
POLICY MATTERS OHIO

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EITC Gains, RAL Drains: The widespread use of the Earned Income Tax Credit throughout Ohio

The federal Earned Income Tax Credit (EITC) or Earned Income Credit (EIC) is a refundable tax credit available to some working individuals and families who earn less than \$38,000. This credit currently does more to bring working families out of poverty than any other government program. An estimated four million families were lifted above the poverty level because of the EITC program in 2004. The EITC, which varies in value according to family size, marital status and income, can reach a maximum of \$4,536 in the 2006 tax year.

In the 2004 tax season, more than 780,000 Ohio families received the EITC at an average credit of \$1,729, which brought more than \$1.3 billion in federal refunds to Ohio.¹ Only seven other states receive more EITC dollars than Ohio, and Ohio accounts for approximately 3.6% of all the nation's credits.

While the EITC program is extremely helpful to Ohio's working families, there are several ways it can be strengthened.²

- Enact an Ohio Earned Income Tax Credit. Creating an Ohio EITC that supplements the federal credit would provide working families a needed boost in income while circulating additional money in local economies.
- Increase use of free tax preparation (VITA) sites. Too many families unnecessarily pay for tax preparation when they can receive their full refund quickly and for free.
- Limit use of and put rate caps on refund-anticipation-loans (RALs). These high-interest loans come with high fees and take away from families who need their refunds the most.
- Increase outreach to potential EITC recipients through community programs and investment. Many eligible families do not claim the EITC. Between 5 to 25% of eligible families miss out on their credits nationally.

In what follows, Policy Matters Ohio uses data from the IRS and the Brookings Institution to breakdown how the EITC helps working families in Ohio.³ This data is presented for each state legislative district in Ohio. As the charts indicate, the EITC brings millions of dollars into legislative districts across Ohio. However, roughly one-third of those receiving the EITC purchase a RAL. For EITC recipients who pay for tax preparation, more than 60 percent purchase RALs.

¹ All data comes from the IRS SPEC Return Information Data Base, Tax Year 2004 (October 2006) and the Brookings Institution, unless otherwise noted.

² For more detail on the EITC in Ohio, see <http://www.policymattersohio.org/eitc/index.htm>.

³ Alan Berube and Elizabeth Kneebone of the Metropolitan Policy Program, from the Brookings Institution, mapped EITC and RAL data in Ohio by legislative district.

Ohio Senate Districts

Senate District	Total Returns	EITC Returns	Percentage EITC Returns	Total EITC Claim Amounts	Average EITC Claim Amount	EITC Claimants Purchasing RALs	Estimated EITC RAL Costs*	% EITC Claimants Purchasing RALs
District 1	170,878	20,444	12%	\$34,142,101	\$1,670	5,636	\$732,718	28%
District 2	173,711	17,626	10%	\$28,949,357	\$1,642	4,667	\$606,703	26%
District 3	191,404	25,249	13%	\$44,736,245	\$1,772	7,823	\$1,016,949	31%
District 4	158,335	19,282	12%	\$33,889,226	\$1,758	7,594	\$987,262	39%
District 5	147,230	30,598	21%	\$57,390,189	\$1,876	12,925	\$1,680,301	42%
District 6	170,881	16,806	10%	\$26,870,517	\$1,599	4,490	\$583,721	27%
District 7	173,114	13,982	8%	\$22,946,232	\$1,641	4,436	\$576,733	32%
District 8	167,586	19,922	12%	\$35,608,399	\$1,787	7,355	\$956,155	37%
District 9	138,118	33,599	24%	\$64,940,101	\$1,933	17,122	\$2,225,852	51%
District 10	152,272	20,985	14%	\$36,365,521	\$1,733	7,666	\$996,637	37%
District 11	143,444	30,129	21%	\$55,711,534	\$1,849	12,141	\$1,578,334	40%
District 12	163,739	21,870	13%	\$37,815,861	\$1,729	7,132	\$927,201	33%
District 13	172,393	23,771	14%	\$42,036,913	\$1,768	7,663	\$996,142	32%
District 14	162,452	26,265	16%	\$47,240,511	\$1,799	9,561	\$1,242,890	36%
District 15	152,467	38,855	25%	\$73,515,811	\$1,892	16,743	\$2,176,559	43%
District 16	187,570	19,546	10%	\$32,914,711	\$1,684	5,464	\$710,336	28%
District 17	152,237	28,571	19%	\$51,396,497	\$1,799	11,276	\$1,465,842	39%
District 18	174,309	14,393	8%	\$22,434,798	\$1,559	2,666	\$346,634	19%
District 19	172,976	20,100	12%	\$34,307,787	\$1,707	6,295	\$818,344	31%
District 20	151,352	27,884	18%	\$48,564,848	\$1,742	8,958	\$1,164,485	32%
District 21	122,380	39,216	32%	\$79,550,128	\$2,029	16,279	\$2,116,321	42%
District 22	167,718	16,950	10%	\$27,364,033	\$1,614	3,962	\$515,115	23%
District 23	154,949	24,141	16%	\$41,801,491	\$1,732	6,822	\$886,832	28%
District 24	184,271	10,444	6%	\$15,079,756	\$1,444	1,281	\$166,537	12%
District 25	152,519	33,090	22%	\$63,641,163	\$1,923	12,556	\$1,632,320	38%
District 26	162,276	22,863	14%	\$38,604,543	\$1,688	7,421	\$964,683	32%
District 27	171,211	19,658	11%	\$32,581,037	\$1,657	5,790	\$752,662	29%
District 28	160,587	24,164	15%	\$41,151,002	\$1,703	7,842	\$1,019,399	32%
District 29	161,110	22,987	14%	\$39,640,877	\$1,725	7,941	\$1,032,384	35%
District 30	152,830	24,848	16%	\$41,986,514	\$1,690	7,139	\$928,043	29%
District 31	176,295	24,184	14%	\$41,867,018	\$1,731	7,604	\$988,529	31%
District 32	150,236	23,641	16%	\$41,166,531	\$1,741	7,361	\$956,886	31%
District 33	153,600	25,401	17%	\$45,141,101	\$1,777	7,640	\$993,250	30%
Totals	5,346,450	781,465	15%	\$1,381,352,353	\$1,739	267,252	\$34,742,760	33%

* Estimate based on a RAL purchase costing \$130 as estimated in David Rothstein (2006) "Credit Where It's Due" at: http://www.policymattersohio.org/pdf/credit_where_its_due.pdf. This cost does not include paid preparation and other fees associated with RALs.

Ohio House Districts

House District	Total Returns	EITC Returns	Percentage EITC Returns	Total EITC Claim Amounts	Average EITC Claim Amount	EITC Claimants Purchasing RALs	Estimated EITC RAL Costs*	% EITC Claimants Purchasing RALs
District 1	48,385	8,224	17%	\$14,345,673	\$1,744	2,179	\$283,308	26%
District 2	68,155	4,433	7%	\$7,097,525	\$1,601	1,049	\$136,427	24%
District 3	51,818	6,219	12%	\$10,255,730	\$1,649	1,855	\$241,118	30%
District 4	47,892	7,926	17%	\$14,300,328	\$1,804	2,827	\$367,504	36%
District 5	63,405	7,436	12%	\$12,704,109	\$1,709	2,151	\$279,690	29%
District 6	56,382	5,495	10%	\$8,749,376	\$1,592	1,350	\$175,528	25%
District 7	51,637	9,936	19%	\$18,464,504	\$1,858	3,667	\$476,768	37%
District 8	52,610	11,035	21%	\$21,515,320	\$1,950	4,210	\$547,264	38%
District 9	42,080	10,417	25%	\$20,979,925	\$2,014	4,147	\$539,101	40%
District 10	39,992	13,619	34%	\$27,238,095	\$2,000	5,562	\$723,042	41%
District 11	40,303	15,180	38%	\$31,330,731	\$2,064	6,570	\$854,146	43%
District 12	48,277	12,120	25%	\$23,662,715	\$1,952	4,679	\$608,320	39%
District 13	45,953	10,609	23%	\$19,490,846	\$1,837	3,702	\$481,310	35%
District 14	53,013	8,030	15%	\$13,928,125	\$1,735	2,154	\$279,995	27%
District 15	56,219	5,549	10%	\$8,462,956	\$1,525	979	\$127,255	18%
District 16	62,631	3,588	6%	\$5,269,138	\$1,468	412	\$53,497	11%
District 17	62,696	3,228	5%	\$4,692,182	\$1,453	448	\$58,275	14%
District 18	58,707	3,582	6%	\$5,038,002	\$1,407	408	\$53,038	11%
District 19	67,227	8,675	13%	\$15,408,960	\$1,776	2,750	\$357,550	32%
District 20	62,635	8,154	13%	\$14,390,169	\$1,765	2,572	\$334,386	32%
District 21	61,574	8,419	14%	\$14,934,823	\$1,774	2,499	\$324,881	30%
District 22	64,817	5,799	9%	\$9,212,155	\$1,589	1,366	\$177,610	24%
District 23	62,227	6,864	11%	\$12,094,431	\$1,762	1,978	\$257,095	29%
District 24	60,488	6,881	11%	\$11,605,293	\$1,687	2,120	\$275,607	31%
District 25	53,083	12,039	23%	\$22,515,737	\$1,870	5,234	\$680,396	43%
District 26	54,362	13,539	25%	\$25,011,499	\$1,847	6,012	\$781,622	44%
District 27	45,032	13,280	29%	\$25,994,677	\$1,957	5,498	\$714,716	41%
District 28	54,871	6,538	12%	\$11,667,274	\$1,785	2,492	\$323,906	38%
District 29	57,434	7,945	14%	\$14,524,862	\$1,828	3,027	\$393,500	38%
District 30	55,239	5,431	10%	\$9,401,143	\$1,731	1,833	\$238,280	34%
District 31	45,948	11,250	24%	\$22,307,574	\$1,983	5,869	\$763,013	52%
District 32	44,553	11,378	26%	\$21,843,395	\$1,920	5,868	\$762,782	52%
District 33	47,660	10,980	23%	\$20,804,252	\$1,895	5,389	\$700,525	49%
District 34	54,905	4,735	9%	\$7,575,959	\$1,600	1,608	\$209,102	34%
District 35	60,139	4,477	7%	\$7,334,226	\$1,638	1,265	\$164,435	28%
District 36	55,279	5,913	11%	\$9,773,072	\$1,653	1,675	\$217,797	28%
District 37	57,188	6,014	11%	\$9,612,090	\$1,598	1,659	\$215,617	28%
District 38	58,416	4,882	8%	\$7,485,829	\$1,533	1,156	\$150,319	24%
District 39	41,477	12,096	29%	\$23,548,257	\$1,947	5,619	\$730,434	46%
District 40	48,044	11,327	24%	\$21,768,740	\$1,922	4,913	\$638,683	43%
District 41	61,601	4,563	7%	\$7,111,232	\$1,559	1,013	\$131,633	22%
District 42	57,162	4,291	8%	\$6,407,599	\$1,493	800	\$103,954	19%
District 43	59,522	5,944	10%	\$9,326,412	\$1,569	1,270	\$165,070	21%
District 44	44,833	11,648	26%	\$21,200,315	\$1,820	4,944	\$642,685	42%
District 45	52,402	10,797	21%	\$19,045,789	\$1,764	3,974	\$516,591	37%
District 46	60,504	4,860	8%	\$7,841,422	\$1,614	1,075	\$139,757	22%
District 47	47,919	10,369	22%	\$18,846,235	\$1,818	4,266	\$554,528	41%
District 48	42,319	12,166	29%	\$23,690,655	\$1,947	5,462	\$710,114	45%
District 49	53,206	7,594	14%	\$13,174,645	\$1,735	2,413	\$313,692	32%
District 50	53,604	6,074	11%	\$9,950,321	\$1,638	1,565	\$203,466	26%
District 51	60,586	6,855	11%	\$11,265,796	\$1,643	2,064	\$268,297	30%

House District	Total Returns	EITC Returns	Percentage EITC Returns	Total EITC Claim Amounts	Average EITC Claim Amount	EITC Claimants Purchasing RALs	Estimated EITC RAL Costs*	% EITC Claimants Purchasing RALs
District 52	46,920	10,058	21%	\$18,424,759	\$1,832	4,312	\$560,621	43%
District 53	48,665	6,262	13%	\$11,018,809	\$1,760	2,434	\$316,422	39%
District 54	56,143	7,194	13%	\$12,615,804	\$1,754	2,891	\$375,804	40%
District 55	53,527	5,827	11%	\$10,254,613	\$1,760	2,270	\$295,037	39%
District 56	52,625	10,332	20%	\$19,311,703	\$1,869	3,882	\$504,668	38%
District 57	63,023	6,521	10%	\$11,025,636	\$1,691	1,798	\$233,767	28%
District 58	56,744	6,918	12%	\$11,699,574	\$1,691	1,982	\$257,708	29%
District 59	56,005	5,810	10%	\$9,365,583	\$1,612	1,179	\$153,299	20%
District 60	43,998	10,961	25%	\$20,938,429	\$1,910	3,908	\$508,003	36%
District 61	53,602	8,630	16%	\$14,838,407	\$1,719	2,554	\$331,970	30%
District 62	58,038	5,149	9%	\$7,920,077	\$1,538	969	\$125,944	19%
District 63	58,891	5,733	10%	\$9,226,107	\$1,609	1,256	\$163,339	22%
District 64	49,308	7,803	16%	\$13,713,943	\$1,757	2,977	\$387,039	38%
District 65	51,782	7,390	14%	\$12,383,418	\$1,676	1,943	\$252,562	26%
District 66	61,821	6,091	10%	\$10,271,827	\$1,686	1,930	\$250,878	32%
District 67	58,070	4,770	8%	\$8,036,047	\$1,685	1,563	\$203,196	33%
District 68	56,279	6,581	12%	\$10,640,691	\$1,617	1,632	\$212,129	25%
District 69	61,073	4,537	7%	\$7,149,012	\$1,576	775	\$100,759	17%
District 70	53,448	6,234	12%	\$10,244,447	\$1,643	1,840	\$239,204	30%
District 71	56,812	7,634	13%	\$13,128,536	\$1,720	2,279	\$296,262	30%
District 72	47,889	8,663	18%	\$15,897,425	\$1,835	3,807	\$494,870	44%
District 73	50,212	8,142	16%	\$14,484,279	\$1,779	3,139	\$408,039	39%
District 74	58,089	7,080	12%	\$12,013,154	\$1,697	1,873	\$243,522	26%
District 75	56,656	6,219	11%	\$10,219,939	\$1,643	1,745	\$226,883	28%
District 76	56,133	7,145	13%	\$11,909,008	\$1,667	2,018	\$262,313	28%
District 77	57,603	6,835	12%	\$11,472,793	\$1,679	1,866	\$242,543	27%
District 78	58,242	7,111	12%	\$12,042,474	\$1,694	2,440	\$317,147	34%
District 79	57,706	7,175	12%	\$12,072,718	\$1,683	2,394	\$311,173	33%
District 80	56,825	7,273	13%	\$12,358,558	\$1,699	2,242	\$291,418	31%
District 81	57,517	7,799	14%	\$12,876,376	\$1,651	2,208	\$287,072	28%
District 82	52,222	8,251	16%	\$14,104,222	\$1,709	3,057	\$397,436	37%
District 83	52,538	6,813	13%	\$11,623,945	\$1,706	2,155	\$280,175	32%
District 84	50,936	6,089	12%	\$10,223,914	\$1,679	2,020	\$262,570	33%
District 85	51,984	8,495	16%	\$14,851,662	\$1,748	3,333	\$433,314	39%
District 86	50,719	9,392	19%	\$16,889,356	\$1,798	3,683	\$478,734	39%
District 87	49,535	10,683	22%	\$19,655,361	\$1,840	4,260	\$553,792	40%
District 88	54,095	9,037	17%	\$16,235,370	\$1,797	3,322	\$431,874	37%
District 89	46,538	11,138	24%	\$20,733,783	\$1,862	4,309	\$560,145	39%
District 90	54,609	7,525	14%	\$12,725,983	\$1,691	2,107	\$273,879	28%
District 91	56,073	9,114	16%	\$16,033,474	\$1,759	3,174	\$412,563	35%
District 92	46,499	8,931	19%	\$15,196,676	\$1,702	2,830	\$367,909	32%
District 93	50,725	9,111	18%	\$15,781,841	\$1,732	2,596	\$337,539	28%
District 94	54,127	9,843	18%	\$17,585,902	\$1,787	3,531	\$459,025	36%
District 95	48,864	8,533	17%	\$14,494,953	\$1,699	2,975	\$386,699	35%
District 96	55,576	8,090	15%	\$13,144,569	\$1,625	1,985	\$258,013	25%
District 97	54,827	6,194	11%	\$9,959,292	\$1,608	1,333	\$173,237	22%
District 98	57,380	3,511	6%	\$5,288,614	\$1,506	441	\$57,351	13%
District 99	49,146	8,448	17%	\$15,069,170	\$1,784	2,441	\$317,286	29%
Totals	5,346,450	781,477	15%	\$1,381,352,353	\$1,729	267,252	\$34,742,760	32%

* Estimate based on a RAL purchase costing \$130 as estimated in David Rothstein (2006) "Credit Where It's Due," at: http://www.policymattersohio.org/pdf/credit_where_its_due.pdf. This cost does not include paid preparation and other fees associated with RALs.