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*Timely,
accessible,
and credible
analysis of
state and local
budget and tax
issues*

Author:
Alexandra F. Sirota
919/861-1468
alexandra@ncjustice.org

North Carolina
Justice Center
P.O. Box 28068
Raleigh, NC
27611-8068

www.ncjustice.org

NORTH CAROLINA'S STATE EARNED INCOME TAX CREDIT:

A Support for Working Families with Wide-spread Benefits

KEY FINDINGS:

- **The state Earned Income Tax Credit (EITC) provides workers earning low wages with a credit to offset their total state and local tax contributions. The state EITC was worth 5 percent of the federal EITC to a family claiming the credit in 2010.**
- **Recently available data from the N.C. Department of Revenue show that more than 883,000 North Carolinians claimed the credit in 2010 and that they live in every county in the state.**
- **National research on the EITC finds that the credit has reached nearly half of workers with children at some point and the majority received it for a short period of time.**

IN 2007, North Carolina's policymakers put in place a state Earned Income Tax Credit (EITC) to provide a modest boost to the wages of low-income working families by reducing the share of their incomes spent on total state and local taxes. In 2010, more than 883,000 North Carolinians claimed the state EITC, which was set at 5 percent of the federal credit.¹

The Role of the EITC in Hard Times

The EITC was designed to ensure that families working for low wages can pay for immediate needs like food, shelter, and utilities.² The EITC sustains consumer spending by providing families with dollars to spend in their local economies.

In the 2001 recession, eligibility for the federal EITC increased by 11 percent.³ The number of workers in North Carolina receiving the state EITC increased by 9.6 percent from 2008 to 2010, the period from implementation to the most recent year of available data.⁴

Given that the state EITC was implemented during the Great Recession, it is difficult to estimate how the trend will continue in the recovery period; however, national research suggests that the majority of workers who receive the EITC claim the credit for between 1 and 2 years.⁵

The county data on the value of the federal and state EITC (**see table on reverse**) demonstrate that communities throughout North Carolina benefit from this tax credit for low-income working families.

Every County in North Carolina Benefits from the State EITC

COUNTY	TOTAL EITC REPORTED	
	NUMBER OF RETURNS*	TOTAL CREDIT VALUE REPORTED (\$)
Alamance	14,173	1,667,629
Alamance	14,288	1,665,923
Alexander	3,155	340,383
Alleghany	991	102,671
Anson	3,292	423,570
Ashe	2,475	252,579
Avery	1,391	142,359
Beaufort	5,278	655,200
Bertie	2,810	350,119
Bladen	3,916	477,035
Brunswick	8,438	937,262
Buncombe	20,038	2,006,750
Burke	7,927	886,335
Cabarrus	13,470	1,551,368
Caldwell	8,110	911,443
Camden	578	60,488
Carteret	5,271	546,411
Caswell	2,356	263,760
Catawba	14,646	1,610,405
Chatham	4,081	439,912
Cherokee	2,596	294,002
Chowan	1,542	183,521
Clay	942	102,518
Cleveland	10,559	1,257,867
Columbus	6,780	849,048
Craven	8,427	968,086
Cumberland	31,529	3,792,329
Currituck	1,537	159,016
Dare	2,736	264,620
Davidson	14,743	1,646,008
Davie	3,051	324,315
Duplin	6,410	808,148
Durham	22,626	2,579,447
Edgecombe	8,508	1,155,177
Forsyth	29,482	3,361,311
Franklin	4,982	589,682
Gaston	19,078	2,207,150
Gates	903	106,663
Graham	859	98,579
Granville	4,728	535,040
Greene	2,040	258,900
Guilford	44,867	5,119,932
Halifax	7,648	966,544
Harnett	9,848	1,187,990
Haywood	4,983	531,382
Henderson	7,744	829,826
Hertford	2,757	346,338
Hoke	4,973	614,552
Hyde	487	55,554
Iredell	12,760	1,371,676
Jackson	2,718	269,568
Johnston	13,356	1,556,942

COUNTY	TOTAL EITC REPORTED	
	NUMBER OF RETURNS*	TOTAL CREDIT VALUE REPORTED (\$)
Jones	1,001	115,597
Lee	5,775	683,441
Lenoir	7,506	927,017
Lincoln	5,687	622,688
Macon	2,902	309,063
Madison	1,828	193,301
Martin	2,630	320,098
McDowell	4,269	479,630
Mecklenburg	80,796	9,657,371
Mitchell	1,300	137,235
Montgomery	2,731	334,255
Moore	6,736	757,573
Nash	11,428	1,419,286
New Hanover	14,547	1,447,855
Northampton	2,533	311,976
Onslow	12,225	1,356,692
Orange	6,557	616,423
Pamlico	1,146	132,054
Pasquotank	3,857	451,140
Pender	4,440	506,542
Perquimans	1,141	134,250
Person	3,707	417,156
Pitt	16,221	1,981,867
Polk	1,447	151,994
Randolph	12,874	1,470,910
Richmond	5,969	771,573
Robeson	18,880	2,500,965
Rockingham	8,870	983,428
Rowan	13,206	1,526,839
Rutherford	6,291	719,272
Sampson	7,107	875,019
Scotland	5,285	698,971
Stanly	5,267	587,173
Stokes	3,762	403,553
Surry	6,561	739,912
Swain	1,869	193,416
Transylvania	2,405	258,296
Tyrrell	528	63,187
Union	13,085	1,535,894
Vance	6,226	788,029
Wake	56,252	6,158,823
Warren	2,185	265,468
Washington	1,696	208,574
Watauga	2,734	230,232
Wayne	11,939	1,444,427
Wilkes	6,883	763,363
Wilson	10,127	1,239,554
Yadkin	3,246	351,736
Yancey	1,561	160,444
TOTALS	883,288	100,111,726

SOURCE: 2010 Individual Income Tax Extract-Preliminary run 12/30/11. Total includes tax filing not assigned to a county.

1 Special Data Request to the N.C. Department of Revenue, February 2012.

2 Sirota, Alexandra, October 2010. State EITC in North Carolina: Implemented in the Nick of Time. Budget and Tax Center Brief: NC Justice Center, Raleigh, NC.

3 Johnson, Nicholas and Erica Williams. May 3, 2010. Some States Scaling Back Tax Credits for Low-Income Families.

Center on Budget and Policy Priorities: Washington, DC.

4 Calculation of EITC taxfilers from tax year 2008 and 2010 from Special Data Request to the N.C. Department of Revenue.

5 Ibid