

Reform Plan Targets Tax Cuts with EITC

Tax Reform Makes Work Pay for Low- and Moderate-Income Iowans

Seven Iowa House districts have 1 in 5 taxpayers who would benefit from an expansion in Iowa's Earned Income Tax Credit (EITC) as proposed in income-tax reform legislation awaiting debate in the closing days of the 2009 legislative session. The EITC expansion is one element of a package of reforms, the featured elements being elimination of federal deductibility to enable a reduction in all Iowa income-tax rates, at each income bracket, as well as an increase in the standard deduction.

In 2007, the Legislature passed and Governor Culver signed an expansion in the state EITC from 6.5 percent to 7 percent of the federal credit. The major change in this expansion is that it made the credit refundable, so that the low- or moderate-income families now receive the full benefit of the credit.

In 2009, the EITC provision included in the tax-reform package would expand the state credit to 8 percent of the federal credit.

Data provided by the Brookings Institution enable a district-by-district breakdown of beneficiaries of the federal EITC, showing how many taxpayers also benefit from the state credit.

In two districts, one-fourth of filers benefit. The largest benefits go to House District 22 in Black Hawk County, where 27 percent of filers benefit from the EITC. Next is House District 66 in Polk County, where 25 percent of filers benefit.

Here are the top 10 districts, with legislators' home county, by share of filers benefiting from the EITC:

	EITC Returns	Total Returns	EITC Amount	EITC % of Total
HD22 — Black Hawk	3,322	12,440	\$6,610,657	27%
HD66 — Polk	2,831	11,331	\$5,334,246	25%
HD86 — Scott	2,856	12,437	\$5,461,270	23%
HD2 — Woodbury	2,666	11,734	\$4,981,777	23%
HD1 — Woodbury	2,736	12,267	\$5,341,983	22%
HD100 — Pottawattamie	2,753	13,091	\$5,186,735	21%
HD68 — Polk	2,676	13,146	\$4,867,505	20%
HD93 — Wapello	2,373	12,244	\$4,149,781	19%
HD92 — Lee	2,326	12,458	\$4,091,663	19%
HD62 — Polk	2,339	12,637	\$4,235,274	19%

Source: Brookings Institution analysis of federal EITC data, by state House district in Iowa, Tax Year 2006, http://www.brookings.edu/metro/EITC/eitc_legislativedistricts.aspx

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Table 1. EITC Filers by Iowa House District, Percentage of Total Returns, 2006

	EITC Returns	EITC Amt	EITC%		EITC Returns	EITC Amt	EITC %
HD22	3,322	\$6,610,657	27%	HD25	1,805	\$3,207,793	13%
HD66	2,831	\$5,334,246	25%	HD28	1,925	\$3,323,711	13%
HD86	2,856	\$5,461,270	23%	HD12	1,663	\$2,805,904	13%
HD2	2,666	\$4,981,777	23%	HD11	1,635	\$2,764,583	13%
HD1	2,736	\$5,341,983	22%	HD5	1,627	\$2,636,754	13%
HD100	2,753	\$5,186,735	21%	HD16	1,538	\$2,574,144	12%
HD68	2,676	\$4,867,505	20%	HD38	1,680	\$2,840,793	12%
HD93	2,373	\$4,149,781	19%	HD64	1,777	\$3,151,933	12%
HD92	2,326	\$4,091,663	19%	HD8	1,582	\$2,800,299	12%
HD62	2,339	\$4,235,274	19%	HD76	1,675	\$2,767,103	12%
HD88	2,362	\$4,556,147	18%	HD15	1,566	\$2,628,752	12%
HD26	2,319	\$4,279,304	18%	HD89	1,585	\$2,674,088	12%
HD43	2,219	\$3,996,510	18%	HD23	1,541	\$2,710,338	12%
HD94	2,101	\$3,645,721	18%	HD53	1,536	\$2,639,585	12%
HD85	2,561	\$5,055,179	18%	HD51	1,562	\$2,594,144	11%
HD65	2,075	\$3,850,899	18%	HD31	1,637	\$2,644,020	11%
HD33	2,479	\$4,193,556	17%	HD6	1,639	\$2,665,258	11%
HD95	2,198	\$3,949,694	17%	HD40	1,522	\$2,643,503	11%
HD21	2,219	\$3,976,485	17%	HD20	1,525	\$2,567,682	11%
HD90	2,214	\$3,523,824	17%	HD79	1,531	\$2,566,500	11%
HD52	1,973	\$3,661,762	16%	HD39	1,546	\$2,611,529	11%
HD96	1,952	\$3,543,645	16%	HD32	1,517	\$2,492,185	11%
HD80	2,203	\$3,949,159	16%	HD61	1,546	\$2,555,430	11%
HD49	2,007	\$3,515,688	16%	HD3	1,409	\$2,466,980	11%
HD87	1,909	\$3,573,760	15%	HD73	1,476	\$2,536,950	11%
HD67	2,356	\$4,262,528	15%	HD42	1,661	\$2,876,222	10%
HD13	1,989	\$3,300,081	15%	HD30	1,880	\$3,045,892	10%
HD27	1,918	\$3,404,302	15%	HD98	1,392	\$2,354,820	10%
HD72	1,779	\$3,136,439	15%	HD37	1,470	\$2,430,766	10%
HD55	1,856	\$3,325,779	15%	HD83	1,474	\$2,545,540	10%
HD99	2,024	\$3,636,822	15%	HD36	1,703	\$2,688,939	10%
HD84	2,066	\$3,972,796	15%	HD17	1,333	\$2,238,720	10%
HD97	1,760	\$2,951,485	15%	HD74	1,437	\$2,454,432	10%
HD81	1,957	\$3,590,703	14%	HD78	1,240	\$1,759,102	10%
HD57	1,859	\$3,157,446	14%	HD77	1,207	\$1,690,024	10%
HD50	1,671	\$2,847,364	14%	HD71	1,256	\$2,180,050	9%
HD34	2,027	\$3,451,055	14%	HD4	1,143	\$1,901,461	9%
HD91	1,708	\$2,983,614	14%	HD10	1,232	\$1,993,069	9%
HD18	1,723	\$3,037,822	14%	HD19	1,041	\$1,618,156	9%
HD54	1,827	\$3,300,921	14%	HD35	1,250	\$2,030,170	9%
HD24	1,745	\$2,992,120	14%	HD82	1,248	\$2,108,207	8%
HD7	1,698	\$2,906,203	14%	HD29	1,140	\$1,787,227	8%
HD14	1,715	\$2,936,182	13%	HD46	1,125	\$1,588,172	8%
HD44	1,748	\$2,940,702	13%	HD45	833	\$1,169,696	8%
HD58	1,675	\$2,963,151	13%	HD59	1,134	\$1,833,646	7%
HD41	1,710	\$2,692,287	13%	HD47	1,231	\$1,972,037	7%
HD9	1,661	\$2,909,142	13%	HD69	1,242	\$2,043,066	7%
HD48	1,736	\$3,046,619	13%	HD60	1,051	\$1,628,543	7%
HD56	1,694	\$2,836,557	13%	HD63	1,117	\$1,767,687	6%
HD75	1,669	\$2,782,983	13%	HD70	1,221	\$1,928,855	6%

	EITC Returns	Total Returns	EITC Amount	EITC Share of Total
Iowa Total	177,346	1,354,531	\$308,401,787	13%
Median				13%
Mean				13%

Source: Brookings Institution, http://www.brookings.edu/metro/EITC/eitc_legislativedistricts.aspx