



## NORTH DAKOTA CHILDREN BENEFIT FROM THE EARNED INCOME TAX CREDIT

Economists estimate that child poverty costs the United States \$500 billion annually in lost productivity and spending on health care and the criminal justice system<sup>1</sup>. Growing up in an impoverished family can create cumulative disadvantages that powerfully influence the direction of a child's life, especially if those disadvantages are not mitigated by other sources of support.

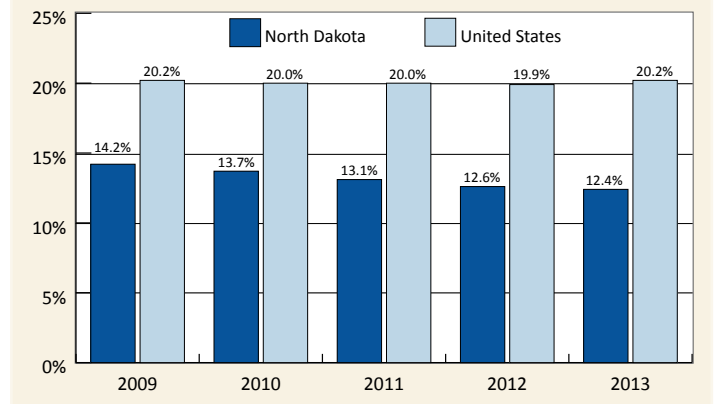
The Earned Income Tax Credit (EITC) is a federal tax credit - an anti-poverty program - for low-income working families. The EITC reduces the amount of taxes owed and may also provide a refund. In the 2013 tax year, 12.4 percent of North Dakota individual federal income tax returns claimed the EITC, i.e., a total of 42,207 returns. This proportion is down from 14.2 percent in 2009<sup>2</sup> (Figure 1). Nationwide, 20.2 percent of individual federal tax returns claimed the EITC in 2013, a percentage which is relatively unchanged over the past five years<sup>2</sup>.

The amount of EITC depends largely on a recipient's income and number of children. For tax year 2013, working families with children that had income below \$37,870 to \$51,567 (depending on the number of qualifying children) were potentially eligible for the EITC. Workers without children with income below \$14,340 (\$19,680 for married filing jointly) were eligible to receive a small EITC. The maximum credit for a single person or a couple filing jointly without children was \$487 in 2013. The maximum credit for families with one child was \$3,250. The maximum was \$5,372 for families with two children and \$6,044 for families with three or more children<sup>3</sup>.

The economic benefits of EITC are substantial. The EITC brought \$86.8 million to North Dakota in 2013, an average of \$2,056 per EITC filer (Table 1). Nationwide, almost 27 million tax filers received over \$64.7 billion<sup>2</sup> (Table 1).

Current research suggests that government-intervention programs (e.g., EITC and other tax credits, non-cash assistance) are effective

**FIGURE 1. PERCENT OF INDIVIDUAL FEDERAL INCOME TAX RETURNS CLAIMING THE EITC FOR ND AND THE U.S.: TAX YEARS 2009-2013<sup>2</sup>**

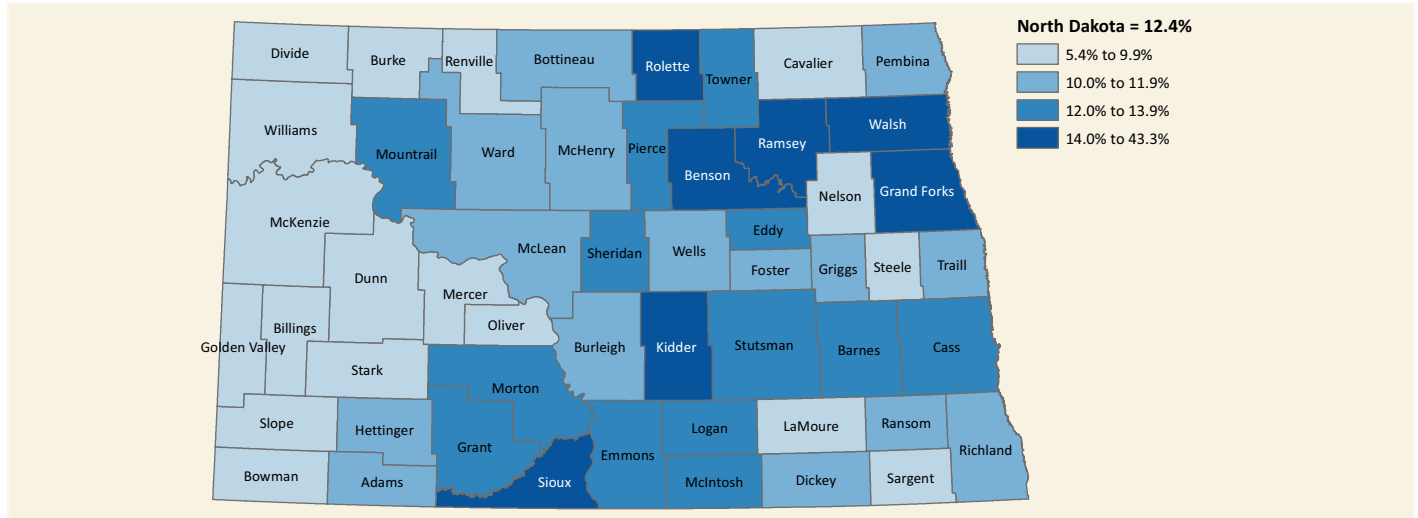


at reducing poverty. The Supplemental Poverty Measure (SPM), an alternative index to the official poverty measure, estimates that safety net programs and various tax policies aimed at helping low-income families have lowered the child poverty rate in half, lifting nearly 14,000 North Dakota children out of poverty from 2011 to 2013 (11 million children nationwide)<sup>4</sup>. The EITC alone kept 3.1 million children out of poverty in the United States<sup>5</sup>.

EITCs help working families avoid poverty and the hardships it imposes on children by reducing the taxes paid, which allows them to keep more of what they earn. A financially stable family is in a better position to be able to provide their children with a foundation for future success.

*In addition to the federal EITC, 25 states and the District of Columbia have adopted their own EITC<sup>6</sup>. The state EITC is set at a specific percentage of the federal credit. North Dakota has not adopted a state EITC.*

**FIGURE 2. PERCENT OF INDIVIDUAL FEDERAL TAX RETURNS CLAIMING THE EARNED INCOME TAX CREDIT: ND BY COUNTY, TAX YEAR 2013<sup>2</sup>**



<sup>1</sup>Holzer, H. et al. (2008, March). The economic costs of childhood poverty in the United States. *Journal of Children and Poverty*, 14(1), 41-61. Retrieved from <http://bit.ly/1F5hspl>. <sup>2</sup>The Brookings Institution. (2014, April). Earned Income Tax Credit Interactive and Resources. Retrieved from <http://brook.gs/1BRgrAe>. <sup>3</sup>The Internal Revenue Service. (2014, November). 2013 EITC Income Limits, Maximum Credit Amounts and Tax Law Updates. Retrieved from <http://1.usa.gov/PoWtuD>. <sup>4</sup>Annie E. Casey Foundation. (2015, February). Measuring Access to Opportunity in the United States. Retrieved from <http://bit.ly/1GJ4Dm3>. <sup>5</sup>The Brookings Institution. (2014, December). Fighting Poverty at Tax Time through the EITC. Retrieved from <http://brook.gs/1392sJG>. <sup>6</sup>The Internal Revenue Service. (2015, December). States and Local Governments with Earned Income Tax Credit. Retrieved from <http://1.usa.gov/1Xl2L5G>.

**TABLE 1. INDIVIDUAL FEDERAL RETURNS CLAIMING THE EARNED INCOME TAX CREDIT FOR NORTH DAKOTA BY COUNTY: TAX YEAR 2013<sup>2</sup>**

United States and North Dakota by County	Total Individual Federal Income Tax Returns				
	Total	Claiming the Earned Income Tax Credit (EITC)			
		Number	Percent of Total Returns	Sum of EITC Received (\$)	EITC Received Per Return (\$)
United States	132,881,287	26,822,282	20.2%	\$64,674,684,984	\$2,411
North Dakota	339,038	42,207	12.4%	\$86,765,613	\$2,056
Adams	1,101	113	10.3%	\$212,193	\$1,878
Barnes	5,124	649	12.7%	\$1,207,967	\$1,861
Benson	2,481	860	34.7%	\$2,229,424	\$2,592
Billings	383	21	5.5%	\$37,115	\$1,767
Bottineau	3,144	337	10.7%	\$671,393	\$1,992
Bowman	1,669	134	8.0%	\$235,800	\$1,760
Burke	1,154	94	8.1%	\$186,855	\$1,988
Burleigh	42,237	4,461	10.6%	\$8,677,422	\$1,945
Cass	76,935	9,874	12.8%	\$19,596,889	\$1,985
Cavalier	1,908	178	9.3%	\$365,174	\$2,052
Dickey	2,364	273	11.5%	\$617,886	\$2,263
Divide	1,155	98	8.5%	\$186,740	\$1,906
Dunn	1,822	172	9.4%	\$362,964	\$2,110
Eddy	1,071	133	12.4%	\$253,190	\$1,904
Emmons	1,493	194	13.0%	\$380,063	\$1,959
Foster	1,616	165	10.2%	\$343,289	\$2,081
Golden Valley	851	82	9.6%	\$186,300	\$2,272
Grand Forks	30,884	4,339	14.0%	\$8,544,216	\$1,969
Grant	1,014	135	13.3%	\$247,698	\$1,835
Griggs	1,113	117	10.5%	\$231,917	\$1,982
Hettinger	1,214	122	10.0%	\$237,484	\$1,947
Kidder	1,041	150	14.4%	\$322,353	\$2,149
LaMoure	1,922	174	9.1%	\$370,951	\$2,132
Logan	864	110	12.7%	\$220,370	\$2,003
McHenry	2,734	316	11.6%	\$670,009	\$2,120
McIntosh	1,325	168	12.7%	\$337,779	\$2,011
McKenzie	3,917	391	10.0%	\$814,768	\$2,084
McLean	4,395	461	10.5%	\$984,199	\$2,135
Mercer	4,089	335	8.2%	\$677,049	\$2,021
Morton	14,218	1,735	12.2%	\$3,653,414	\$2,106
Mountrail	4,205	569	13.5%	\$1,372,532	\$2,412
Nelson	1,512	150	9.9%	\$301,591	\$2,011
Oliver	798	73	9.1%	\$175,118	\$2,399
Pembina	3,408	376	11.0%	\$764,665	\$2,034
Pierce	1,988	258	13.0%	\$533,742	\$2,069
Ramsey	5,449	808	14.8%	\$1,704,995	\$2,110
Ransom	2,658	286	10.8%	\$633,219	\$2,214
Renville	1,184	116	9.8%	\$248,958	\$2,146
Richland	7,504	883	11.8%	\$1,921,612	\$2,176
Rolette	5,277	1,979	37.5%	\$5,035,081	\$2,544
Sargent	1,945	171	8.8%	\$349,408	\$2,043
Sheridan	612	84	13.7%	\$188,626	\$2,246
Sioux	1,269	550	43.3%	\$1,408,545	\$2,561
Slope	127	10	7.9%	\$19,596	\$1,960
Stark	15,000	1,375	9.2%	\$2,728,686	\$1,984
Steele	670	59	8.8%	\$126,786	\$2,149
Stutsman	9,810	1,316	13.4%	\$2,447,124	\$1,860
Towner	1,095	152	13.9%	\$319,730	\$2,103
Traill	3,706	379	10.2%	\$788,319	\$2,080
Walsh	5,146	736	14.3%	\$1,468,075	\$1,995
Ward	32,414	3,843	11.9%	\$7,939,882	\$2,066
Wells	2,074	233	11.2%	\$416,565	\$1,788
Williams	15,949	1,410	8.8%	\$2,809,887	\$1,993