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## SUPPORTING ESSENTIAL WORKERS:

Health, Education and Public-Safety Occupations Benefit from Earned Income Tax Credit

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

### KEY FINDINGS:

- **More than 880,000 working North Carolinians received the state Earned Income Tax Credit in 2010, the latest year for which state tax data is available.**
- **Workers earning entry-level and average salaries in a range of occupations could be income-eligible for the Earned Income Tax Credit. Among these workers are probation officers, firefighters, library technicians, nursing aides and medical assistants, teachers, police patrol officers, restaurant cooks and waitresses, retail salespersons, and office administration workers.**

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Working North Carolinians face stagnant wages, declining benefits and higher costs for their most basic needs.<sup>1</sup> For many of them, the challenges of balancing the family budget often lead to outcomes that are bad for the family and for the broader economy: missed bill payments, increased debt, or the inability to provide for the family's most basic needs.

One policy that has been proven to support work is the Earned Income Tax Credit, which benefits low- and moderate-income families. The EITC began as a federal credit in 1975, and North Carolina established a state credit in 2008. Today, families in North Carolina who receive the federal credit are eligible for a state credit worth 5 percent of the federal credit. Because the state EITC is a refundable tax credit, it offsets some of the taxes paid by low-income workers and provides an incentive to work when wages are low.<sup>2</sup> In 2010, the latest year for which data are available, more than 880,000 North Carolinians claimed the state Earned Income Tax Credit, benefiting not only these taxpayers but their families and local economies.<sup>3</sup>

### Occupational Analysis of the EITC

An occupational analysis of EITC income-eligibility thresholds suggests that North Carolina's workers in a range of industries could be eligible for the Earned Income Tax Credit. Eligibility is determined by

earned income, adjusted gross income, and family size. **(See box for eligibility thresholds.)** Thus, earnings data from the Occupational Employment and Wages survey, assuming a family of one worker and two children, provides only an estimate of eligibility.

Of the 22 major occupational categories defined by the Bureau of Labor Statistics, only two have entry-level and average wages high enough to put a worker out of EITC eligibility. The other 20 categories provide entry-level earnings that put a worker at that earning level within eligibility for the EITC, and 13 categories provide average wages that fall within EITC-eligibility limits. The occupational categories representing the five largest shares of employment in the state—office and administrative support, sales, food preparation and serving, production, and transportation and material-moving—have both entry and average earnings within the income-eligible threshold for the EITC.

The jobs held by North Carolina workers in the EITC-eligible occupational categories include probation officers, firefighters, teachers, library technicians, nursing aides and medical assistants, police patrol officers, restaurant cooks and waitresses, retail salespersons, and office administration workers.

The benefits to these workers of the EITC include a boost to earnings and greater ability to make ends meet.<sup>4</sup> These low- and moderate-wage workers pay a greater share of their incomes in total state and local taxes than higher-income families do, and the state EITC helps to correct this imbalance, if only partially. Additional research finds that the EITC goes some way toward lessening the inequality of income because it offsets the income decline experienced over the past twenty years by the lowest-income households with children relative to higher-income households.<sup>5</sup>

## Conclusion

The Earned Income Tax Credit provides a support to working North Carolinians not only across the state but across a range of occupations. Through the EITC, these workers are able to make ends meet and continue to work toward a more secure economic future. These include workers in education, health and public-safety occupations essential for the overall well-being of the people of North Carolina.

## FEDERAL AND STATE EITC ELIGIBILITY

In order to qualify for both the federal and state EITC, a taxpayer must have both earned income and adjusted gross income (AGI) less than:

- **\$43,998** (*\$49,078 married filing jointly*) with three or more qualifying children
- **\$40,964** (*\$46,044 married filing jointly*) with two qualifying children
- **\$36,052** (*\$41,132 married filing jointly*) with one qualifying child
- **\$13,660** (*\$18,740 married filing jointly*) with no qualifying children

1 Sirota, Alexandra. September 2011. Support Workers, NC Justice Center: Raleigh, NC and Economic Policy Institute, State of Working America 2011.

2 Institute on Taxation and Economic Policy, September 2011, Rewarding Work through Earned Income Tax Credits. Fact Sheet; Eissa, Nada and Jeffrey B. Liebman. 1996. "Labor Supply Response to the Earned Income Tax Credit." Quarterly Journal of Economics 111:605-37; Hotz, V. Joseph, Charles H. Mullin and John Karl Scholz, 2001. "The Earned Income Tax Credit and Labor Market Participation of Families on Welfare," JCPR Working Papers 214, Northwestern University/ University of Chicago Joint Center for Poverty Research; Eissa, Nada and Austin Nichols, 2005. "Tax Transfer Policy and Labor Market Outcomes." 2005 AEA, NEA Joint Session.

3 Special Data Request to N.C. Department of Revenue, March 2012.

4 Johnson, Nicholas and Erica Williams, April 18, 2011. "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2011." Center on Budget and Policy Priorities: Washington, DC.

5 Liebman, Jeffrey, 1998. "The Impact of the Earned Income Tax Credit on Incentives and Income Distribution," in James M. Poterba, ed., Tax Policy and the Economy, Vol. 12, MIT Press.

**FIGURE 1: Income Eligibility for the State EITC Finds Many Industries, Occupations Benefit**

Occupational Group	Estimated Annual Entry Wage	Estimated Annual Average Wage	Estimated Annual Experienced Wage	Percent of Total Employment	Entry level Income Eligible for State EITC	Average Income Eligible for State EITC
Office and Administrative Support	\$20,904	\$31,824	\$37,294	15.6%	Yes	Yes
Sales and Related	\$16,848	\$34,445	\$43,222	10.6%	Yes	Yes
Food Preparation and Serving Related	\$16,370	\$20,093	\$21,944	9.0%	Yes	Yes
Production	\$19,531	\$31,075	\$36,858	8.2%	Yes	Yes
Transportation and Material Moving	\$18,512	\$29,910	\$35,610	7.2%	Yes	Yes
Education, Training, and Library	\$23,171	\$44,346	\$54,933	7.0%	Yes	No
Healthcare Practitioners and Technical	\$34,320	\$66,269	\$82,222	6.1%	Yes	No
Management	\$55,307	\$104,333	\$128,835	4.5%	No	No
Business and Financial Operations	\$38,459	\$63,170	\$75,525	4.2%	Yes	No
Installation, Maintenance, and Repair	\$25,667	\$40,685	\$48,214	4.0%	Yes	Yes
Healthcare Support	\$17,139	\$24,107	\$27,581	3.9%	Yes	Yes
Construction and Extraction	\$23,150	\$34,549	\$40,227	3.8%	Yes	Yes
Building & Grounds Cleaning & Maintenance	\$16,890	\$22,651	\$25,542	3.2%	Yes	Yes
Protective Service	\$21,091	\$34,632	\$41,392	2.5%	Yes	Yes
Computer and Mathematical	\$45,469	\$76,190	\$91,541	2.5%	No	No
Personal Care and Service	\$16,723	\$23,067	\$26,229	2.2%	Yes	Yes
Community and Social Services	\$26,000	\$38,938	\$45,386	1.4%	Yes	Yes
Architecture and Engineering	\$40,061	\$67,850	\$81,723	1.3%	Yes	No
Arts, Design, Entertainment, Sports, and Media	\$22,318	\$45,864	\$57,637	1.0%	Yes	No
Life, Physical, and Social Science	\$36,941	\$64,210	\$77,834	0.9%	Yes	No
Legal	\$32,552	\$80,454	\$104,416	0.6%	Yes	No
Farming, Fishing, and Forestry	\$17,555	\$29,224	\$35,069	0.2%	Yes	Yes
<b>Total, All Occupations</b>	<b>\$18,803</b>	<b>\$40,498</b>	<b>\$51,355</b>			

SOURCE: Bureau of Labor Statistics, Occupational Employment and Wages, Annual 2011