



Earned Income Tax Credit Is Critical To Rural Working-Poor, Carsey Institute Finds

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DURHAM, N.H. — A new Carsey Institute Fact Sheet shows that working Americans in rural areas are more likely to benefit from the Earned Income Tax Credit (EITC) to make ends meet than their neighbors in urban areas. Families in the rural South take advantage of the tax credit the most.

The study, "EITC is Vital for Working-Poor Families in Rural America," finds that while only 16 percent of U.S. tax filers in 2004 were from rural areas, rural EITC filers claimed 20 percent of the \$39.8 billion EITC funds.

In 2004, rural EITC recipients collectively received \$7.8 billion through the credit. The vast majority of EITC dollars go to working families with children who have earnings below \$35,000 a year.

"The amount of money received by the average rural family (\$1,850) may not seem like much to more affluent families, but for low-income families it can be an enormous help. Research shows that for kids growing up in low-income families, even a small boost in income can lead to better child outcomes," said study authors William O'Hare, rural fellow with the Carsey Institute at the University of New Hampshire, and Elizabeth Kneebone, research analyst with the Brookings Institute.

"As Congress entertains legislation to expand the EITC program, it is important to recognize how vital this program is for low-income families in rural America," the authors said.

Additional key facts:

- Nationwide a higher percentage of rural tax filers (20 percent) receives the EITC than urban filers (16 percent). Rural tax filers receive the EITC at a higher rate than urban filers in 42 of 48 states. (All counties in New Jersey and Rhode Island are in Metropolitan Areas).

- The EITC is especially important to residents of the rural South and Southwest. Nearly one-third of families in some states in the South draw on the federal benefit as a source of income. Mississippi, Louisiana, and Georgia each had more than 30 percent of their rural tax filers receive the credit in 2004. It is noteworthy that these are states where child outcomes are typically the worst, which makes this source of support even more vital.
- The rural/urban gap in the percentage of fillers receiving EITC is largest in the South and Southwest. Leading the list, rural tax filers in Georgia and Arizona are much more likely to receive the EITC than their urban counterparts.
- At the national level, there is little difference in the average amount of ETIC received - \$1,831 for urban families compared to \$1,850 for rural families. But there are substantial differences across the rural areas of states, ranging from a low of \$1,232 in Massachusetts to a high of \$2,193 in Louisiana.
- Most of the states with relatively high average credit amounts are located in the South: Louisiana (\$2,193), Mississippi (\$2,183), Georgia, (\$2,099), Alabama (\$2,083), and Texas (\$2,048). The states with lower average credits for rural families are almost all located in New England: Massachusetts, Alaska, Vermont, New Hampshire, and Connecticut.

The Carsey Institute conducts research and analysis on the challenges facing rural families and communities in New Hampshire, New England, and the nation. The Carsey Institute sponsors independent, interdisciplinary research that documents trends and conditions affecting families and communities, providing valuable information and analysis to policymakers, practitioners, the media, and the general public. Through this work, the Carsey Institute contributes to public dialogue on policies that encourage social mobility and sustain healthy, equitable communities.

The Carsey Institute was established in May 2002 with a generous gift from UNH alumna and noted television producer Marcy Carsey. Visit us online at <http://carseyinstitute.unh.edu/index.html>.

