Security Guard working the night shift at a local factory. He is responsible for protecting a multi-million dollar facility from theft and damage, ensuring the safety and welfare of employees and deterring criminal activities. Although he takes many of the same risks as a police officer, his pay is substantially lower, at \$6.55 per hour or \$13,624 annually. He earns an additional \$1,564 annually in night shift differential, raising his annual salary to \$15,188.

The couple's combined annual salary is \$22,000. They paid \$668 in federal income taxes and \$1,681 in payroll taxes for the year. In 2007, this family would qualify for a federal EITC of \$3,740. A West Virginia SEITC set at 20-percent of the federal credit would provide an additional \$748 for a total of \$4,488. The credit totally offsets payroll and income taxes paid throughout the year, while generating a refund of \$2,139.

1**Federal And State EITCs Improve Tax Fairness**

Although low-income West Virginia families pay less in federal income taxes as a percentage of their pay than wealthier groups, the same is not true for payroll taxes that apply to Medicare and Social Security. In 2006, approximately two-thirds of all taxpayers in the nation contributed more of their income to payroll taxes than income taxes. Workers and employers each paid 6.2 percent Social Security tax on the first \$94,200 of earnings and 1.45 percent Medicare tax on all wages.²¹

A study conducted by the Tax Policy Center reported that although the statutory obligation for payroll taxes is split between employers and employees, most economists believe that employer taxes

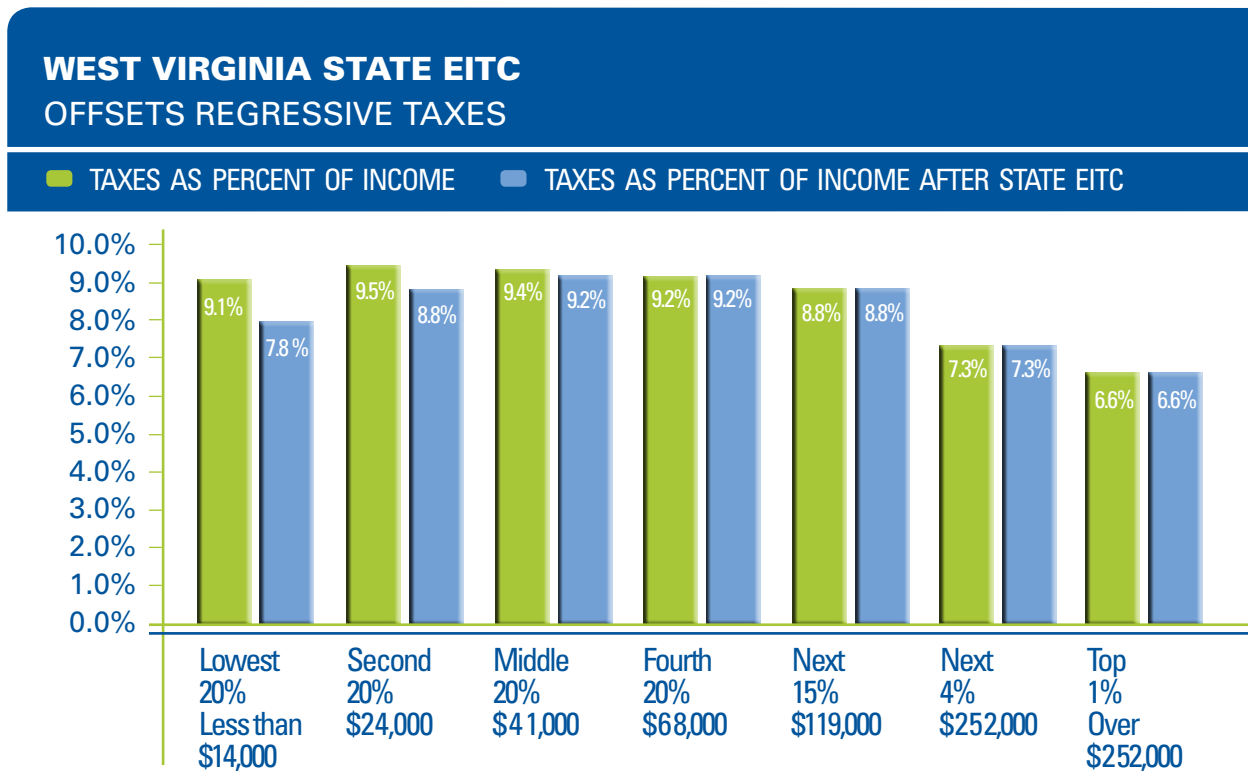
usually translate into lower wages, so in effect, workers carry the full burden of these taxes.²² Example 1 illustrates how federal and state EITCs work in tandem to offset the high cost of payroll taxes among low-income groups, effectively increasing tax fairness.

In addition to payroll taxes, state and local sales and excise taxes also reduce the economic viability of low-income working families. A SEITC however, would partially offset the regressive nature of West Virginia's taxes.

Table 3 illustrates how a refundable SEITC set at 20 percent of the federal credit would reduce the tax burden on low-income groups. Under current law, low-income groups in the lowest and second-lowest quintiles contribute an average of 9.1 percent and 9.5 percent of their earnings toward state and local taxes, respectively.

The additional income from a SEITC effectively reduces the tax rate of the lowest 20th percentile from 9.1 to 7.8 percent, and reduces the rate for the second 20th percentile from 9.5 to 8.8 percent, thereby increasing tax fairness in the state.

Table 3



Source: Institute for Taxation and Economic Policy (ITEP) (2006).

Supplements Wages and Increases Take-Home Earnings

A SEITC provides the additional income boost needed to help low-income working families move toward economic security. The higher a West Virginia SEITC is set as a percentage of the federal credit, the more money it will add to the pockets of working families in the state. Table 4 shows the cost of a refundable SEITC in West Virginia if it were implemented at 5, 10, or 20 percent of the total federal credits in the state. It also lists the potential average benefit per person, before taxes, based on each percentage (5, 10, or 20 percent).

Table 4 further illustrates how a SEITC at 20 percent of the federal credit will boost the incomes of more than 145,000 low-income working families by an average of \$351. A SEITC set at 10 percent of the federal credit would provide an average benefit of \$175.

Many employers support federal and state EITCs because their workers receive a pay increase without imposing additional cost on businesses. The additional income from the EITC provides a strong incentive for numerous individuals, especially single parents, to join the workforce²³

Table 4

PROPOSED REFUNDABLE STATE EITC		
Percent of Federal Deduction	Average Credit Per Return Before Tax Offset	Cost of a SEITC to West Virginia
5%	\$88	\$12,739,420
10%	\$175	\$25,478,839
20%	\$351	\$50,957,679

In Tax year 2005 the federal EITC brought \$254,788,394 in revenue to West Virginia. In this same year, 145,332 West Virginia residents claimed the federal EITC.

Source: Brookings Institution, 2005 tax year data from the Internal Revenue Service. Calculations by West Virginia Center on Budget and Policy



Example 2



SUPPLEMENTS WAGES

FAMILY 2: A single mother raising one child works full-time as a Home Health Aid Worker. She spends her day caring for the elderly and disabled. Without these professionals, many of their clients would be forced to live in state funded residential care facilities, instead of their own homes. Despite the important contribution they provide to West Virginians who are unable to care for themselves, Home Health Aid Workers only earn \$6.55 an hour or \$13,624 annually.

In 2007, this worker paid \$1,042 in payroll taxes and \$747 in personal-income taxes. After filing taxes, this mother qualifies for a federal EITC of \$2,853. A West Virginia SEITC set at 20 percent of the federal credit, would provide an additional \$570, raising the credit to \$3,423. The credit totally offsets all taxes owed, while providing an additional benefit of \$1,632, increasing her annual income to \$15,258.

Example 2 shows a real world situation that demonstrates how a refundable state and federal EITC supplements wages by bringing an additional \$3,423 into a low-income household, providing more than 20 percent of the recipient's income in one lump sum.

Table 5

WV SEITC BENEFITS
WORKING FAMILIES
**60 PERCENT OF ELIGIBLE
PARENTS WORK FULL-TIME**

- Part-time Worker 22%
- Non-Employed Spouse Of Worker 18%
- Full Time Worker 60%

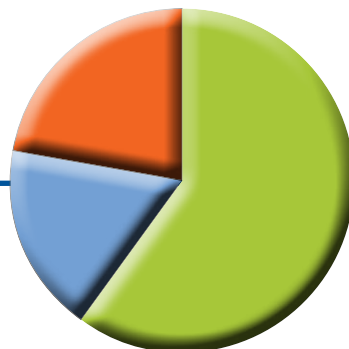
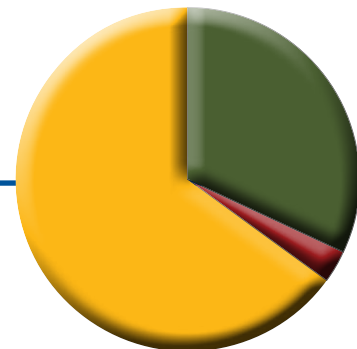


Table 6

WV SEITC GOES TO
FAMILIES WITH CHILDREN
**97 PERCENT OF ELIGIBLE
FAMILIES HAVE CHILDREN**

- Households with Two or More Children 65%
- Households with One Child 32%
- Households without Children 3%



Source: CBP analysis of American Community Survey

3

Lift Families Out of Poverty

As shown in Table 5, 60 percent of West Virginia families who qualify for the Federal and State EITC work full time, while 22 percent work part-time. Despite their hard work, many of these families, especially those with two or more children, fall further behind an adequate standard of living than smaller families, leaving many of them in poverty.

In 2006, the federal government provided \$43.7 billion in EITC funds to needy families, lifting 4.4 million people out of poverty, half of them children.²⁴ This is especially important in West Virginia, (as

illustrated in Table 6) because 97 percent of federal EITC credits go to families with children, making children the ultimate beneficiaries.

Table 7 shows the average SEITC benefit, by family type, based on 5, 10, 15 or 20 percent of the federal EITC. As shown below, a single parent with wages equal to the poverty level of \$14,000, would receive a federal credit of \$2,914. A SEITC based on 20 percent of the federal credit would provide a rebate of \$583, lifting their income to \$17,497, which is 125 percent of the poverty level.

Table 7

STATE EARNED INCOME TAX CREDIT AMOUNTS BY FAMILY INCOME AND TYPE, 2008

	2008 Annual Earnings	Federal EITC	5% State EITC	10% State EITC	15% State EITC	20% State EITC
Single-Parent with One Child						
Half-time WV minimum wage earner	\$6,812	\$2,316	\$116	\$232	\$347	\$463
Full-time WV minimum wage earner	\$13,624	\$2,917	\$146	\$292	\$438	\$583
Wages equal to 2008 federal poverty guideline	\$14,000	\$2,917	\$146	\$292	\$438	\$583
Wages equal to 150% of poverty guideline	\$21,000	\$2,076	\$104	\$208	\$311	\$415
Wages equal to 200% of poverty guideline	\$28,000	\$958	\$48	\$96	\$144	\$191
Married Couple with Two Children						
One full-time minimum wage earner	\$13,624	\$4,824	\$241	\$482	\$724	\$965
Two full-time minimum wage earners	\$27,248	\$3,032	\$152	\$303	\$455	\$606
Total Wages equal to 2008 federal poverty guideline	\$21,200	\$4,306	\$215	\$431	\$646	\$861
Total Wages equal to 150% of poverty guideline	\$31,800	\$2,074	\$104	\$207	\$311	\$415
Total Wages equal to 200% of poverty guideline	\$42,400	\$0	\$0	\$0	\$0	\$0

Source: Brookings Institution, 2005 tax year data from the Internal Revenue Service.

4

Boosts Local Economies

In 2005, approximately \$254 million in federal EITC funds were distributed to West Virginia residents. Unlike wealthy people who are more likely to save their take-home pay or spend it out of the state, low-income families who receive the EITC tend to spend in the local economy on purchases like automobile repairs, child care, household repairs, new appliances and school supplies. This type of local spending creates a ripple effect that can lead to new local jobs and generate millions of dollars throughout the state economy.

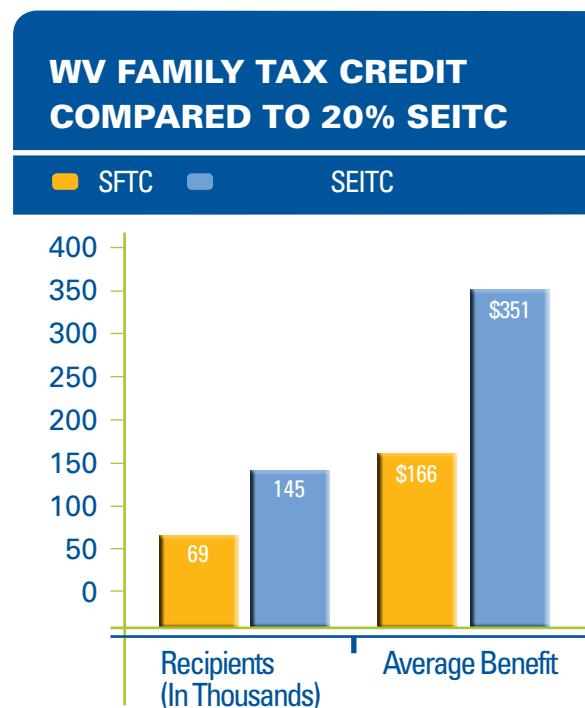
THE WEST VIRGINIA FAMILY TAX CREDIT COMPARED TO THE SEITC

Recognizing that low-income West Virginians pay a disproportionate share of state taxes, the State Legislature has enacted a number of provisions to help them. In 1996, the state passed an income tax exclusion that exempts residents with annual incomes (wages, salaries and tips) of \$10,000 or less from paying state income taxes. West Virginians with income from alternate sources like retirement, dividends, capital gains or interest do not qualify for this program. In 2007, the state enacted a non-refundable Family Tax Credit (SFTC). The SFTC offers greater financial assistance to residents than the tax exclusion by extending the effective income range of the credit to those with earnings from both wages and alternate incomes like retirement and dividends. The SFTC offers a full credit upon income taxes for residents below the federal poverty line, and it

provides a partial credit to residents with incomes above this level.

In its first year (2007), the SFTC was designed to offset up to 50 percent of the income tax liability for eligible families, reducing families' income tax liability by an average benefit of \$83. In subsequent years, the SFTC will increase to 100 percent of taxes owed, with an average credit of about \$166 (as shown in Table 8).

Table 8



Source: WV State Tax Department

The tax exclusion and the SFTC are important first steps toward addressing the state's high rates of poverty and its regressive tax system. However, a West Virginia State Earned Income Tax Credit (SEITC) modeled after the federal EITC would help a broader population.

In 2007, the SFTC provided help to approximately 68,754 low income filers.²⁶ If West Virginia replaced the SFTC with a SEITC set at 20 percent of the federal credit, it would benefit more than 145,000 low-income working families, providing an average credit of \$351 (as shown in table 8). This is more than double the benefit and participation rate of the SFTC.

Table 9 illustrates how the SEITC benefits a much broader range of income groups than the SFTC. While the SFTC dramatically decreases as earnings increase, with eligibility levels ending around 120 percent of the poverty level, the SEITC gradually phases out as earnings increase with eligibility levels ending at 200 percent of the poverty level. Example 3 illustrates these differences as they would apply to a family of four.

Example 3

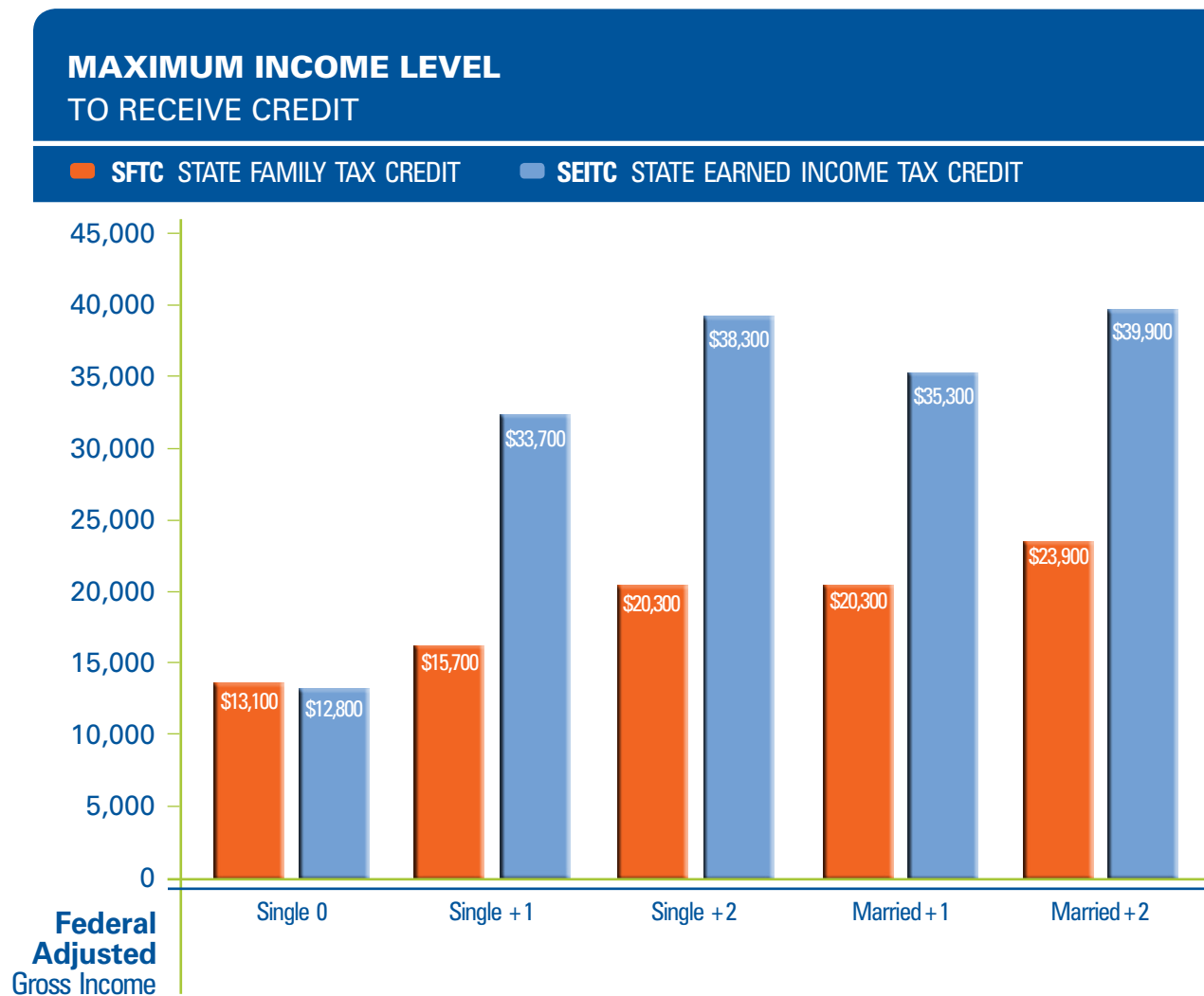
A SEITC PROVIDES SIGNIFICANTLY MORE BENEFITS THAN THE SFTC

FAMILY 3: *Returning to example 1: The married couple raising two children with a combined yearly income of \$21,200, qualifies for 100 percent of the non-refundable SFTC. This credit completely offsets their state income tax liability. However, if this family received a pay raise of \$4,200, lifting their salary to \$25,400 or 120 percent of the federal poverty line, they would not qualify for the SFTC. The family would also owe \$576 in state income taxes.*

A state EITC set at 20 percent of the federal credit, would provide this family earning \$21,200 with a refund of \$781. Even with the \$4,200 pay increase, they would still receive a credit of \$625. Now, their income is 125 percent of the poverty line.



Table 9



Source: SFTC income ranges from 2008 tables provided by The State Tax Department - 2005 SEITC income ranges from The Center on Budget and Policy Priorities.

A SEITC would also provide a greater benefit to families with children than the current state program. This is because the SFTC bases the credit on the number of adults in a household, placing families with children in the same category as those without them. In contrast, the SEITC bases the amount of the credit on household composition. Since families with children incur greater expenses than those without them, a SEITC would provide help to those families who need it the most.

COST OF A SEITC

Since the IRS determines eligibility requirements for the federal EITC and calculates the family's base credit, West Virginia's Department of Revenue could implement a SEITC with minimal administrative processing at a modest cost to the state, probably less than 1 percent of the total value of the state credit.²⁷

Appendix C displays charts containing information about the federal EITC, broken down by West Virginia County. It reflects the estimated cost for the state to implement a state EITC in tax year 2008. Three different costs are shown, based on a benefit of 5 percent (\$12,739,420), 10 percent (\$25,478,839) and 20 percent (\$50,957,679) of the total federal credits. This would be the cost if tax payers were allowed to claim the SEITC over the SFTC. Another option would be to require filers to choose one credit or the other. In that case, the cost would be significantly less.

In addition, it is important to note that the SFTC has cost the state significantly less than was forecast. The state budgeted \$10 million to cover the cost of the SFTC in 2007, but the program has cost only \$5 million. The state has budgeted \$20 million for the SFTC for 2008, when the size of the credit will double.²⁸ Therefore, the state's budget may include up to \$10 million in unspent funds intended for low-income tax cuts.

WEST VIRGINIA EITC OUTREACH PROGRAMS

The IRS estimates that 10-20 percent of eligible taxpayers who qualify for the federal EITC do not receive it. By working with various agencies throughout the state, coalitions like the Alliance for Sustainable Families have created successful outreach programs to inform eligible families about the EITC. Between 2004 and 2007, the number of eligible families receiving the EITC in the Alliance service areas doubled.

With the help of Volunteer Income Tax Assistance Centers (VITAs), community outreach programs help to reduce the rate of error by clarifying complex tax procedures and ensuring that EITC filers meet eligibility requirements.

West Virginia could use existing compliance efforts, and profit from ongoing coordination campaigns, to publicize the availability of the SEITC and effectively increase the participation rate. Additionally, using outreach programs already in place will reduce the need for the state to spend advertising dollars to "get the word out" about the SEITC.



Building a Better Future For West Virginia

CONCLUSION

A refundable SEITC set at 20 percent of the federal credit will build on the current SFTC by more than doubling the amount of recipients of the credit. The SEITC will also make work pay by reducing the taxes that low-wage workers contribute on their earnings, by supplementing their wages, and bringing a family with a full time minimum-wage worker up to the poverty line, effectively building a better future for their families.

Although many low-income West Virginians benefited from the non-refundable SFTC, a refundable credit would provide additional income to help hard-working parents and their children move from dependence on public work supports to financial independence. In addition, many residents have used their credit for necessities such as home repairs, automobile repairs, and child care. Since the federal program is already in place, the state could implement a SEITC at a modest administrative cost. Implementing the SEITC in West Virginia could effectively help more than 145,000 hard-working West Virginians move toward long-term financial security.

END NOTES

- ¹ 2007 American Community Survey—Analysis of poverty rankings.
- ² Economic Policy Institute—Analysis of current population survey data using CPI-U-RS.
- ³ Minimum wage information gathered from <http://rockefeller.senate.gov/press/record.cfm?id=301260>
- ⁴ Fremstad, S. (2008). *Working families and economic insecurity in the states: The role of job quality and work supports*. Washington D.C. Center for Economic and Policy Research.
- ⁵ U.S. Department of Energy, Energy Information Administration; residential cost in dollars per thousand cubic feet rose from \$6.81 in 1997 to \$14.42 in 2007.
- ⁶ U.S. Department of Energy, Energy Information Administration; Central Atlantic average cost for regular gas; data from August 1997 to August 2008.
- ⁷ U.S. Department of Labor, Bureau of Labor Statistics, CPI-U *food at home for cities under 50,000*; not seasonally adjusted; data from 1997-June 2008.
- ⁸ Basic family budget information for West Virginia calculated by Center on Economic and Policy Research (CEPR) based on methodology recommended by the The Economic Policy Institute.
- ⁹ 2007 Median household income in West Virginia retrieved from analysis of American Community Survey--- Table B19013.
- ¹⁰ The U.S. Census Bureau defines a household as one that includes related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group quarters. There are two major categories of households, *family and nonfamily*.
- ¹¹ Eligibility limits derived from WV DHHR. *West Virginia Maintenance Manual, Income limits*. Chapter 10, Appendix A.
- ¹² Diznoff, Robert, West Virginia Center on Budget and Policy. *Budget Matters-Bad jobs, Economic Insecurity, and the Importance of Public Work Supports in West Virginia*.
- ¹³ The National Conference of State Legislatures: The Forum for America's Ideas (2005). *Principles of a High Quality State Tax System. Principles of a High quality Revenue System (#4)*.
- ¹⁴ Pavel A. Yakovlev, Mehmet Tosun and Arzu Sen, *The Economic Incidence of West Virginia Taxes*, College of Business & Economics (WVU), May 2007.
- ¹⁵ American Community Survey (2007). Analysis of poverty rankings from Tables R1701 and \$1704.
- ¹⁶ American Community Survey (2007). Analysis of poverty guidelines by size of family and number of children.
- ¹⁷ U.S. Census Bureau: American Factfinder. B17001. *Poverty status in the past 12 months by sex and by age (2007)*.
- ¹⁸ See appendix A, B and C for total EITC funds generated into West Virginia's economy.
- ¹⁹ Levitis, J and Koulish, J (2008). *State Earned Income Tax Credits: 2008 Legislative Update*; Center on Budget and Policy Priorities.
- ²⁰ County poverty data retrieved from the Economic Research Service.
- ²¹ Burman, L., & Leiserson, G., *Two-thirds of tax units pay more payroll tax than income tax*. Tax Policy Center, Urban Institute and Brookings Institution.
- ²² Burman, L., & Leiserson, G., *Two-thirds of tax units pay more payroll tax than income tax*. Tax Policy Center, Urban Institute and Brookings Institution.
- ²³ Holt, Timothy (2006). *The earned income tax credit at 30: what we know*. The Brookings Institution.
- ²⁴ Levitis, J and Koulish, J (2008). *State Earned Income Tax Credits:2008 Legislative Update*; Center on Budget and Policy Priorities.
- ²⁶ West Virginia Department of Tax and Revenue. *Low- income earned income exclusion, election out-of-state withholding instructions* from http://www.state.wv.us/taxrev/uploads/it_104-1.pdf
- ²⁶ Family Tax Credit information provided by the West Virginia State Tax Department, *Family Credit Summary-Preliminary 2007 figures* as of 07/10/2008.
- ²⁷ Levitis, J. (2006). *How much would a state earned income tax credit cost?* Washington D.C. Center on Budget and Policy Priorities.
- ²⁸ Preliminary expenditures for the 2007 State Family Tax Credit were provided by the West Virginia State Tax Department.

Appendix A

Federal EITC Returns by House District

Note: The projections in Appendix A and B are estimated by multiplying the 2005 federal EITC amount by potential state benefits (5,10,or 20%). As recommended by the Center on Budget and Policy, this amount is then discounted by 10-percent to account for individuals who typically fail to take advantage of government programs.

House District	Tax Year 2005			Est. Amount for FY 2008 EITC \$		
	Total returns	EITC returns	EITC amt (\$)	5% Match	10% Match	20% Match
District 1	15,240	2,435	4,214,922	210,746	421,492	842,984
District 2	15,630	2,564	4,411,177	220,559	441,118	882,235
District 3	14,845	2,444	4,033,375	201,669	403,337	806,675
District 4	14,181	2,805	4,999,972	249,999	499,997	999,994
District 5	7,487	1,596	2,839,888	141,994	283,989	567,978
District 6	7,102	1,560	2,839,443	141,972	283,944	567,889
District 7	7,233	1,516	2,614,257	130,713	261,426	522,851
District 8	7,384	1,225	2,136,913	106,846	213,691	427,383
District 9	8,061	1,676	3,072,759	153,638	307,276	614,552
District 10	24,663	4,882	8,525,479	426,274	852,548	1,705,096
District 11	6,128	1,456	2,659,026	132,951	265,903	531,805
District 12	8,369	1,646	2,790,147	139,507	279,015	558,029
District 13	14,958	2,754	4,839,302	241,965	483,930	967,860
District 14	16,263	2,455	4,314,361	215,718	431,436	862,872
District 15	20,800	4,210	7,126,876	356,344	712,688	1,425,375
District 16	22,212	4,007	6,722,518	336,126	672,252	1,344,504
District 17	12,206	2,846	5,177,268	258,863	517,727	1,035,454
District 18	5,487	1,143	2,083,430	104,172	208,343	416,686
District 19	27,083	6,293	11,558,204	577,910	1,155,820	2,311,641
District 20	5,815	1,554	2,959,228	147,961	295,923	591,846
District 21	4,824	1,404	2,487,617	124,381	248,762	497,523
District 22	11,422	3,164	5,809,231	290,462	580,923	1,161,846
District 23	4,732	1,571	3,132,092	156,605	313,209	626,418
District 24	7,395	1,823	3,346,099	167,305	334,610	669,220
District 25	14,410	3,197	5,783,414	289,171	578,341	1,156,683
District 26	6,403	1,328	2,308,169	115,408	230,817	461,634
District 27	34,226	7,300	13,025,902	651,295	1,302,590	2,605,180
District 28	14,301	3,001	5,177,672	258,884	517,767	1,035,534
District 29	19,421	4,800	8,656,892	432,845	865,689	1,731,378
District 30	54,749	9,561	16,680,592	834,030	1,668,059	3,336,118
District 31	8,945	1,864	3,118,021	155,901	311,802	623,604
District 32	22,907	4,257	7,387,270	369,364	738,727	1,477,454
District 33	6,036	1,532	2,788,829	139,441	278,883	557,766
District 34	6,297	1,413	2,567,164	128,358	256,716	513,433
District 35	7,333	1,531	2,682,458	134,123	268,246	536,492
District 36	5,816	1,548	2,775,205	138,760	277,521	555,041
District 37	15,744	3,404	5,654,707	282,735	565,471	1,130,941
District 38	7,801	1,704	2,998,108	149,905	299,811	599,622
District 39	7,684	1,634	2,980,734	149,037	298,073	596,147
District 40	7,108	1,668	3,010,125	150,506	301,013	602,025
District 41	29,380	5,867	10,464,274	523,214	1,046,427	2,092,855
District 42	7,901	1,534	2,721,508	136,075	272,151	544,302
District 43	24,349	4,352	7,361,050	368,052	736,105	1,472,210
District 44	31,053	4,342	6,770,365	338,518	677,036	1,354,073
District 45	8,377	1,604	2,709,546	135,477	270,955	541,909
District 46	7,601	1,543	2,561,046	128,052	256,105	512,209
District 47	8,241	1,615	2,742,570	137,129	274,257	548,514
District 48	7,889	1,664	2,884,862	144,243	288,486	576,972
District 49	8,644	1,593	2,695,346	134,767	269,535	539,069
District 50	8,317	1,546	2,756,677	137,834	275,668	551,335
District 51	8,599	1,362	2,346,266	117,313	234,627	469,253
District 52	8,689	1,302	2,242,888	112,144	224,289	448,578
District 53	9,644	1,405	2,483,516	124,176	248,352	496,703
District 54	15,241	2,405	4,126,034	206,302	412,603	825,207
District 55	7,410	1,163	2,063,603	103,180	206,360	412,721
District 56	7,550	1,134	2,006,874	100,344	200,687	401,375
District 57	8,835	934	1,535,158	76,758	153,516	307,032
District 58	9,784	1,195	2,027,963	101,398	202,796	405,593
Totals	746,205	145,332	254,788,394	12,739,420	25,478,839	50,957,679

Source: The Brookings Institution, Metropolitan Policy Program

Appendix B

Federal EITC Returns by Senate District

Senate District	Tax Year 2005			Est. Amount for FY 2008 EITC \$		
	Total returns	EITC returns	EITC amt (\$)	5% Match	10% Match	20% Match
District 1	44,083	7,174	12,216,064	610,803	1,221,606	2,443,213
District 2	42,262	8,851	15,657,088	782,854	1,565,709	3,131,418
District 3	46,612	9,201	16,272,606	813,630	1,627,261	3,254,521
District 4	46,879	8,100	14,154,320	707,716	1,415,432	2,830,864
District 5	43,171	8,212	13,880,315	694,016	1,388,032	2,776,063
District 6	31,034	8,499	15,941,143	797,057	1,594,114	3,188,229
District 7	34,339	8,361	15,343,716	767,186	1,534,372	3,068,743
District 9	37,912	8,361	14,974,052	748,703	1,497,405	2,994,810
District 10	41,835	9,162	16,164,229	808,211	1,616,423	3,232,846
District 11	41,760	9,960	17,971,201	898,560	1,797,120	3,594,240
District 12	43,539	8,999	16,070,027	803,501	1,607,003	3,214,005
District 13	45,121	6,943	11,077,724	553,886	1,107,772	2,215,545
District 14	48,870	9,351	16,141,308	807,065	1,614,131	3,228,262
District 15	50,085	9,727	16,612,603	830,630	1,661,260	3,322,521
District 16	62,102	8,747	15,126,113	756,306	1,512,611	3,025,223
District 8 & 17	86,601	15,682	27,185,883	1,359,294	2,718,588	5,437,177
Totals	746,205	145,332	254,788,394	12,739,420	25,478,839	50,957,679

Source: The Brookings Institution, Metropolitan Policy Program

How Much Would a State EITC Provide to WV's Working Families in TY 2008

TY 2005 Federal EITC in West Virginia's Counties

Note: The below noted estimates are based on methodology used by the North Carolina Justice Center in their EITC Brief (explained in detail under this chart). The totals may differ slightly (total filers off by 8 people) from those in Appendix A and B. This may be due to differences in source materials.

County	# of EITC claimants	% of Total Filers Claiming EITC	Total S Federal EITC Claims FY 2005	Average Federal EITC Benefit	Estimated Federal EITC to WV	Estimated # of 2008 EITC Claimants	Average Federal Benefit	WV State EITC Set at 5% of Federal	Average State EITC Benefit at 5%	WV State EITC Set at 10% of Federal	Average State EITC Benefit at 10%	WV State EITC Set at 20% of Federal	Average State EITC Benefit at 20%
Monongalia	4,694	14.04%	7,367,670	1569.593098	7,748,550	4,793	\$1,617	\$348,685	\$81	\$697,370	\$162	\$1,394,739	\$323
Tucker	590	18.92%	933,938	1582.945763	982,220	602	\$1,630	\$44,200	\$82	\$88,400	\$163	\$176,800	\$326
Pocahontas	798	20.86%	1,275,881	1598.848371	1,341,840	815	\$1,647	\$60,383	\$82	\$120,766	\$165	\$241,531	\$329
Pendleton	637	18.49%	1,046,040	1642.135008	1,100,117	650	\$1,691	\$49,505	\$85	\$99,011	\$169	\$198,021	\$338
Ohio	3,431	16.57%	5,762,601	1679.56893	6,060,506	3,504	\$1,730	\$272,723	\$86	\$545,446	\$173	\$1,090,891	\$346
Morgan	1,193	15.87%	2,004,901	1680.554065	2,108,548	1,218	\$1,731	\$94,885	\$87	\$189,769	\$173	\$379,539	\$346
Randolph	2,605	21.86%	4,378,825	1680.930902	4,605,194	2,660	\$1,731	\$207,234	\$87	\$414,467	\$173	\$828,935	\$346
Cabell	7,477	18.86%	12,588,641	1683.648656	13,239,425	7,635	\$1,734	\$595,774	\$87	\$1,191,548	\$173	\$2,383,096	\$347
Jefferson	2,678	11.83%	4,530,254	1691.655713	4,764,451	2,735	\$1,742	\$214,400	\$87	\$428,801	\$174	\$857,601	\$348
Marion	4,356	17.91%	7,370,428	1692.017447	7,751,451	4,448	\$1,743	\$348,815	\$87	\$697,631	\$174	\$1,395,261	\$349
Jackson	2,329	19.63%	3,948,986	1695.57149	4,153,134	2,378	\$1,746	\$186,891	\$87	\$373,782	\$175	\$747,564	\$349
Preston	2,556	19.88%	4,336,654	1696.656495	4,560,843	2,610	\$1,747	\$205,238	\$87	\$410,476	\$175	\$820,952	\$349
Brooke	1,775	15.97%	3,016,237	1699.288451	3,172,166	1,813	\$1,750	\$142,747	\$88	\$285,495	\$175	\$570,990	\$350
Ritchie	924	22.21%	1,576,649	1706.330087	1,658,157	944	\$1,757	\$74,617	\$88	\$149,234	\$176	\$298,468	\$351
Grant	1,031	20.83%	1,763,517	1710.491756	1,854,685	1,053	\$1,762	\$83,461	\$88	\$166,922	\$176	\$333,843	\$352
Mineral	2,299	18.42%	3,939,713	1713.663767	4,143,382	2,348	\$1,765	\$186,452	\$88	\$372,904	\$176	\$745,809	\$353
Monroe	994	19.64%	1,712,858	1723.197183	1,801,407	1,015	\$1,775	\$81,063	\$89	\$162,127	\$177	\$324,253	\$355
Putnam	3,289	14.02%	5,669,313	1723.719368	5,962,395	3,359	\$1,775	\$268,308	\$89	\$536,616	\$178	\$1,073,231	\$355
Greenbrier	3,002	20.99%	5,177,645	1724.731845	5,445,310	3,065	\$1,776	\$245,039	\$89	\$490,078	\$178	\$980,156	\$355
Hancock	2,279	16.10%	3,949,360	1732.935498	4,153,527	2,327	\$1,785	\$186,909	\$89	\$373,817	\$178	\$747,635	\$357
Kanawha	15,681	18.11%	27,182,433	1733.462981	28,587,657	16,013	\$1,785	\$1,286,445	\$89	\$2,572,889	\$179	\$5,145,778	\$357
Hardy	1,141	20.51%	1,984,525	1739.285714	2,087,118	1,165	\$1,791	\$93,920	\$90	\$187,841	\$179	\$375,681	\$358
Berkeley	6,577	15.41%	11,480,169	1745.502357	12,073,649	6,716	\$1,798	\$543,314	\$90	\$1,086,628	\$180	\$2,173,257	\$360
Pleasants	592	19.26%	1,037,608	1752.716216	1,091,250	605	\$1,805	\$49,106	\$90	\$98,212	\$181	\$196,425	\$361
Calhoun	657	25.89%	1,153,212	1755.269406	1,212,830	671	\$1,808	\$54,577	\$90	\$109,155	\$181	\$218,309	\$362
Wood	7,146	19.08%	12,562,461	1757.971033	13,211,891	7,297	\$1,811	\$594,535	\$91	\$1,189,070	\$181	\$2,378,140	\$362
Webster	894	27.84%	1,572,787	1759.269575	1,654,095	913	\$1,812	\$74,434	\$91	\$148,869	\$181	\$297,737	\$362
Lewis	1,524	21.33%	2,684,380	1761.404199	2,823,153	1,556	\$1,814	\$127,042	\$91	\$254,084	\$181	\$508,168	\$363
Summers	1,159	23.66%	2,046,159	1765.452114	2,151,939	1,184	\$1,818	\$96,837	\$91	\$193,674	\$182	\$387,349	\$364
Wetzel	1,596	21.63%	2,831,728	1774.265664	2,978,118	1,630	\$1,827	\$134,015	\$91	\$268,031	\$183	\$536,061	\$365
Nicholas	2,258	21.94%	4,015,251	1778.233392	4,222,825	2,306	\$1,831	\$190,027	\$92	\$380,054	\$183	\$760,108	\$366
Taylor	1,371	20.37%	2,445,476	1783.716995	2,571,899	1,400	\$1,837	\$115,735	\$92	\$231,471	\$184	\$462,942	\$367
Marshall	2,763	19.84%	4,931,250	1784.744843	5,186,177	2,821	\$1,838	\$233,378	\$92	\$466,756	\$184	\$933,512	\$368
Harrison	5,750	20.06%	10,272,602	1786.539478	10,803,656	5,872	\$1,840	\$486,165	\$92	\$972,329	\$184	\$1,944,658	\$368
Raleigh	6,476	21.12%	11,575,052	1787.376776	12,173,437	6,613	\$1,841	\$547,805	\$92	\$1,095,609	\$184	\$2,191,219	\$368
Gilmer	569	21.59%	1,019,851	1792.356766	1,072,575	581	\$1,846	\$48,266	\$92	\$96,532	\$185	\$193,063	\$369
Boone	1,894	22.02%	3,396,177	1793.124076	3,571,747	1,934	\$1,847	\$160,729	\$92	\$321,457	\$185	\$642,914	\$369
Hamshire	1,763	18.43%	3,162,637	1793.895065	3,326,134	1,800	\$1,848	\$149,676	\$92	\$299,352	\$185	\$598,704	\$370
Wyoming	2,098	26.31%	3,771,664	1797.742612	3,966,645	2,142	\$1,852	\$178,499	\$93	\$356,998	\$185	\$713,996	\$370
Tyler	738	21.10%	1,328,485	1800.115176	1,397,164	754	\$1,854	\$62,872	\$93	\$125,745	\$185	\$251,489	\$371
Fayette	4,307	24.53%	7,771,590	1804.409101	8,173,351	4,398	\$1,858	\$367,801	\$93	\$735,602	\$186	\$1,471,203	\$372
Barbour	1,396	23.95%	2,521,086	1805.93553	2,651,417	1,426	\$1,860	\$119,314	\$93	\$238,628	\$186	\$477,255	\$372
Upshur	2,087	21.69%	3,783,613	1812.94346	3,979,212	2,131	\$1,867	\$179,065	\$93	\$358,129	\$187	\$716,258	\$373
Braxton	1,153	22.64%	2,091,550	1814.006938	2,199,676	1,177	\$1,868	\$98,985	\$93	\$197,971	\$187	\$395,942	\$374
Wayne	3,531	23.34%	6,429,581	1820.895214	6,761,966	3,606	\$1,875	\$304,288	\$94	\$608,577	\$188	\$1,217,154	\$375
Mingo	2,498	27.20%	4,552,160	1822.321857	4,787,490	2,551	\$1,877	\$215,437	\$94	\$430,874	\$188	\$861,748	\$375
Mason	2,016	20.99%	3,675,735	1823.28125	3,865,757	2,059	\$1,878	\$173,959	\$94	\$347,918	\$188	\$695,836	\$376
Mercer	5,670	23.57%	10,375,737	1829.935979	10,912,122	5,790	\$1,885	\$491,046	\$94	\$982,091	\$188	\$1,964,182	\$377
Roane	1,290	23.94%	2,362,412	1831.327132	2,484,541	1,317	\$1,886	\$111,804	\$94	\$223,609	\$189	\$447,217	\$377
Wirt	637	24.04%	1,172,688	1840.954474	1,233,313	650	\$1,896	\$55,499	\$95	\$110,998	\$190	\$221,996	\$379
Lincoln	2,074	26.60%	3,826,450	1844.961427	4,024,264	2,118	\$1,900	\$181,092	\$95	\$362,184	\$190	\$724,367	\$380
Doddridge	745	22.96%	1,380,032	1852.391946	1,451,375	761	\$1,908	\$65,312	\$95	\$130,624	\$191	\$261,248	\$382
Logan	3,110	24.48%	5,785,278	1860.218006	6,084,355	3,176	\$1,916	\$273,796	\$96	\$547,592	\$192	\$1,095,184	\$383
Clay	984	27.50%	1,846,333	1876.354675	1,941,782	1,005	\$1,932	\$87,380	\$97	\$174,760	\$193	\$349,521	\$386
McDowell	2,242	33.43%	4,410,122	1967.048171	4,638,109	2,289	\$2,026	\$208,715	\$101	\$417,430	\$203	\$834,860	\$405
Totals	145,324	19.48%	254,788,385	1753.243683	267,960,000	148,397	\$1,806	\$12,058,200	\$90	\$24,116,400	\$181	\$48,232,800	\$361

Methodology notes: Annual EITC claims for the years of 2002-2005 were evaluated. The analysis showed that EITC filers increased by 0.7 percent. Using the same methodology as the North Carolina Justice Center in their EITC brief "Making Work Pay For North Carolina's Low and Moderate-Income Working Families: A State Earned Income Tax Credit for North Carolina", West Virginia's 2003 EITC cost was found to be 0.616 percent of the federal total. This percentage was applied to the 2008 estimate of \$43.5 billion to obtain the projected state total which was straight line allocated to the 2005 county numbers shown above. The projected EITC numbers are based on the assumption that 90 percent of federal filers will claim the EITC.





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