The Costs of Unclaimed Earned Income Tax Credits to California's Economy: Update and Expansion of the "*Left on the Table*" Report

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EXECUTIVE SUMMARY

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low to moderate income working households. The EITC is one of the federal government's largest resources to assist low-income working Americans. Every year, millions of Californians claim billions of dollars as federal EITC refunds. The federal EITC credits claimed by California residents provide a substantial amount of dollars that benefit the state's economy as they are injected into the state's income stream. For a variety of reasons, however, hundreds of thousands of Californians fail to claim federal EITC refunds every year. Since these unclaimed dollars are never spent at local businesses, fewer jobs are created or supported, fewer wages are paid, and eventually less tax revenue goes to state and local governments. Thus, these unclaimed refunds represent a foregone economic stimulus for California. In June 2015, the State Legislature approved the California EITC. Like the federal program, to receive the California EITC, an individual must have earned income, be a United States (U.S.) citizen or legal resident, and have a valid social security number.

This report is a second update and first expansion of the "*Left on the Table*" report released on March 9, 2010, by the New America Foundation. The "*Left on the Table*" report, commissioned by the California Department of Community Services and Development (CSD), was the first attempt to estimate the magnitude of the foregone losses associated with unclaimed federal EITC benefits in California. While this revised report updates the estimated value of unclaimed federal EITC dollars, the main goal is to generate new information to apprise the public and policy makers in general about the current importance of the federal and California EITC programs for the state's economy, its 58 counties and its residents.

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Primary Findings

- From 2006 to 2015, for the entire State of California, both federal EITC claims as a percentage of the total number of returns, as well as the average size of the federal EITC claimed, grew more than the state population; both indicators also grew more than the total number of returns (Tables 1, 2 and 3 of the study). These facts suggest a higher participation of California residents in the federal EITC program.

- During the 2015 fiscal year, 3.2 million Californians claimed federal EITC refunds for a total of $7.6 billion. 3.2 million claims are 33.3 percent higher than the 2.4 million claims made in the 2006 fiscal year, which then resulted in $4.5 billion in federal EITC refunds.[1]

- Like the national trend since 2009, the number of total federal EITC claims as a percentage of the total returns in California has leveled off around 19 percent. This indicates that about one in every five filing a tax return also claims federal EITC dollars.

- States with low median household income level show large federal EITC claims as a percentage of total returns. According to 2015 Internal Revenue Service (IRS) data, with 18.4 percent, California exhibited the 20th largest percentage (of EITC claims to total returns) in the nation.

- Federal EITC refunds vary significantly by county. In 2015, more than $2.3 billion in federal EITC payments went to Los Angeles County alone (more than 30 percent of the total refund in the state). In contrast, Alpine County only received $163,000.

- From 2006 to 2015, some counties experienced a decline in population and thus a reduction in the total number of returns. Most of these counties (Alpine, Amador, Calaveras, Del Norte, Lassen, Nevada, Plumas, Siskiyou, Trinity and Tuolumne), however, also experienced an increase in the number of federal EITC claims as well as an increase in the total federal EITC dollars claimed.

- From 2006 to 2015, in four counties (Contra Costa, Napa, Orange and Sacramento), both the number of federal EITC claims and the total federal EITC dollars claimed increased by more than 50 percent and 85 percent respectively. This indicates a significantly higher participation in the federal EITC program in these counties.

[1] Adjusted for inflation, $7.6 billion are equivalent to $6.4 billion in 2006 dollars.

- The $7.6 billion federal EITC dollars claimed in 2015 generated a total economic impact of $9.6 billion dollars in business sales, supported more than 62,000 jobs,[2] and created more than $3.3 billion dollars in labor income. The multiplier effect of the federal EITC dollars spent in California's economy also generated more than $573 million in state and local tax revenues in 2015; 36 percent of this amount came from sales taxes alone.

- In 2015, nearly 1.1 million Californians left on the table $1.9 billion in federal EITC payments, which is 69.2 percent higher than the $1.1 billion left in unclaimed in 2006 by 800,000 Californians.[3]

- The foregone economic impact of the unclaimed $1.9 billion federal EITC dollars totals over $2.3 billion in business sales losses, over 14,500 additional jobs not generated or supported, more than $800 million dollars in wages or labor income lost, and more than $150 million dollars in additional tax revenue losses for state, county and city governments.

[2] Jobs include total wage and salary employees, including both full-time and part-time jobs.

[3] Adjusted for inflation, $1.9 billion are equivalent to $1.6 billion in 2006 dollars.

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I. Introduction

The EITC, created by the U.S. Congress in 1975, represents one of the Federal Government's largest resources to assist working low-income Americans.[4] Every year, parallel to what happens around the nation, millions of Californians claim billions of dollars as federal EITC payments. The federal EITC dollars claimed by California residents provide a substantial amount of resources that benefit the state's economy as they are injected into the state's revenue stream. The economic stimulus is magnified beyond the original federal EITC payments because the spending of federal EITC refunds within California creates ripple effects as more dollars move among consumers, businesses and even among state and local governments, which capture higher tax revenue.

However, for a variety of reasons, hundreds of thousands of Californians fail to claim federal EITC refunds every year. Further, the individuals and households who miss claiming the benefits are not the only California residents that lose. Since these unclaimed dollars are never spent at local businesses, fewer jobs are created, fewer wages are paid, and eventually less tax revenue goes to state and local governments. Thus, these unclaimed refunds represent a foregone economic stimulus for California.

On March 9, 2010, the New America Foundation released a report titled "*Left on the Table*," authored by Dr. Antonio Avalos and Dr. Sean Alley from the Department of Economics at California State University, Fresno.[5] Utilizing IRS data for tax year 2006, the report assessed the costs to California's economy associated with the unclaimed EITCs. Among others, the findings included that: 2.4 million California residents claimed $4.95 billion in federal EITC refunds; as these refunds were spent, they spurred $5.5 billion in sales for California businesses, who in turn created or supported 33,000 jobs, paid $1.32 billion in wages, and brought $390.5 million in tax revenue to state and local governments. The report also reported that: an estimated 800,000 Californians failed to claim $1.2 billion in federal EITC refunds; since these refunds went unclaimed, California businesses lost out $1.4 billion in sales and 8,200 jobs were not created or supported.

The "*Left on the Table*" report was the first attempt to assess the magnitude of the foregone losses associated with unclaimed federal EITC benefits in California. As such, it gained national notice and was utilized as an effective tool in bringing attention to the federal EITC program. For example, in March 9, 2010, the findings of the report were used as testimony by the authors before the California Senate Human Services Committee. Also, the findings were used across the state to support federal EITC program awareness campaigns and the report was featured in *The New York Times* on April 30, 2014.[6]

The "*Left on the Table*" report, however, was produced in 2010 and used data from

[4] http://www.epi.org/publication/ib370-earned-income-tax-credit-and-the-child-tax-credit-history-purpose-goals-and-effectiveness/

[5] http://newamerica.net/publications/policy/left_on_the_table

[6] http://www.nytimes.com/2010/04/30/us/30sfbriefs.html

the 2006 tax year. Although still useful in informing policy as well as for EITC awareness campaigns, its findings lost relevance not only because considerable time had passed, but also because new IRS data had become available. Thus, On March 2015, sponsored by CSD, Dr. Avalos released a second report titled "*The Costs of Unclaimed Earned Income Tax Credits to California's Economy: Update of the 'Left on the Table' Report,*" which assessed the costs to California's economy associated with the unclaimed earned income tax federal credits using more recent data. This updated report found that for 2012, 3.2 million Californians claimed federal EITC refunds for a total of $7.3 billion. This number of claims was 33.6 percent higher than the 2.4 million claims made in 2006, which then resulted in $4.95 billion in federal EITC refunds. This report also reported that in 2012, 1.0 million Californians left on the table $1.8 billion in EITC payments, which was 61.2 percent higher than the $1.1 billion in federal EITC payments in 2006 unclaimed by 800,000 Californians.

In February 2017, officials from CSD and the University Business Center (UBC) at California State University, Fresno initiated a new conversation about the need to update and expand the updated "*Left on the Table*" 2015 report for two main reasons. First, once again, although only two years have lapsed, new IRS data had become available making it possible to produce more current, relevant and informative calculations. Second, in June 2015, the Legislature and Governor Jerry Brown approved the California EITC, which supplements the federal EITC. Thus, this report not only updates the 2010 "*Left on the Table*" original report, but also expands it by adding new economic impact calculations for the California EITC. The analysis of the California EITC is limited to estimating its economic and fiscal impact because, unlike with the federal EITC, there is not enough data available to date on the rate of unclaimed Cal EITC for a reliable analysis to be conducted.

The fundamental purpose of this updated and expanded report is to produce more recent information to apprise the public and policy makers in general about the current importance of both federal and state EITC programs for the California economy, its 58 counties and residents. Specifically, this new report: **1)** conducts research to provide updated data on the number of claimed and unclaimed federal credits in California by county and assess the economic and fiscal impact of both; **2)** compares where California stands today in terms of federal EITC participation compared to the last report; **3)** compares where California ranks today in terms of federal EITC participation in relation to all other states in the nation; **4)** examines the main demographic characteristics associated with those taxpayers that fail to claim the federal tax credit; and **5)** provides data on the number of claimed California EITC credits in California by county and assesses their economic and fiscal impact.

II. Overview of the Earned Income Tax Credit (EITC)

i. Federal EITC

The federal EITC is a refundable federal income tax credit for low to moderate income working households. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of Social Security taxes and to provide an incentive to work. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who qualify and claim the credit. As a refundable credit, the federal EITC assists families even if they do not face any tax liability. Federal EITC payments have no effect on welfare benefits and are not used to determine eligibility for Medicaid, Supplemental Security Income, food stamps, low-income housing or nearly all Temporary Assistance for Needy Families payments.

Basically, to receive federal EITC payments an individual must have earned income, be a U.S. citizen or legal resident, and have a valid social security number. For tax year 2016, the most current data for which federal EITC data are available, a qualified claimant may have investment income of less than $3,400 and a maximum annual earned income of varying levels based on the number of qualifying children. For example, for a single head of household or qualified widow, the federal EITC structure has three distinct ranges to determine the precise amount of the tax credit (the refund) as illustrated in Chart 1:

a) *Increasing range*: Amount of the credit increases with worker's earned income.

b) *Plateau range*: Amount of the credit is constant regardless of changes in income level.

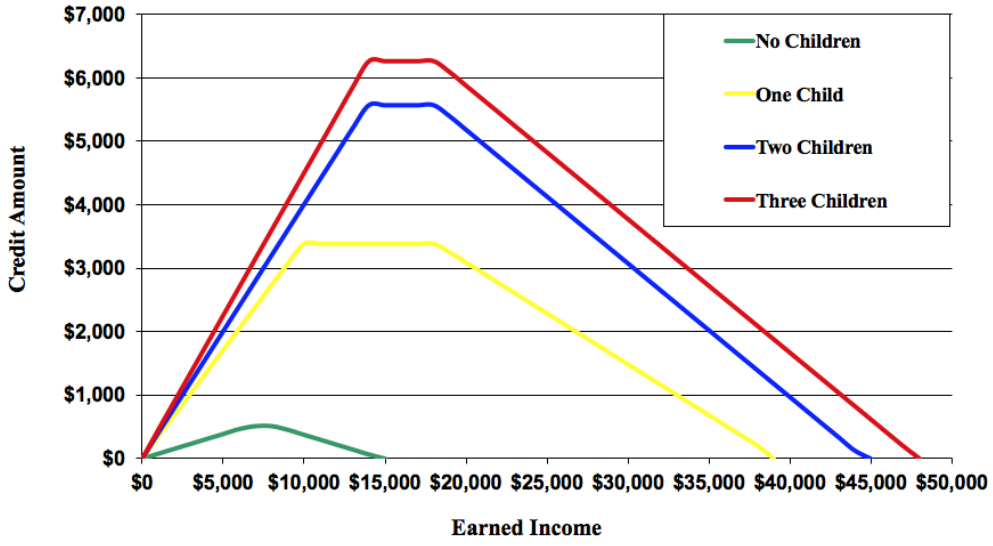
c) *Decreasing range*: Amount of the credit decreases as the worker's earned income increases.

The maximum federal EITC credit for the 2016 tax year is $6,269 for families with three children, $5,572 for families with two children, and $3,373 for families with one child. Although workers without a qualifying child also are eligible for federal EITC payments, the maximum credit for individuals or couples without children was $506 in 2016, which is significantly lower than the credit for families with children.

It is worth highlighting that the federal EITC benefits have progressively increased since the inception of the program. For example, in 2006, the tax year for which the most up to date IRS information was available for the original "*Left on the Table*" report, the maximum federal EITC benefit was $4,536 for families with two or more children, $2,747 for families with one child, and $412 for individuals or couples without children.[7]

[7] In 2009, the American Recovery and Reinvestment Act (ARRA) created a new category for three or more children, which also provided larger credits to larger families.

Chart 1: 2016 Federal EITC Structure for a Single, Head of Household or Qualified Widow



SOURCE: Internal Revenue Service (IRS)

EITC Success Story #1: Michelle

Michelle is a single mother with two children who qualified for the Federal Earned Income Tax Credit and the Child Tax Credit. Her daughter had taken a year off from college because she couldn't afford to buy her books and supplies. Michelle gave her daughter a portion of her tax credit to pay for college. Michelle is very happy that she is able to assist her daughter in fulfilling her dream of being the first family member to earn a college degree.

NOTE: The EITC success stories presented in this report were collected from California residents who filed their taxes at Volunteer Income Tax Assistance centers. Names may have been changed to maintain confidentiality.

ii. California EITC

Over time, multiple states have adopted their own versions of the federal EITC program, with the goal of supplementing it and thus combating poverty more effectively by augmenting the tax credit low-income families can receive. In June 2015, the Legislature and Governor Jerry Brown approved the California EITC, which has unique characteristics making it different from the federal EITC. For example, it imposed significantly lower income limits than the federal program[8], did not include marital status as a determinant of the credit amount, and did

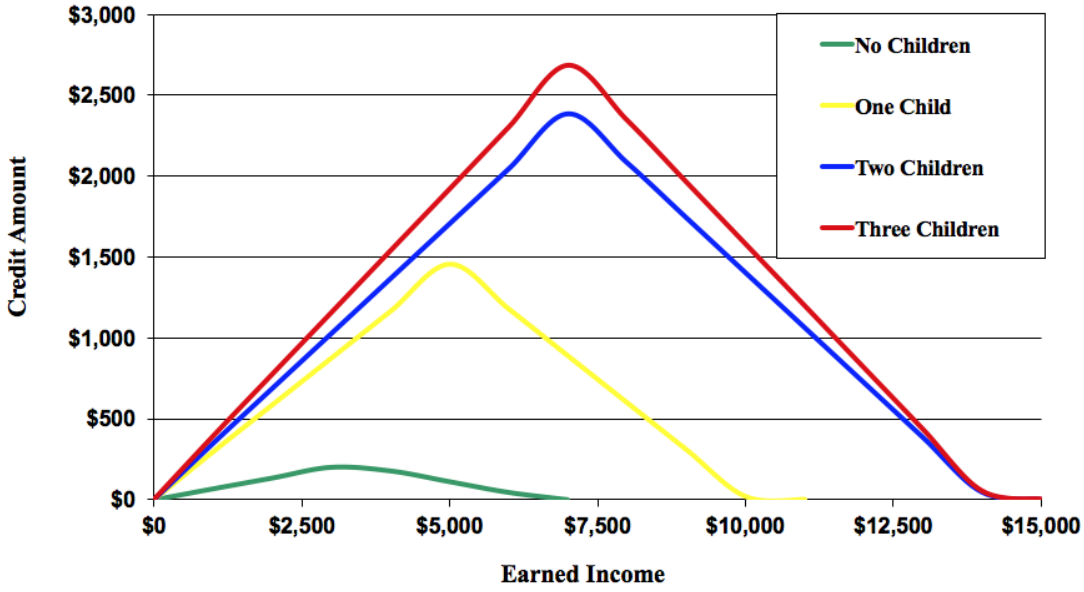
[8] For tax year 2016, the credit was available to taxpayers with earned income of less than $14,161, which is lower than the income limit of $53,505 (if married filing jointly) set by the Federal Program. California increased income eligibility to $22,300 for tax year 2017.

not allow self-employed income to count toward earned income requirements.[9] Like the federal program, to receive California EITC payments an individual must have earned income, be a U.S. citizen or legal resident, and have a valid social security number. For tax year 2016, the most current data for which California EITC data is publicly available, the credit amount was determined by the number of qualified children and qualified income and was structured with credit phase-in and phase-out income ranges. The amount of the credit was also multiplied by an adjustment factor that can vary across taxable years. The State Budget set the adjustment factor at 85 percent for taxable years 2015 and 2016. The two ranges described below are also illustrated in Chart 2:

a) *Increasing range*: Amount of the credit increases with worker's earned income. The credit is equal to the credit phase-in rate multiplied by the qualified income and the adjustment factor.

b) *Decreasing range*: Amount of the credit decreases as the worker's earned income increases. In this range, each dollar of qualified income over the maximum, the credit is reduced by the phase-out rate and the adjustment factor until the credit reaches zero.

Chart 2: 2016 California EITC Structure for all Households



SOURCE: California Franchise Tax Board

[9] The Federal Program allows self-employment income to count as earned income. California expanded eligibility for tax year 2017 to include self-employment income.

For the 2016 taxable year, the maximum California EITC (after applying the 85 percent adjustment factor) ranged from $217 for an eligible individual without a qualifying child to $2,706 for an eligible individual with three qualifying children.

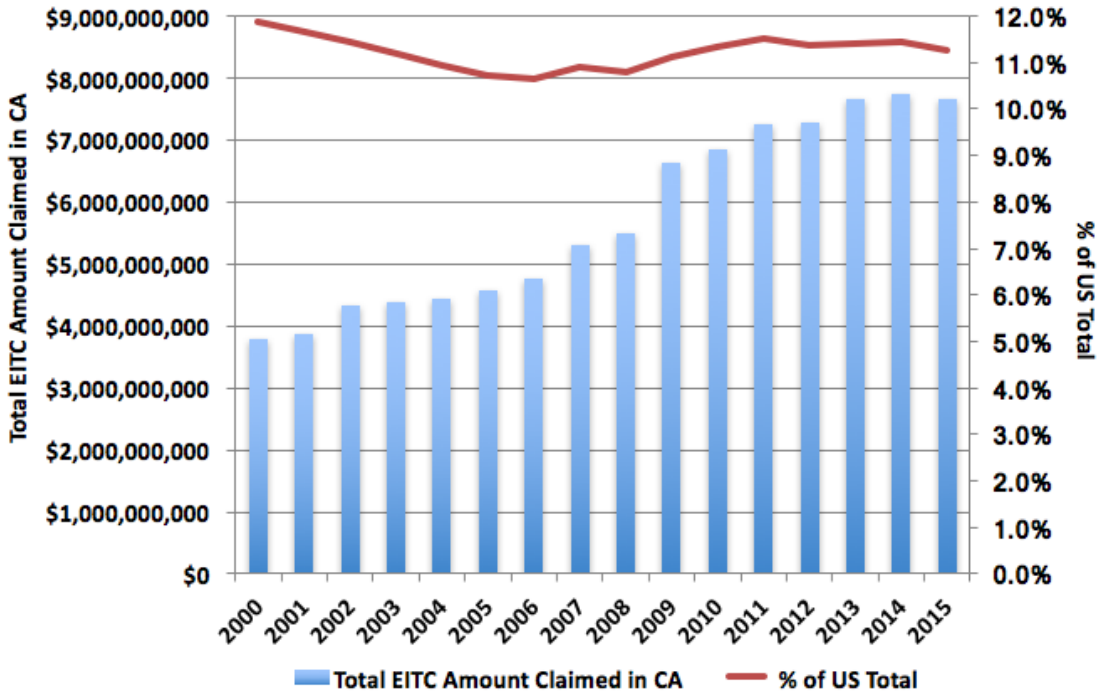
EITC Success Story #2: Angela

Angela believes the federal and state Earned Income Tax Credits make a big difference in helping her make ends meet. With the addition of the new California EITC to her refund, she was surprised by the increase in her refund amount and could not believe it was true! Angela received a $1,319 refund from Cal EITC and $1,828 from Federal EITC. She used the refund for childcare for her grandson – who she is raising – and to purchase four new tires for her car, ensuring they have safe transportation. Angela was thrilled she could use her EITC to cover these big expenses.

III. Claimed Federal EITC Refunds in California and its Economic Impact

During the 2015 tax year, 3.2 million Californians claimed the federal EITC for a total of $7.6 billion. These amounts are substantially higher than the 2.4 million claims made in the 2006 tax year, which resulted in $4.5 billion in federal EITC refunds as reported in the "*Left on the Table*" 2010 report. In fact, as shown in Chart 2, the amount of federal EITC refunds for California residents has been steadily increasing since at least 2000. However, it is worth noticing that as a percentage of the total federal EITC refunds in the U.S. (which roughly signals the relative participation of California in the federal program), the federal EITC refunds paid to California residents have moderately varied over time (see red line in Chart 3). While consistently fluctuating since 2000 between a narrow range of 10 percent and 12 percent, federal EITC refunds to California as a percent of total federal EITC dollars in the nation showed a recent small decline from 11.5 percent in 2011 to 11.25 percent in 2015. Further, a similar decline is observed in absolute terms. The total EITC amount claimed in 2015 was $7.6 billion dollars, while in 2014 the amount was 7.7 billion dollars.

Chart 3: Federal EITC Dollars in California and Percent of Total Federal EITC Dollars in the US

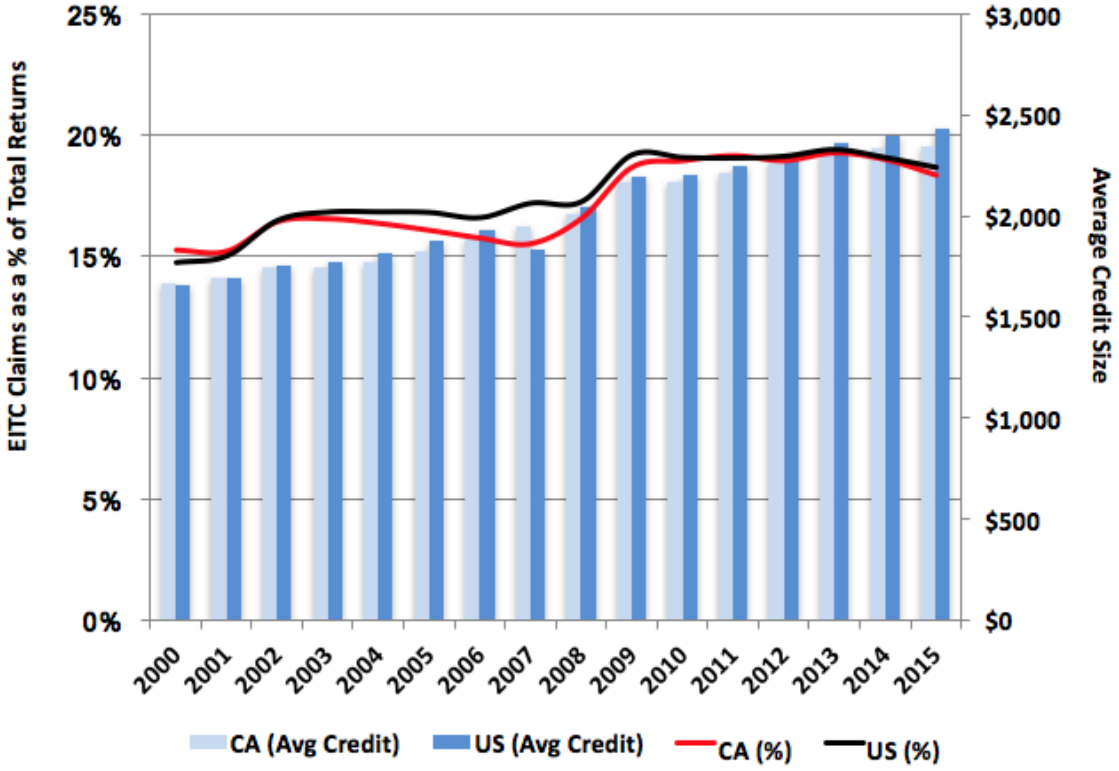


SOURCE: Internal Revenue Service (IRS)

Other relevant indicators include the average federal EITC credit size and the total federal EITC claims as a percentage of the total returns filed every year. This information is shown in Chart 4. The average size credit claimed by California residents has gradually increased since 2000 to reach $2,346 in tax year 2015. However, except for 2000 and 2007, years in which the average credit size in California was slightly above the average credit size for the nation as whole, for all other years since 2000 the California average credit size has been below the one for the country by an average of two percent.

Finally, since 2000 total federal EITC claims as a percentage of the total returns showed a slightly upward trend for both California and the U.S. until 2013, when this indicator reached a peak at 19.4 percent and then it declined to 18.6 percent in 2015. This indicates that around one in every five filing a tax return also claims EITC dollars. It is also important to notice that although California has closely reflected this national trend, it deviated to some extent between the years 2004 and 2008 (see lines in Chart 4), when this indicator for California declined below the one for the country by as much as 1.7 percentage points in 2007. More recently (2009-2015), however, California has caught up with the national trend.

Chart 4: Average Credit Size and Federal EITC Claims as a Percentage of Total Returns



SOURCE: Internal Revenue Service (IRS)

EITC Success Story #3: Lisa

Lisa is a 32-year-old single mother of five children. While working and attending college full-time she looks forward to tax season, or as she likes to call it – "relief season." This year Lisa's refund increased with the addition of Cal EITC. "Normally, I receive under $100 and this year my state refund was nearly $600." With the addition of Cal EITC, Lisa paid her bills a month ahead. "Paying my bills a whole month ahead has given me some peace of mind and comfort. I genuinely live paycheck-to-paycheck, especially with the added educational expenses." Lisa is grateful for the increased refund, and as a single mother and hard worker she appreciates when all that hard work is validated.

At the county level, the federal EITC claims made by California residents in 2015 are shown in Table 1. For comparison purposes, Table 2 also shows the same indicators with data for 2006, which is the year examined in the "*Left on the Table*" report. Lastly, Table 3 shows the growth rate between 2006 and 2015 for each indicator contained in Tables 2 and 3. The data reveals several salient facts.

First, for the whole state, from 2006 to 2015 both federal EITC claims as a percentage of the total number of returns and the average federal EITC credit claimed grew more (18.0 percent and 24.6 percent respectively) than the state population (7.8 percent), as well as more than the total number of returns (15.2 percent). These facts suggest a higher participation of California residents in the federal EITC program, which is not unexpected given that the state poverty rate increased from 12.2 percent in 2006 to 14.6 percent in 2015, as shown in Chart 5. It is worth highlighting that during this time (2016 through 2015), the average annual poverty rate in California exceeded the national poverty rate by 0.8 percentage points.

Second, during the period under examination (2006-2015), 15 counties experienced a decline in population and thus a reduction in the total number of returns, except Del Norte; that shows an increase in total returns despite the population reduction. Most of these counties however (Alpine, Amador, Calaveras, Del Norte, Lassen, Nevada, Plumas, Siskiyou, Trinity and Tuolumne), despite the decline in the population, also experienced an increase in the number of federal EITC claims as well as an increase in the total federal EITC dollars claimed. Only four counties (Mariposa, Modoc, Mono and Sierra) registered a decline in both population and number of EITC claims.

Third, in four counties (Contra Costa, Napa, Orange and Sacramento), both the number of federal EITC claims and the total federal EITC dollars claimed significantly increased by more than 50 percent and 85 percent respectively. This indicates a significantly higher participation of California residents in the EITC program in these counties.

Finally, as during years 2006 and 2012, in 2015, Los Angeles County registered the largest amount of federal EITC dollars claimed, while Alpine showed the lowest. Also, as in year 2006, in 2015, Marin County showed the lowest federal EITC returns as a percentage of total returns, while Imperial County registered the highest. These observations are not unexpected giving the positive correlation between county population size and the number of federal EITC claims (i.e. more people implies more federal EITC claims), as well as the strong negative correlation between household income and federal EITC program participation (i.e. higher household income implies less household federal EITC claims).

Table 1: Federal EITC Returns & Federal EITC Dollars Claimed in 2015 by County

COUNTY	Total Returns	EITC Returns	Claimed EITC Payments	EITC Returns as % of Total	Average EITC Credit Claimed
Alameda	781,720	97,340	$197,252,000	12.5%	$2,026
Alpine	430	80	$163,000	18.6%	$2,038
Amador	16,450	2,290	$4,646,000	13.9%	$2,029
Butte	92,590	18,770	$40,553,000	20.3%	$2,161
Calaveras	19,930	3,000	$6,029,000	15.1%	$2,010
Colusa	9,750	1,940	$4,604,000	19.9%	$2,373
Contra Costa	540,110	61,790	$130,639,000	11.4%	$2,114
Del Norte	9,540	2,290	$5,547,000	24.0%	$2,422
El Dorado	87,460	10,380	$19,536,000	11.9%	$1,882
Fresno	390,700	114,300	$310,524,000	29.3%	$2,717
Glenn	12,060	2,760	$6,475,000	22.9%	$2,346
Humboldt	57,070	11,770	$23,073,000	20.6%	$1,960
Imperial	78,190	32,810	$89,368,000	42.0%	$2,724
Inyo	8,410	1,350	$2,818,000	16.1%	$2,087
Kern	337,720	93,920	$259,500,000	27.8%	$2,763
Kings	54,020	14,830	$39,026,000	27.5%	$2,632
Lake	25,120	6,100	$14,208,000	24.3%	$2,329
Lassen	9,910	1,720	$3,757,000	17.4%	$2,184
Los Angeles	4,644,280	992,250	$2,319,852,000	21.4%	$2,338
Madera	58,560	15,080	$40,086,000	25.8%	$2,658
Marin	132,580	9,000	$14,985,000	6.8%	$1,665
Mariposa	7,560	1,220	$2,644,000	16.1%	$2,167
Mendocino	39,020	8,100	$17,528,000	20.8%	$2,164
Merced	101,360	29,220	$77,587,000	28.8%	$2,655
Modoc	3,440	700	$1,581,000	20.3%	$2,259
Mono	6,380	920	$1,555,000	14.4%	$1,690
Monterey	197,530	36,360	$88,534,000	18.4%	$2,435
Napa	68,890	7,430	$14,648,000	10.8%	$1,971
Nevada	48,990	6,940	$12,968,000	14.2%	$1,869
Orange	1,501,130	220,530	$479,775,000	14.7%	$2,176
Placer	176,740	17,570	$34,080,000	9.9%	$1,940
Plumas	8,780	1,460	$2,769,000	16.6%	$1,897
Riverside	972,040	221,500	$570,675,000	22.8%	$2,576
Sacramento	671,520	133,730	$320,873,000	19.9%	$2,399
San Benito	27,090	4,420	$10,212,000	16.3%	$2,310
San Bernardino	888,750	229,850	$607,973,000	25.9%	$2,645
San Diego	1,557,130	261,000	$585,530,000	16.8%	$2,243
San Francisco	478,980	47,150	$78,863,000	9.8%	$1,673
San Joaquin	302,600	68,920	$173,415,000	22.8%	$2,516
San Luis Obispo	131,030	15,980	$30,499,000	12.2%	$1,909
San Mateo	387,020	30,700	$56,633,000	7.9%	$1,845
Santa Barbara	202,960	29,840	$65,753,000	14.7%	$2,204
Santa Clara	916,390	90,280	$177,983,000	9.9%	$1,971
Santa Cruz	132,590	18,270	$36,690,000	13.8%	$2,008
Shasta	76,980	15,670	$33,941,000	20.4%	$2,166
Sierra	1,230	190	$371,000	15.4%	$1,953
Siskiyou	18,870	4,070	$8,812,000	21.6%	$2,165
Solano	205,360	30,700	$67,319,000	14.9%	$2,193
Sonoma	247,230	27,550	$51,386,000	11.1%	$1,865
Stanislaus	223,020	52,620	$130,811,000	23.6%	$2,486
Sutter	39,800	9,320	$22,671,000	23.4%	$2,433
Tehama	25,160	5,840	$13,752,000	23.2%	$2,355
Trinity	4,700	1,010	$1,931,000	21.5%	$1,912
Tulare	177,190	57,080	$159,456,000	32.2%	$2,794
Tuolumne	23,850	3,850	$7,724,000	16.1%	$2,006
Ventura	405,120	58,250	$126,898,000	14.4%	$2,179
Yolo	88,250	13,640	$29,634,000	15.5%	$2,173
Yuba	28,440	7,620	$19,627,000	26.8%	$2,576
CALIFORNIA	**17,759,720**	**3,263,270**	**$7,655,742,000**	**18.4%**	**$2,346**

SOURCE: Internal Revenue Service (IRS)

Table 2: Federal EITC Returns & Federal EITC Dollars Claimed in 2006 by County

COUNTY	Total Returns	EITC Returns	Claimed EITC Payments	EITC Returns as % of Total	Average EITC Credit Claimed
Alameda	651,851	69,375	$116,430,469	10.6%	$1,678
Alpine	479	58	$83,653	12.2%	$1,432
Amador	15,969	1,601	$2,481,383	10.0%	$1,550
Butte	85,118	14,083	$24,378,058	16.5%	$1,731
Calaveras	21,740	2,439	$4,031,883	11.2%	$1,653
Colusa	8,865	1,569	$2,857,822	17.7%	$1,822
Contra Costa	474,582	40,047	$67,357,249	8.4%	$1,682
Del Norte	9,202	1,818	$3,353,904	19.8%	$1,845
El Dorado	79,019	7,204	$11,285,381	9.1%	$1,567
Fresno	330,517	85,970	$182,253,755	26.0%	$2,120
Glenn	11,076	2,298	$4,245,879	20.7%	$1,848
Humboldt	53,397	9,294	$14,411,671	17.4%	$1,551
Imperial	70,279	25,374	$52,494,241	36.1%	$2,069
Inyo	9,506	1,088	$1,772,278	11.4%	$1,630
Kern	290,522	71,296	$151,589,072	24.5%	$2,126
Kings	55,482	13,744	$27,617,182	24.8%	$2,009
Lake	24,578	4,499	$7,794,325	18.3%	$1,732
Lassen	11,145	1,502	$2,627,290	13.5%	$1,749
Los Angeles	4,018,309	769,347	$1,480,043,437	19.1%	$1,924
Madera	51,438	12,340	$25,788,488	24.0%	$2,090
Marin	125,019	6,574	$8,066,684	5.3%	$1,227
Mariposa	10,272	1,307	$2,114,672	12.7%	$1,618
Mendocino	36,705	6,238	$10,458,578	17.0%	$1,677
Merced	91,046	22,931	$46,837,932	25.2%	$2,043
Modoc	4,720	850	$1,463,929	18.0%	$1,722
Mono	10,843	1,148	$1,714,888	10.6%	$1,494
Monterey	188,717	32,429	$64,629,771	17.2%	$1,993
Napa	59,170	4,883	$7,737,908	8.3%	$1,585
Nevada	51,180	5,194	$7,734,017	10.1%	$1,489
Orange	1,280,238	144,964	$253,495,035	11.3%	$1,749
Placer	155,553	12,372	$19,305,375	8.0%	$1,560
Plumas	10,163	1,290	$2,021,291	12.7%	$1,567
Riverside	811,045	150,548	$306,425,050	18.6%	$2,035
Sacramento	582,724	88,283	$165,278,992	15.2%	$1,872
San Benito	22,956	3,143	$5,721,480	13.7%	$1,820
San Bernardino	771,063	164,217	$339,692,704	21.3%	$2,069
San Diego	1,316,627	175,693	$310,665,093	13.3%	$1,768
San Francisco	406,313	38,739	$52,739,363	9.5%	$1,361
San Joaquin	261,778	48,350	$94,383,024	18.5%	$1,952
San Luis Obispo	113,801	11,607	$18,360,874	10.2%	$1,582
San Mateo	337,503	22,814	$33,950,497	6.8%	$1,488
Santa Barbara	170,096	20,950	$37,518,397	12.3%	$1,791
Santa Clara	772,003	64,420	$104,608,152	8.3%	$1,624
Santa Cruz	118,678	14,772	$25,340,068	12.4%	$1,715
Shasta	76,567	12,538	$21,849,985	16.4%	$1,743
Sierra	2,266	335	$488,300	14.8%	$1,458
Siskiyou	19,100	3,385	$5,570,710	17.7%	$1,646
Solano	176,936	20,985	$37,185,731	11.9%	$1,772
Sonoma	216,781	18,984	$28,164,818	8.8%	$1,484
Stanislaus	194,970	36,579	$70,466,031	18.8%	$1,926
Sutter	38,920	6,949	$12,927,316	17.9%	$1,860
Tehama	26,222	5,081	$9,262,145	19.4%	$1,823
Trinity	5,092	874	$1,404,593	17.2%	$1,606
Tulare	182,161	56,865	$124,947,518	31.2%	$2,197
Tuolumne	24,928	3,113	$4,957,903	12.5%	$1,593
Ventura	370,370	42,507	$75,267,327	11.5%	$1,771
Yolo	76,613	9,285	$16,094,460	12.1%	$1,733
Yuba	27,242	5,812	$11,028,586	21.3%	$1,898
CALIFORNIA	**15,419,437**	**2,401,947**	**$4,522,770,000**	**15.6%**	**$1,883**

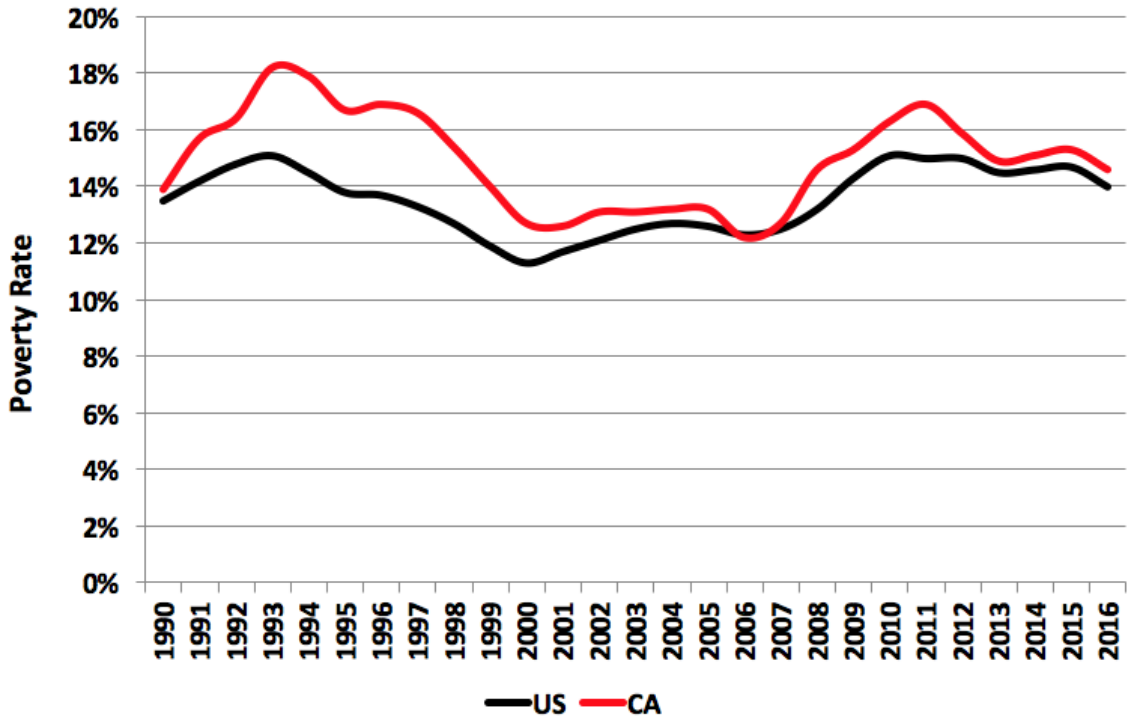
SOURCE: Internal Revenue Service (IRS)

Table 3: Federal EITC Returns & Federal EITC Dollars Claimed Growth Rate (2006-2015)

COUNTY	Population Growth	Poverty Rate (2015)	Total Returns Growth	EITC Returns Growth	Claimed EITC Payments Growth	EITC Returns as % of Total (Growth)	Avg EITC Credit Claimed Growth
Alameda	10.6%	11.5%	19.9%	40.3%	69.4%	17.0%	20.7%
Alpine	-7.8%	19.0%	-10.2%	36.9%	94.9%	52.5%	42.3%
Amador	-1.7%	13.1%	3.0%	43.1%	87.2%	38.9%	30.9%
Butte	4.0%	21.4%	8.8%	33.3%	66.4%	22.5%	24.8%
Calaveras	-0.9%	13.0%	-8.3%	23.0%	49.5%	34.2%	21.6%
Colusa	6.6%	13.2%	10.0%	23.7%	61.1%	12.5%	30.3%
Contra Costa	10.6%	10.2%	13.8%	54.3%	93.9%	35.6%	25.7%
Del Norte	-4.1%	23.3%	3.7%	26.0%	65.4%	21.5%	31.3%
El Dorado	4.5%	9.1%	10.7%	44.1%	73.1%	30.2%	20.1%
Fresno	10.5%	25.2%	18.2%	33.0%	70.4%	12.5%	28.2%
Glenn	4.4%	18.5%	8.9%	20.1%	52.5%	10.3%	27.0%
Humboldt	2.2%	20.9%	6.9%	26.6%	60.1%	18.5%	26.4%
Imperial	14.0%	24.3%	11.3%	29.3%	70.2%	16.2%	31.7%
Inyo	1.2%	12.4%	-11.5%	24.1%	59.0%	40.3%	28.1%
Kern	12.4%	21.9%	16.2%	31.7%	71.2%	13.3%	30.0%
Kings	1.5%	22.4%	-2.6%	7.9%	41.3%	10.8%	31.0%
Lake	2.2%	20.5%	2.2%	35.6%	82.3%	32.6%	34.5%
Lassen	-11.5%	17.1%	-11.1%	14.5%	43.0%	28.8%	24.9%
Los Angeles	4.1%	16.7%	15.6%	29.0%	56.7%	11.6%	21.5%
Madera	8.0%	22.6%	13.8%	22.2%	55.4%	7.3%	27.2%
Marin	6.0%	7.5%	6.0%	36.9%	85.8%	29.1%	35.7%
Mariposa	-0.9%	15.2%	-26.4%	-6.6%	25.0%	26.9%	33.9%
Mendocino	1.0%	20.3%	6.3%	29.8%	67.6%	22.1%	29.1%
Merced	9.8%	25.9%	11.3%	27.4%	65.6%	14.5%	30.0%
Modoc	-1.4%	20.3%	-27.1%	-17.6%	8.0%	13.0%	31.1%
Mono	-2.4%	11.2%	-41.2%	-19.9%	-9.3%	36.2%	13.1%
Monterey	7.5%	15.3%	4.7%	12.1%	37.0%	7.1%	22.2%
Napa	7.3%	10.1%	16.4%	52.2%	89.3%	30.7%	24.4%
Nevada	-0.1%	12.4%	-4.3%	33.6%	67.7%	39.6%	25.5%
Orange	7.0%	12.7%	17.3%	52.1%	89.3%	29.7%	24.4%
Placer	15.0%	8.6%	13.6%	42.0%	76.5%	25.0%	24.3%
Plumas	-5.4%	13.8%	-13.6%	13.2%	37.0%	31.0%	21.0%
Riverside	15.5%	16.2%	19.9%	47.1%	86.2%	22.8%	26.6%
Sacramento	8.6%	16.9%	15.2%	51.5%	94.1%	31.4%	28.2%
San Benito	4.9%	9.3%	18.0%	40.6%	78.5%	19.2%	26.9%
San Bernardino	7.7%	18.9%	15.3%	40.0%	79.0%	21.4%	27.9%
San Diego	9.8%	13.9%	18.3%	48.6%	88.5%	25.6%	26.9%
San Francisco	10.2%	12.4%	17.9%	21.7%	49.5%	3.2%	22.9%
San Joaquin	10.1%	17.5%	15.6%	42.5%	83.7%	23.3%	28.9%
San Luis Obispo	5.7%	14.4%	15.1%	37.7%	66.1%	19.6%	20.7%
San Mateo	9.3%	8.4%	14.7%	34.6%	66.8%	17.4%	24.0%
Santa Barbara	7.8%	15.6%	19.3%	42.4%	75.3%	19.4%	23.0%
Santa Clara	11.7%	8.3%	18.7%	40.1%	70.1%	18.1%	21.4%
Santa Cruz	7.5%	15.4%	11.7%	23.7%	44.8%	10.7%	17.1%
Shasta	2.0%	19.0%	0.5%	25.0%	55.3%	24.3%	24.3%
Sierra	-8.1%	13.8%	-45.7%	-43.3%	-24.0%	4.5%	33.9%
Siskiyou	-0.9%	22.6%	-1.2%	20.2%	58.2%	21.7%	31.6%
Solano	4.4%	12.0%	16.1%	46.3%	81.0%	26.0%	23.7%
Sonoma	6.6%	11.0%	14.0%	45.1%	82.4%	27.2%	25.7%
Stanislaus	6.9%	19.5%	14.4%	43.9%	85.6%	25.8%	29.0%
Sutter	7.7%	17.5%	2.3%	34.1%	75.4%	31.2%	30.8%
Tehama	3.9%	22.5%	-4.0%	14.9%	48.5%	19.8%	29.2%
Trinity	-1.9%	19.7%	-7.7%	15.5%	37.5%	25.2%	19.0%
Tulare	11.3%	27.2%	-2.7%	0.4%	27.6%	3.2%	27.1%
Tuolumne	-3.6%	14.5%	-4.3%	23.7%	55.8%	29.3%	26.0%
Ventura	6.3%	9.9%	9.4%	37.0%	68.6%	25.3%	23.0%
Yolo	11.5%	17.5%	15.2%	46.9%	84.1%	27.5%	25.3%
Yuba	9.2%	21.6%	4.4%	31.1%	78.0%	25.6%	35.7%
CALIFORNIA	**7.8%**	**15.9%**	**15.2%**	**35.9%**	**69.3%**	**18.0%**	**24.6%**

SOURCE: Internal Revenue Service (IRS), CA Department of Finance Demographic Unit

Chart 5: California and United States Poverty Rate (1990-2016)



SOURCE: U.S. Census Bureau

Table 4 shows that the $7.6 billion federal EITC dollars claimed in 2015 generated a total economic impact of $9.6 billion in business sales (output), supported more than 62,000 jobs[10], and created more than $3.3 billion in labor income.[11]

Among the counties that experienced the largest impact, Los Angeles, Riverside and San Bernardino stand out with a combined employment impact of over 28,500 jobs. Other regions that registered high poverty rates, for example San Joaquin Valley counties (Fresno, Madera, Merced, Kern, Kings, San Joaquin, Stanislaus and Tulare), the data show a combined business sales (output) impact of more than $1.5 billion dollars and a combined employment impact of over 9,600 jobs. If the federal EITC program did not exist (or if no state resident had claimed the credit), none of these impacts would have occurred.

[10] Jobs include total wage and salary employees, including both full-time and part-time jobs.

[11] Appendix A contains a thorough description of the economic impact methodology and multiplier analysis.

Table 4: Economic Impact of the Federal EITC in California by County (2015)

COUNTY	Claimed EITC Payments	80% Spent Locally	Economic Impact		
			Output	Employment	Labor Income
Alameda	$197,252,000	$157,801,600	$248,637,705	1,605	$86,981,473
Alpine	$163,000	$130,400	$205,463	1	$71,877
Amador	$4,646,000	$3,716,800	$5,856,320	38	$2,048,729
Butte	$40,553,000	$32,442,400	$51,117,377	330	$17,882,504
Calaveras	$6,029,000	$4,823,200	$7,599,602	49	$2,658,585
Colusa	$4,604,000	$3,683,200	$5,803,378	37	$2,030,209
Contra Costa	$130,639,000	$104,511,200	$164,671,492	1,063	$57,607,389
Del Norte	$5,547,000	$4,437,600	$6,992,037	45	$2,446,040
El Dorado	$19,536,000	$15,628,800	$24,625,282	159	$8,614,716
Fresno	$310,524,000	$248,419,200	$391,417,957	2,526	$136,930,601
Glenn	$6,475,000	$5,180,000	$8,161,789	53	$2,855,256
Humboldt	$23,073,000	$18,458,400	$29,083,699	188	$10,174,414
Imperial	$89,368,000	$71,494,400	$112,649,070	727	$39,408,271
Inyo	$2,818,000	$2,254,400	$3,552,111	23	$1,242,643
Kern	$259,500,000	$207,600,000	$327,101,801	2,111	$114,430,739
Kings	$39,026,000	$31,220,800	$49,192,582	317	$17,209,148
Lake	$14,208,000	$11,366,400	$17,909,296	116	$6,265,248
Lassen	$3,757,000	$3,005,600	$4,735,728	31	$1,656,710
Los Angeles	$2,319,852,000	$1,855,881,600	$2,924,191,785	18,872	$1,022,976,413
Madera	$40,086,000	$32,068,800	$50,528,720	326	$17,676,573
Marin	$14,985,000	$11,988,000	$18,888,711	122	$6,607,879
Mariposa	$2,644,000	$2,115,200	$3,332,783	22	$1,165,915
Mendocino	$17,528,000	$14,022,400	$22,094,183	143	$7,729,256
Merced	$77,587,000	$62,069,600	$97,799,027	631	$34,213,248
Modoc	$1,581,000	$1,264,800	$1,992,863	13	$697,168
Mono	$1,555,000	$1,244,000	$1,960,090	13	$685,703
Monterey	$88,534,000	$70,827,200	$111,597,807	720	$39,040,505
Napa	$14,648,000	$11,718,400	$18,463,920	119	$6,459,273
Nevada	$12,968,000	$10,374,400	$16,346,267	105	$5,718,450
Orange	$479,775,000	$383,820,000	$604,760,180	3,903	$211,564,578
Placer	$34,080,000	$27,264,000	$42,958,109	277	$15,028,129
Plumas	$2,769,000	$2,215,200	$3,490,346	23	$1,221,036
Riverside	$570,675,000	$456,540,000	$719,340,349	4,643	$251,648,409
Sacramento	$320,873,000	$256,698,400	$404,462,953	2,610	$141,494,160
San Benito	$10,212,000	$8,169,600	$12,872,307	83	$4,503,147
San Bernardino	$607,973,000	$486,378,400	$766,354,773	4,946	$268,095,568
San Diego	$585,530,000	$468,424,000	$738,065,194	4,763	$258,198,962
San Francisco	$78,863,000	$63,090,400	$99,407,435	642	$34,775,921
San Joaquin	$173,415,000	$138,732,000	$218,590,978	1,411	$76,470,160
San Luis Obispo	$30,499,000	$24,399,200	$38,444,231	248	$13,449,029
San Mateo	$56,633,000	$45,306,400	$71,386,344	461	$24,973,241
Santa Barbara	$65,753,000	$52,602,400	$82,882,176	535	$28,994,853
Santa Clara	$177,983,000	$142,386,400	$224,348,979	1,448	$78,484,494
Santa Cruz	$36,690,000	$29,352,000	$46,248,035	298	$16,179,051
Shasta	$33,941,000	$27,152,800	$42,782,899	276	$14,966,835
Sierra	$371,000	$296,800	$467,648	3	$163,598
Siskiyou	$8,812,000	$7,049,600	$11,107,596	72	$3,885,795
Solano	$67,319,000	$53,855,200	$84,856,132	548	$29,685,406
Sonoma	$51,386,000	$41,108,800	$64,772,459	418	$22,659,491
Stanislaus	$130,811,000	$104,648,800	$164,888,300	1,064	$57,683,235
Sutter	$22,671,000	$18,136,800	$28,576,975	184	$9,997,146
Tehama	$13,752,000	$11,001,600	$17,334,505	112	$6,064,168
Trinity	$1,931,000	$1,544,800	$2,434,041	16	$851,506
Tulare	$159,456,000	$127,564,800	$200,995,549	1,297	$70,314,713
Tuolumne	$7,724,000	$6,179,200	$9,736,163	63	$3,406,023
Ventura	$126,898,000	$101,518,400	$159,955,932	1,032	$55,957,734
Yolo	$29,634,000	$23,707,200	$37,353,891	241	$13,067,594
Yuba	$19,627,000	$15,701,600	$24,739,989	160	$8,654,844
CALIFORNIA	**$7,655,742,000**	**$6,124,593,600**	**$9,650,123,312**	**62,281**	**$3,375,923,762**

SOURCE: Internal Revenue Service (IRS), IMPLAN

An Illustrative Example of the Economic Impact of EITC

Imagine Linda is a single mother of three who lives in Los Angeles County. Linda makes $16,000 a year working in a restaurant and has no significant investment income. Linda is eligible for an EITC payment of around $5,600. Suppose Linda saves 10%, $560, and spends the rest, $5,040, on school clothes and supplies at Max's store in San Bernardino. This $5,040 is income for Max. After Max withholds his income tax, he is left with $4,000, which he uses for a down payment on a new car at Nell's Autos. This $4,000 is income for Nell. After taxes, Nell spends $3,000 on a new stereo at Ophelia's, who spends $2,000 (her after-tax income) on tuition and books at Paula's Cosmetology school. Paula spends her after-tax income of $1,000 on a vacation to Canada.

In this simple illustrative exercise, the initial EITC payment of $5,600 generated $14,040 ($5,040 + $4,000 + $3,000 + $2,000) in new labor income in the State. The initial $5,600 also generated new economic output and tax revenue each time it was re-spent, so the economic impact of the EITC revenue was much larger over time than the initial payment. This phenomenon is known as the multiplier effect of the EITC payment. For a more thorough description of the economic impact and multiplier analysis, see Appendix A. The magnitude of the multiplier effect depends on the savings rate of the economic participants and the amount of resources that leave the State during each round of spending. The $560 that Linda saved and the $1,000 that Paula spent on her vacation represent "leakages" from the State income stream.

The spending of federal EITC refunds eventually results in additional tax revenue for the cities, counties and for the state as presented in Table 5. The multiplier effect of federal EITC dollars spent in California's economy generates more than $573 million in tax revenue, and 36 percent of this amount comes from sales taxes alone. The methodology employed to calculate the fiscal impact (IMPLAN) does not produce separate reports for the state and local governments. Thus, the estimates include total estimated tax revenue for all levels of government (state, county and city). However, the tax revenue produced by each county is proportional to the overall economic impact.

Table 5: Impact of the Federal EITC on California State and Local Taxes (2015)

		Employee Compensation	Tax on Production and Imports	Households	Corporations	TOTAL
State and Local Taxes	Dividends				$1,269,315	$1,269,315
	Social Ins Tax- Employee Contribution	$2,884,257				$2,884,257
	Social Ins Tax- Employer Contribution	$5,827,563				$5,827,563
	Production & Imports: Sales Tax		$206,387,684			$206,387,684
	Production & Imports: Property Tax		$157,557,086			$157,557,086
	Production & Imports: Motor Vehicle Lic		$4,615,592			$4,615,592
	Production & Imports: Severance Tax		$229,296			$229,296
	Production & Imports: Other Taxes		$34,468,974			$34,468,974
	Production & Imports: S/L NonTaxes		$5,444,331			$5,444,331
	Corporate Profits Tax				$22,419,464	$22,419,464
	Personal Tax: Income Tax			$108,876,622		$108,876,622
	Personal Tax: NonTaxes (Fines- Fees			$17,307,094		$17,307,094
	Personal Tax: Motor Vehicle License			$3,759,211		$3,759,211
	Personal Tax: Property Taxes			$1,244,547		$1,244,547
	Personal Tax: Other Tax (Fish/Hunt)			$1,018,821		$1,018,821
TOTAL		**$8,711,820**	**$408,702,963**	**$132,206,295**	**$23,688,779**	**$573,309,857**

SOURCE: Internal Revenue Service (IRS), IMPLAN

IV. Foregone Economic Impact of the Unclaimed Federal EITC Refunds

Evidently, the economic impact of the claimed federal EITC refunds is significant. However, not all taxpayers who are eligible claim the credit and thus the positive economic impact of the federal EITC could be larger than it is.[12] As explained in the "Left on the Table" report, sometimes taxpayers are not aware that the credit exists, face language or cultural barriers, or are afraid that by claiming the credit they will sacrifice their eligibility for other important income-support programs.

Consequently, since some federal EITC refunds are not claimed, those unclaimed federal EITC dollars are not injected into the income stream of California's economy and thus the potential economic impact is larger than the actual one.

Although scholars and researchers concur that a large amount of federal EITC refunds go unclaimed, there is disagreement on the exact amount. While it is relatively easy to calculate the amount of federal EITC funds claimed by state residents, the ability to accurately estimate the federal EITC participation rate is limited and thus it is not possible to calculate with precision the amount of unclaimed federal EITC dollars. This impediment results primarily from two factors. First, some residents who claim the federal EITC refund are not technically eligible for it. And second, it is not possible to know how many eligible

[12] For a discussion on this topic see "Using the Earned Income Tax Credit to Stimulate Local Economies", Alan Berube, 2007, The Brookings Institute.

families there are at the county or state level, and therefore is impossible to calculate how many eligible families fail to claim the federal EITC. Thus, given that one of the goals of this report is to compare the actual and foregone 2015 economic impact of the federal EITC claimed and unclaimed refunds in California with those estimated in the "Left of the Table" report, this analysis employs similar assumptions to calculate the amount of unclaimed federal EITC dollars in 2006 as discussed next.

In 2001, the U.S. General Accounting Office (GAO) estimated that the average EITC participation rate for the whole country was approximately 75 percent (thus 25 percent of the eligible population does not claim the federal EITC). [13] However, some researchers argued that this estimate for the federal EITC participation rate was too low and contested GAO's methodology because the report was based on information from two mismatched databases.[14] In 2002, the IRS released a report estimating the national federal EITC non-filer rate to be 17.8 percent using the Census Bureau's Survey of Income and Program Participation. [15] Further, the same IRS report lists California as having the third highest federal EITC non-filer rate (24.9 percent) in the nation (after DC and Nevada). In 2005, the IRS released another report estimating the national federal EITC non-filer rate to be 25.0 percent using the Census Bureau's Annual Social and Economic Supplement of the Current Population Survey.[16] As discussed in the "*Left of the Table*" report, scholars have more confidence in the IRS estimate due to the methodology employed. This report assumes a federal EITC non-filer rate of 25 percent and uses this number to estimate the amount of unclaimed federal EITC payments.

For comparison purposes, Table 6 shows the IRS-estimated EITC non-filer rates for all states supplemented by data by the U.S. Census Bureau.[17] Notice that those states with low median household income levels exhibit the largest federal EITC claims as a fraction of total returns, and tend to show low non-filer rates (Mississippi for instance).

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[13] US General Accounting Office, 2001, "Earned Income Tax Credit Participation", GAO-02-290R.

[14] Burman, Leonard E., and Deborah Kobes. 2002. "Analysis of GAO Study of EITC Eligibility and Participation." Washington: Urban Institute.

[15] US Internal Revenue Service. 2002. "Participation in the Earned Income Tax Credit Program for Tax Year 1996." Small Business Self-Employed Research, Washington.

[16] US Internal Revenue Service. 2005. "Participation in the Earned Income Tax Credit Program for Tax Year 2005," Dean Plueger.

[17] Figures for population, median income and EITC returns correspond to year 2015.

Table 6. Estimated Federal EITC Non-filer Rates by State[1]

STATE	Population	Median Income	Total Returns	EITC Returns	Claimed EITC Credits (1,000)	EITC Returns as % of Total	Rank	Average EITC Credit Claimed	Nonfiler Rate*	Nonfiler Rate**
Mississippi	2,988,726	$39,665	1,244,720	393,610	$1,128,013	31.6%	1	$2,866	13.4%	25.0%
Louisiana	4,681,666	$45,047	1,994,080	531,070	$1,485,851	26.6%	2	$2,798	14.1%	25.0%
Georgia	10,310,371	$49,620	4,442,630	1,132,700	$3,097,961	25.5%	3	$2,735	19.6%	25.0%
Alabama	4,863,300	$43,623	2,053,780	521,470	$1,444,699	25.4%	4	$2,770	13.7%	25.0%
Arkansas	2,988,248	$41,371	1,229,100	308,760	$806,570	25.1%	5	$2,612	14.5%	24.0%
New Mexico	2,081,015	$44,963	917,450	220,320	$537,800	24.0%	6	$2,441	14.1%	22.0%
South Carolina	4,961,119	$45,483	2,169,730	507,760	$1,289,787	23.4%	7	$2,540	13.0%	25.0%
Florida	20,612,439	$47,507	9,627,280	2,217,830	$5,455,386	23.0%	8	$2,460	18.4%	25.0%
Tennessee	6,651,194	$45,219	2,970,180	668,500	$1,690,333	22.5%	9	$2,529	7.7%	24.0%
Texas	27,862,596	$53,207	12,151,810	2,732,930	$7,349,094	22.5%	10	$2,689	21.5%	22.0%
North Carolina	10,146,788	$46,868	4,457,230	970,220	$2,396,002	21.8%	11	$2,470	18.6%	24.0%
Kentucky	4,436,974	$43,740	1,909,930	412,530	$989,797	21.6%	12	$2,399	14.7%	24.0%
Oklahoma	3,923,561	$46,879	1,642,080	350,820	$877,455	21.4%	13	$2,501	24.1%	22.0%
Arizona	6,931,071	$50,255	2,904,950	608,240	$1,557,532	20.9%	14	$2,561	18.3%	22.0%
West Virgina	1,831,102	$41,751	780,960	159,640	$364,329	20.4%	15	$2,282	7.3%	24.0%
Nevada	2,940,058	$51,847	1,350,730	264,090	$639,724	19.6%	16	$2,422	31.3%	29.0%
Idaho	1,683,140	$47,583	721,890	138,500	$318,997	19.2%	17	$2,303	3.3%	29.0%
New York	19,745,289	$59,269	9,614,610	1,830,650	$4,258,153	19.0%	18	$2,326	20.5%	24.0%
Missouri	6,093,000	$48,173	2,787,760	527,020	$1,270,289	18.9%	19	$2,410	8.2%	24.0%
California	**39,250,017**	**$61,818**	**17,759,720**	**3,263,270**	**$7,655,742**	**18.4%**	**20**	**$2,346**	**24.9%**	**29.0%**
Indiana	6,633,053	$49,255	3,104,540	563,530	$1,351,269	18.2%	21	$2,398	13.9%	24.0%
Michigan	9,928,300	$49,576	4,717,510	827,230	$2,020,128	17.5%	22	$2,442	22.3%	24.0%
Ohio	11,614,373	$49,429	5,592,150	975,220	$2,354,212	17.4%	23	$2,414	15.2%	24.0%
Delaware	952,065	$60,509	452,740	77,080	$181,160	17.0%	24	$2,350	NA	24.0%
Illinois	12,801,539	$57,574	6,161,970	1,039,170	$2,573,670	16.9%	25	$2,477	15.4%	24.0%
Montana	1,042,520	$47,169	498,500	82,100	$174,131	16.5%	26	$2,121	24.1%	24.0%
Rhode Island	1,056,426	$56,852	527,510	86,640	$196,016	16.4%	27	$2,262	2.8%	24.0%
Maine	1,331,479	$49,331	645,700	105,390	$217,302	16.3%	28	$2,062	14.0%	24.0%
Virginia	8,411,808	$65,015	3,911,870	638,150	$1,472,705	16.3%	29	$2,308	16.3%	24.0%
Kansas	2,907,289	$52,205	1,339,150	217,330	$512,239	16.2%	30	$2,357	16.8%	22.0%
DC	681,170	$70,848	344,720	55,840	$127,184	16.2%	31	$2,278	26.4%	24.0%
Hawaii	1,428,557	$69,515	688,570	110,700	$239,484	16.1%	32	$2,163	19.4%	29.0%
Utah	3,051,217	$60,727	1,263,690	201,390	$469,097	15.9%	33	$2,329	17.3%	22.0%
Oregon	4,093,465	$51,243	1,874,490	294,750	$616,661	15.7%	34	$2,092	10.8%	29.0%
Pennsylvania	12,784,227	$53,599	6,200,560	961,610	$2,149,696	15.5%	35	$2,236	12.5%	24.0%
Nebraska	1,907,116	$52,997	899,330	138,330	$321,924	15.4%	36	$2,327	20.1%	22.0%
South Dakota	865,454	$50,957	415,380	63,560	$140,910	15.3%	37	$2,217	2.8%	24.0%
Maryland	6,016,447	$74,551	2,963,630	438,130	$1,011,898	14.8%	38	$2,310	18.3%	24.0%
Iowa	3,134,693	$53,183	1,454,290	214,700	$482,748	14.8%	39	$2,248	12.6%	24.0%
Colorado	5,540,545	$60,629	2,617,250	376,800	$814,851	14.4%	40	$2,163	16.8%	22.0%
New Jersey	8,944,469	$72,093	4,385,670	630,980	$1,453,381	14.4%	41	$2,303	21.4%	24.0%
Vermont	624,594	$55,176	326,090	45,920	$88,414	14.1%	42	$1,925	14.0%	24.0%
Wisconsin	5,778,708	$53,357	2,840,650	393,450	$873,417	13.9%	43	$2,220	15.4%	24.0%
Wyoming	585,501	$58,840	278,610	38,090	$80,353	13.7%	44	$2,110	2.8%	24.0%
Washington	7,288,000	$61,062	3,432,600	462,860	$995,541	13.5%	45	$2,151	22.6%	29.0%
Alaska	741,894	$72,515	362,250	47,960	$99,054	13.2%	46	$2,065	10.1%	29.0%
Connecticut	3,576,452	$70,331	1,761,060	231,080	$501,490	13.1%	47	$2,170	19.9%	24.0%
Minnesota	5,519,952	$61,492	2,725,190	350,470	$760,353	12.9%	48	$2,170	18.2%	24.0%
Massachusetts	6,811,779	$68,563	3,397,100	421,560	$871,023	12.4%	49	$2,066	16.6%	24.0%
North Dakota	757,952	$57,181	369,370	44,360	$93,540	12.0%	50	$2,109	2.8%	24.0%
New Hampshire	1,334,795	$66,779	693,090	79,710	$156,004	11.5%	51	$1,957	7.9%	24.0%
USA	**323,127,513**	**$53,889**	**149,726,990**	**27,995,920**	**$68,061,561**	**18.7%**	**--**	**$2,431**	**17.8%**	**25.0%**

SOURCES: Internal Revenue Service (IRS), U.S. Census Bureau.

[1] Population, median income and EITC figures are for year 2005.

* As reported in US Internal Revenue Service. 2002. "Participation in the Earned Income Tax Credit Program for Tax Year 1996," Small Business Self-Employed Research, Washington.

** As reported in US Internal Revenue Service. 2005. "Participation in the Earned Income Tax Credit Program for Tax Year 2005," Dean Plueger, 2005.

In line with the "*Left of the Table*" report, it should be noted that the under-participation in the federal EITC program not only results in lost resources for California, but also entails social costs that are more difficult to measure. For example, some federal EITC recipients file their tax returns through a paid tax preparer and often pay large sums for this service.[18] While this practice does not necessarily limit the amount of federal EITC resources that are injected into California's revenue stream, it does represent an unintended use of public funds. In these situations, federal EITC resources that are aimed to help the working poor are diverted to financial professionals. This practice represents a social cost since, although difficult to quantify, these public funds are not being used as intended.

Further, the average credit owed to eligible federal EITC recipients who failed to claim the credit is likely lower than for the average actual claimant because these two groups of individuals have different characteristics. Like the assumption made in "*Left of the Table*" and following what other researchers have done, the average credit received is multiplied by 75 percent to obtain a more accurate picture of the average credit owed to eligible federal EITC recipients who failed to claim the credit.[19]

This calculation is then used to estimate the number of unclaimed federal EITC returns (an estimate of the number of individuals that fail to claim the credit). The estimate of unclaimed federal EITC returns is obtained by dividing the total amount of unclaimed EITC payments by the estimated average credit owed to eligible EITC recipients who failed to claim the credit. Table 7 shows these calculations, which for comparison purposes, contains both the data for 2006 and for 2015.

The data illustrate at least two salient facts. First, for the whole state of California, between 2006 and 2015, the number of claimed federal EITC returns grew by 35.9 percent (from 2,401,947 to 3,263,270), unclaimed federal EITC payments grew by 69.3% (from $1.1billion to $1.9 billion), and the average size of the unclaimed federal EITC payment grew by 24.6 percent (from $1,412 to $1,760). Second, for relatively small counties the number of unclaimed federal EITC returns increased significantly showing rates of over 50 percent (such as Contra Costa, Napa, Orange and Sacramento). On the other hand, in a few counties the number of unclaimed federal EITC returns increased only by a few percentage points (like Kings and Tulare), while in others this indicator declined (like in Mariposa, Modoc, Mono and Shasta).

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[18] See "*Another Year of Losses: High-Priced Refund Anticipation Loans Continue To Take a Chunk Out Of Americans' Tax Refunds*", 2006, Chi Chi Wu, National Consumer Law Center and "*One Step Forward, One Step Back: Progress Seen in Efforts Against High-Priced Refund Anticipation Loans, but Even More Abusive Products Introduced*", 2007, Chi Chi Wu, National Consumer Law Center and Jean Ann Fox, Consumer Federation of America.

[19] See for example "EITC Interactive: User Guide and Data Dictionary", Alan Berube, The Brookings Institution.

Table 7: Unclaimed Federal EITC Returns and Payments (2006 vs. 2015)

	2015			2006		
COUNTY	EITC Returns Unclaimed	Unclaimed EITC Payments	Average EITC Credit Unclaimed	EITC Returns Unclaimed	Unclaimed EITC Payments	Average EITC Credit Unclaimed
Alameda	32,447	$49,313,000	$1,520	23,125	$29,107,617	$1,259
Alpine	27	$40,750	$1,528	19	$20,913	$1,074
Amador	763	$1,161,500	$1,522	534	$620,346	$1,163
Butte	6,257	$10,138,250	$1,620	4,694	$6,094,515	$1,298
Calaveras	1,000	$1,507,250	$1,507	813	$1,007,971	$1,240
Colusa	647	$1,151,000	$1,780	523	$714,455	$1,366
Contra Costa	20,597	$32,659,750	$1,586	13,349	$16,839,312	$1,261
Del Norte	763	$1,386,750	$1,817	606	$838,476	$1,384
El Dorado	3,460	$4,884,000	$1,412	2,401	$2,821,345	$1,175
Fresno	38,100	$77,631,000	$2,038	28,657	$45,563,439	$1,590
Glenn	920	$1,618,750	$1,760	766	$1,061,470	$1,386
Humboldt	3,923	$5,768,250	$1,470	3,098	$3,602,918	$1,163
Imperial	10,937	$22,342,000	$2,043	8,458	$13,123,560	$1,552
Inyo	450	$704,500	$1,566	363	$443,069	$1,222
Kern	31,307	$64,875,000	$2,072	23,765	$37,897,268	$1,595
Kings	4,943	$9,756,500	$1,974	4,581	$6,904,296	$1,507
Lake	2,033	$3,552,000	$1,747	1,500	$1,948,581	$1,299
Lassen	573	$939,250	$1,638	501	$656,822	$1,312
Los Angeles	330,750	$579,963,000	$1,753	256,449	$370,010,859	$1,443
Madera	5,027	$10,021,500	$1,994	4,113	$6,447,122	$1,567
Marin	3,000	$3,746,250	$1,249	2,191	$2,016,671	$920
Mariposa	407	$661,000	$1,625	436	$528,668	$1,214
Mendocino	2,700	$4,382,000	$1,623	2,079	$2,614,644	$1,257
Merced	9,740	$19,396,750	$1,991	7,644	$11,709,483	$1,532
Modoc	233	$395,250	$1,694	283	$365,982	$1,292
Mono	307	$388,750	$1,268	383	$428,722	$1,120
Monterey	12,120	$22,133,500	$1,826	10,810	$16,157,443	$1,495
Napa	2,477	$3,662,000	$1,479	1,628	$1,934,477	$1,189
Nevada	2,313	$3,242,000	$1,401	1,731	$1,933,504	$1,117
Orange	73,510	$119,943,750	$1,632	48,321	$63,373,759	$1,312
Placer	5,857	$8,520,000	$1,455	4,124	$4,826,344	$1,170
Plumas	487	$692,250	$1,422	430	$505,323	$1,175
Riverside	73,833	$142,668,750	$1,932	50,183	$76,606,262	$1,527
Sacramento	44,577	$80,218,250	$1,800	29,428	$41,319,748	$1,404
San Benito	1,473	$2,553,000	$1,733	1,048	$1,430,370	$1,365
San Bernardino	76,617	$151,993,250	$1,984	54,739	$84,923,176	$1,551
San Diego	87,000	$146,382,500	$1,683	58,564	$77,666,273	$1,326
San Francisco	15,717	$19,715,750	$1,254	12,913	$13,184,841	$1,021
San Joaquin	22,973	$43,353,750	$1,887	16,117	$23,595,756	$1,464
San Luis Obispo	5,327	$7,624,750	$1,431	3,869	$4,590,218	$1,186
San Mateo	10,233	$14,158,250	$1,384	7,605	$8,487,624	$1,116
Santa Barbara	9,947	$16,438,250	$1,653	6,983	$9,379,599	$1,343
Santa Clara	30,093	$44,495,750	$1,479	21,473	$26,152,038	$1,218
Santa Cruz	6,090	$9,172,500	$1,506	4,924	$6,335,017	$1,287
Shasta	5,223	$8,485,250	$1,624	4,179	$5,462,496	$1,307
Sierra	63	$92,750	$1,464	112	$122,075	$1,093
Siskiyou	1,357	$2,203,000	$1,624	1,128	$1,392,678	$1,234
Solano	10,233	$16,829,750	$1,645	6,995	$9,296,433	$1,329
Sonoma	9,183	$12,846,500	$1,399	6,328	$7,041,205	$1,113
Stanislaus	17,540	$32,702,750	$1,864	12,193	$17,616,508	$1,445
Sutter	3,107	$5,667,750	$1,824	2,316	$3,231,829	$1,395
Tehama	1,947	$3,438,000	$1,766	1,694	$2,315,536	$1,367
Trinity	337	$482,750	$1,434	291	$351,148	$1,205
Tulare	19,027	$39,864,000	$2,095	18,955	$31,236,879	$1,648
Tuolumne	1,283	$1,931,000	$1,505	1,038	$1,239,476	$1,195
Ventura	19,417	$31,724,500	$1,634	14,169	$18,816,832	$1,328
Yolo	4,547	$7,408,500	$1,629	3,095	$4,023,615	$1,300
Yuba	2,540	$4,906,750	$1,932	1,937	$2,757,146	$1,423
CALIFORNIA	**1,087,757**	**$1,913,935,500**	**$1,760**	**800,649**	**$1,130,692,500**	**$1,412**

SOURCE: Internal Revenue Service (IRS)

As discussed in the "*Left on the Table*" report, the proportion of individuals not claiming the federal EITC credit is unlikely to be 25 percent uniformly in all counties. This is due to the different characteristics among counties, particularly economic and demographic. The IRS identified that the proportion of those failing to claim the federal EITC credit is higher: (1) in areas of high concentration of Hispanics; (2) among individuals with lower incomes than eligible individuals who filed a tax return to get the federal EITC; (3) among individuals who participated in food stamp assistance programs; and (4) among those with no qualifying children. In counties where the demographic profile indicates a prevalence of these factors, the actual non-filer rate is likely to be higher than the assumed 25 percent.

Table 8 shows these characteristics by county for 2006 and 2015. The numbers in **bold font** indicate that the given characteristic in that county is more prevalent than the average for the state. For example, in Fresno County, the concentration of Hispanics, the proportion of households with no qualifying children and the percentage of households receiving food stamps are higher than the state average, while the household median income is lower. These numbers suggest that the proportion of eligible individuals not claiming the federal EITC credit in Fresno County is likely to be higher than 25 percent. Thus, while it is not possible to accurately assess how much higher without resorting to arbitrary calculations, it is probably reasonable to assume a non-filer rate higher than 25 percent in the counties with prevalent non-filer characteristics, which is the rate reported as the state average by the IRS.

Alameda County, on the other hand, which shows a relatively lower concentration of Hispanics, a lower proportion of households with no qualifying children and a lower percentage of households receiving food stamps than the state average, the proportion of eligible individuals not claiming the federal EITC credit is likely to be closer to the 25 percent assumed average for the state.

As presented, a significant amount of unclaimed federal EITC payments are not injected into the state's revenue stream when eligible residents fail to claim them. These foregone transfer payments represent a lost opportunity to generate new business sales, income and tax revenue, as well as to support more jobs. Table 9 shows the foregone economic impact of the unclaimed federal EITC payments by county. The estimates show that if California eligible residents fully participated in the federal EITC program and if they spent 80 percent of the payments in California, then these federal EITC resources would create near $2.3 billion in additional business sales (output), support over 14,500 additional jobs and create more than $800 million in wages or labor income. Further, most of the estimated foregone revenue is concentrated in Los Angeles, Riverside and San Bernardino counties, with a combined foregone business sales impact of over $1 billion and a combined foregone employment impact of over 6,600 jobs. The San Joaquin Valley counties (Fresno, Madera, Merced, Kern, Kings, San Joaquin, Stanislaus and Tulare) suffer a combined foregone business sales (output) impact of more than $353 million and a foregone employment impact of over 2,200 jobs due to low take-up of the credit.

Table 8: Characteristics Associated with High Rates of Unclaimed EITC Funds

COUNTY	Families with no children under 18 years		Hispanic Population		Median Income		Received Food Stamps	
	2006	2015	2006	2015	2006	2015	2006	2015
Alameda	**39.2%**	54.1%	21.4%	22.6%	$70,079	$75,619	3.4%	6.8%
Alpine	**54.7%**	NA	NA	NA	NA	**$52,917**	NA	NA
Amador	**54.7%**	NA	10.6%	NA	**$56,258**	**$54,171**	3.8%	NA
Butte	**46.1%**	**62.6%**	12.6%	22.6%	**$41,569**	**$43,444**	**8.1%**	**11.9%**
Calaveras	**55.7%**	NA	NA	NA	**$57,703**	**$53,233**	3.6%	NA
Colusa	**41.6%**	NA	NA	NA	**$50,288**	**$52,168**	**6.7%**	NA
Contra Costa	**42.2%**	54.5%	22.4%	25.3%	$78,619	$80,185	2.9%	6.9%
Del Norte	**46.3%**	NA	NA	NA	**$35,861**	**$40,847**	**15.3%**	**15.4%**
El Dorado	**47.5%**	**64.5%**	11.3%	12.8%	$70,022	$69,584	3.1%	5.8%
Fresno	33.9%	**49.7%**	**48.2%**	**52.4%**	**$45,805**	**$45,233**	**11.5%**	**21.0%**
Glenn	**39.6%**	NA	NA	NA	**$40,284**	**$39,349**	**7.1%**	**7.2%**
Humboldt	**44.2%**	**58.0%**	8.2%	11.1%	**$40,515**	**$42,197**	**7.2%**	**14.9%**
Imperial	30.5%	52.9%	**76.0%**	**82.7%**	**$37,492**	**$41,079**	**13.1%**	**22.5%**
Inyo	NA	NA	NA	NA	NA	**$45,955**	NA	NA
Kern	32.8%	48.7%	**46.2%**	**52.2%**	**$46,442**	**$49,026**	**9.8%**	**16.4%**
Kings	31.4%	40.6%	**48.5%**	**53.6%**	**$49,419**	**$46,481**	**10.6%**	**18.0%**
Lake	**43.2%**	**58.6%**	15.4%	19.6%	**$41,619**	**$35,578**	**10.0%**	**13.3%**
Lassen	**43.7%**	NA	15.3%	NA	**$50,077**	**$51,555**	**8.2%**	NA
Los Angeles	35.4%	**56.3%**	**47.3%**	**48.4%**	**$55,192**	**$56,196**	**4.8%**	9.2%
Madera	38.4%	52.5%	**50.0%**	**56.7%**	**$45,646**	**$45,073**	**10.8%**	**16.9%**
Marin	**48.4%**	**57.3%**	13.6%	16.0%	$88,101	$93,257	1.9%	2.6%
Mariposa	**48.6%**	NA	NA	NA	NA	**$47,681**	NA	NA
Mendocino	**48.6%**	**59.7%**	20.1%	NA	**$43,307**	**$42,980**	**6.2%**	**11.5%**
Merced	31.4%	44.9%	**52.4%**	**58.2%**	**$44,338**	**$42,462**	**12.2%**	**21.5%**
Modoc	NA	NA	NA	NA	NA	**$37,860**	NA	NA
Mono	NA	NA	NA	NA	NA	**$56,944**	NA	NA
Monterey	38.3%	52.1%	**52.2%**	**57.8%**	**$59,140**	**$58,783**	4.5%	6.8%
Napa	**45.5%**	**55.7%**	29.3%	33.9%	$67,484	$71,379	2.0%	4.2%
Nevada	**55.2%**	**65.9%**	7.4%	9.3%	**$56,890**	**$56,521**	3.3%	6.5%
Orange	**40.6%**	**56.3%**	33.2%	34.4%	$75,176	$76,509	2.3%	6.8%
Placer	**45.1%**	**56.8%**	11.7%	13.8%	$73,260	$73,948	2.1%	5.6%
Plumas	**61.5%**	NA	NA	NA	**$50,817**	**$47,333**	1.3%	NA
Riverside	36.3%	53.7%	**43.1%**	**47.9%**	**$58,168**	**$56,603**	3.5%	**10.6%**
Sacramento	38.2%	53.7%	19.8%	22.7%	**$57,779**	**$55,987**	**6.9%**	**13.0%**
San Benito	33.4%	NA	**53.0%**	NA	$72,228	$71,077	**5.1%**	**NA**
San Bernardino	33.1%	52.1%	**46.7%**	**52.2%**	**$56,575**	**$53,433**	**6.0%**	**16.5%**
San Diego	**41.0%**	**55.0%**	30.4%	33.4%	$63,727	$64,309	2.7%	7.9%
San Francisco	**48.0%**	**65.3%**	14.0%	15.3%	$71,957	$81,294	2.4%	5.3%
San Joaquin	33.8%	50.6%	**36.4%**	**40.8%**	**$54,711**	**$53,274**	**7.3%**	**15.6%**
San Luis Obispo	**50.2%**	**63.7%**	18.8%	22.2%	**$57,722**	**$60,691**	2.9%	6.1%
San Mateo	**44.1%**	**56.8%**	23.1%	25.1%	$84,684	$93,623	1.2%	4.4%
Santa Barbara	**41.6%**	54.4%	**38.7%**	**44.8%**	**$59,850**	$63,985	3.8%	7.6%
Santa Clara	**40.6%**	52.9%	25.6%	26.3%	$87,287	$96,310	2.5%	5.1%
Santa Cruz	**44.2%**	**58.9%**	28.7%	33.3%	$67,070	$67,256	3.3%	8.6%
Shasta	**46.6%**	**62.0%**	7.8%	9.6%	**$43,836**	**$44,620**	**6.7%**	**11.7%**
Sierra	NA	NA	NA	NA	NA	**$42,833**	NA	NA
Siskiyou	**51.3%**	NA	NA	NA	**$36,171**	**$37,170**	**9.8%**	**NA**
Solano	**39.5%**	**57.7%**	22.2%	26.0%	$68,603	$66,828	**4.8%**	**9.8%**
Sonoma	**46.0%**	**60.1%**	22.5%	26.3%	$63,768	$64,240	2.5%	7.6%
Stanislaus	36.8%	50.7%	**38.9%**	**44.8%**	**$51,601**	**$50,125**	**7.0%**	**16.5%**
Sutter	38.4%	48.9%	26.9%	30.3%	**$52,505**	**$52,017**	**7.1%**	**14.0%**
Tehama	**42.7%**	NA	19.9%	NA	**$36,731**	**$41,001**	**11.3%**	NA
Trinity	NA	NA	**56.7%**	NA	NA	**$34,974**	NA	NA
Tulare	33.2%	45.8%	**56.7%**	**63.6%**	**$43,995**	**$42,031**	**13.4%**	**24.4%**
Tuolumne	**55.1%**	NA	9.7%	NA	**$47,466**	**$50,306**	**6.3%**	NA
Ventura	**40.3%**	**56.2%**	**37.4%**	**42.3%**	$76,269	$77,348	3.3%	8.0%
Yolo	**39.6%**	53.1%	28.2%	31.5%	**$58,851**	**$54,989**	3.8%	**8.0%**
Yuba	33.6%	52.5%	NA	27.5%	**$45,727**	**$46,892**	**15.4%**	**16.2%**
CALIFORNIA	**38.5%**	**55.0%**	**36.1%**	**38.8%**	**$61,154**	**$61,818**	**4.6%**	**9.7%**

SOURCE: U.S. Census Bureau

Table 9: Foregone Economic Impact in California by County (2015)

COUNTY	Unclaimed EITC Payments	80% Spent Locally	Foregone Economic Impact		
			Output	Employment	Labor Income
Alameda	$49,313,000	$39,450,400	$58,618,363	376	$20,635,645
Alpine	$40,750	$32,600	$48,440	0	$17,052
Amador	$1,161,500	$929,200	$1,380,675	9	$486,044
Butte	$10,138,250	$8,110,600	$12,051,338	77	$4,242,478
Calaveras	$1,507,250	$1,205,800	$1,791,668	11	$630,728
Colusa	$1,151,000	$920,800	$1,368,194	9	$481,650
Contra Costa	$32,659,750	$26,127,800	$38,822,645	249	$13,666,883
Del Norte	$1,386,750	$1,109,400	$1,648,430	11	$580,303
El Dorado	$4,884,000	$3,907,200	$5,805,611	37	$2,043,771
Fresno	$77,631,000	$62,104,800	$92,279,970	592	$32,485,668
Glenn	$1,618,750	$1,295,000	$1,924,208	12	$677,386
Humboldt	$5,768,250	$4,614,600	$6,856,719	44	$2,413,797
Imperial	$22,342,000	$17,873,600	$26,557,935	170	$9,349,291
Inyo	$704,500	$563,600	$837,439	5	$294,807
Kern	$64,875,000	$51,900,000	$77,116,913	494	$27,147,759
Kings	$9,756,500	$7,805,200	$11,597,552	74	$4,082,730
Lake	$3,552,000	$2,841,600	$4,222,262	27	$1,486,379
Lassen	$939,250	$751,400	$1,116,486	7	$393,041
Los Angeles	$579,963,000	$463,970,400	$689,402,018	4,420	$242,692,807
Madera	$10,021,500	$8,017,200	$11,912,557	76	$4,193,623
Marin	$3,746,250	$2,997,000	$4,453,167	29	$1,567,665
Mariposa	$661,000	$528,800	$785,731	5	$276,604
Mendocino	$4,382,000	$3,505,600	$5,208,883	33	$1,833,703
Merced	$19,396,750	$15,517,400	$23,056,917	148	$8,116,814
Modoc	$395,250	$316,200	$469,834	3	$165,397
Mono	$388,750	$311,000	$462,107	3	$162,677
Monterey	$22,133,500	$17,706,800	$26,310,091	169	$9,262,041
Napa	$3,662,000	$2,929,600	$4,353,019	28	$1,532,410
Nevada	$3,242,000	$2,593,600	$3,853,765	25	$1,356,656
Orange	$119,943,750	$95,955,000	$142,577,136	914	$50,191,970
Placer	$8,520,000	$6,816,000	$10,127,724	65	$3,565,301
Plumas	$692,250	$553,800	$822,878	5	$289,681
Riverside	$142,668,750	$114,135,000	$169,590,343	1,087	$59,701,532
Sacramento	$80,218,250	$64,174,600	$95,355,434	611	$33,568,335
San Benito	$2,553,000	$2,042,400	$3,034,751	19	$1,068,335
San Bernardino	$151,993,250	$121,594,600	$180,674,376	1,158	$63,603,486
San Diego	$146,382,500	$117,106,000	$174,004,878	1,116	$61,255,597
San Francisco	$19,715,750	$15,772,600	$23,436,112	150	$8,250,303
San Joaquin	$43,353,750	$34,683,000	$51,534,603	330	$18,141,922
San Luis Obispo	$7,624,750	$6,099,800	$9,063,540	58	$3,190,672
San Mateo	$14,158,250	$11,326,600	$16,829,912	108	$5,924,698
Santa Barbara	$16,438,250	$13,150,600	$19,540,148	125	$6,878,792
Santa Clara	$44,495,750	$35,596,600	$52,892,098	339	$18,619,806
Santa Cruz	$9,172,500	$7,338,000	$10,903,351	70	$3,838,348
Shasta	$8,485,250	$6,788,200	$10,086,417	65	$3,550,760
Sierra	$92,750	$74,200	$110,252	1	$38,812
Siskiyou	$2,203,000	$1,762,400	$2,618,706	17	$921,873
Solano	$16,829,750	$13,463,800	$20,005,524	128	$7,042,620
Sonoma	$12,846,500	$10,277,200	$15,270,635	98	$5,375,779
Stanislaus	$32,702,750	$26,162,200	$38,873,759	249	$13,684,877
Sutter	$5,667,750	$4,534,200	$6,737,254	43	$2,371,741
Tehama	$3,438,000	$2,750,400	$4,086,751	26	$1,438,674
Trinity	$482,750	$386,200	$573,845	4	$202,013
Tulare	$39,864,000	$31,891,200	$47,386,337	304	$16,681,592
Tuolumne	$1,931,000	$1,544,800	$2,295,380	15	$808,051
Ventura	$31,724,500	$25,379,600	$37,710,913	242	$13,275,516
Yolo	$7,408,500	$5,926,800	$8,806,484	56	$3,100,180
Yuba	$4,906,750	$3,925,400	$5,832,654	37	$2,053,291
CALIFORNIA	**$1,913,935,500**	**$1,531,148,400**	**$2,275,095,129**	**14,586**	**$800,910,365**

SOURCE: Internal Revenue Service (IRS), IMPLAN

Finally, if California residents claimed the estimated unclaimed federal EITC payments, more than $150 million in additional tax revenue would be generated at all levels of government (state, county and city). Table 10 shows the foregone impact of federal EITC refunds on state and local taxes, with separate totals of foregone revenue.

Table 10: Foregone Economic Impact of the Federal EITC on California State and Local Taxes (2015)

		Employee Compensation	Tax on Production and Imports	Households	Corporations	TOTAL
State and Local Taxes	Dividends				$333,297	$333,297
	Social Ins Tax- Employee Contribution	$757,348				$757,348
	Social Ins Tax- Employer Contribution	$1,530,201				$1,530,201
	Production & Imports: Sales Tax		$54,193,278			$54,193,278
	Production & Imports: Property Tax		$41,371,340			$41,371,340
	Production & Imports: Motor Vehicle Lic		$1,211,962			$1,211,962
	Production & Imports: Severance Tax		$60,209			$60,209
	Production & Imports: Other Taxes		$9,050,863			$9,050,863
	Production & Imports: S/L NonTaxes		$1,429,572			$1,429,572
	Corporate Profits Tax				$5,886,903	$5,886,903
	Personal Tax: Income Tax			$28,588,823		$28,588,823
	Personal Tax: NonTaxes (Fines- Fees			$4,544,497		$4,544,497
	Personal Tax: Motor Vehicle License			$987,094		$987,094
	Personal Tax: Property Taxes			$326,793		$326,793
	Personal Tax: Other Tax (Fish/Hunt)			$267,522		$267,522
TOTAL		**$2,287,550**	**$107,317,224**	**$34,714,729**	**$6,220,200**	**$150,539,702**

SOURCE: Internal Revenue Service (IRS), IMPLAN

V. Claimed California EITC Refunds and its Economic Impact

During the 2016 fiscal year, 368,343 Californians claimed the California EITC for a total of $196.1 million. Although the number of claims was lower than the claims made in 2015 (373,299), the total dollar amount claimed was slightly higher by $0.6 million. The average claimed credit in 2016 was $532, which is also $8 higher than the previous year. Los Angeles County alone, which is the most populous county in the state, accounted for 23 percent of the total claimed California EITC in 2016 with near $45 million. Among other relative low-income areas at least two regions are worth highlighting. One, Riverside and San Bernardino counties combined claimed $28.7 million in 2016 (close to 15 percent of the total claimed in the state). And two, the San Joaquin Valley counties combined (Fresno, Madera, Merced, Kern, Kings, San Joaquin, Stanislaus and Tulare) claimed $39.0 million in 2016 (close to 20 percent of the total claimed in the state).

It is also relevant commenting that there are objective reasons to expect that the California EITC could increase participation in the federal EITC program.[20] First, many of the low-income working families targeted by the EITC programs, although eligible, are not always familiar with the available credits or even required to file a tax return. Consequently, since the creation of the California EITC, state and local governments, as well as the IRS and an assorted variety of community-based organizations and non-profits, have engaged in significant outreach efforts to promote both the California and federal EITC. As part of this effort, the State Interagency Team (SIT) Workgroup to Reduce Poverty was formed to coordinate the delivery of education and outreach for the California and federal EITC, and to thereby increase the number of low-income tax filers by increasing awareness of the tax credits. Second, since the California EITC constitutes a supplement to the federal EITC, it increases the effective wage an eligible worker can earn. Thus, the positive effect on employment as well as on federal EITC participation are enhanced, particularly among single taxpayers such as single mothers.

Finally, as explained in Appendix A, the calculation of the economic and fiscal impact of the California EITC employs the same assumptions made to calculate the impact of the federal EITC. This includes the assumption that 80 percent of the California EITC payments made to California residents are spent within the state's economy. That is, the other 20 percent produces no impacts within the state. Table 12 shows that the 196.1 million California EITC dollars claimed in 2016 generated a total economic impact of $247.1 million in business sales (output), supported 1,595 jobs[21], and created more than $86.4 million in labor income.[22] If the California EITC program did not exist (or if no resident had claimed it), none of these impacts would occur.

[20] See for example: "Do State Earned Income Tax Credits Increase Participation in the Federal EITC?", David Neumark and Katherine E. Williams, *ESSPRI Working Papers # 20163*, University of California, Davis.

[21] Jobs include total wage and salary employees, including both full-time and part-time jobs.

[22] Appendix A contains a thorough description of the economic impact methodology and multiplier analysis.

Table 11: Cal EITC Returns and EITC Dollars Claimed by County

COUNTY	Cal EITC Returns		Total Claimed Cal EITC Payments		Average Cal EITC Payment Claimed	
	2015	2016	2015	2016	2015	2016
Alameda	11,803	11,681	$5,262,570	$5,128,516	$446	$439
Alpine	*	11	*	$4,632	*	421
Amador	289	281	$168,660	$156,867	$584	$558
Butte	2,981	2,912	$1,747,138	$1,735,650	$586	$596
Calaveras	385	361	$198,686	$196,610	$516	$545
Colusa	184	188	$121,424	$101,421	$660	$539
Contra Costa	7,325	7,046	$3,587,024	$3,500,690	$490	$497
Del Norte	295	341	$202,558	$256,566	$687	$752
El Dorado	1,362	1,279	$653,980	$610,761	$480	$478
Fresno	14,178	13,917	$9,754,631	$9,581,903	$688	$689
Glenn	374	335	$245,659	$224,328	$657	$670
Humboldt	1,741	1,641	$878,480	$813,920	$505	$496
Imperial	3,828	3,898	$2,467,580	$2,570,608	$645	$659
Inyo	168	177	$83,344	$89,562	$496	$506
Kern	11,267	11,505	$7,860,172	$8,178,379	$698	$711
Kings	1,821	1,853	$1,273,734	$1,389,372	$699	$750
Lake	849	799	$532,635	$540,960	$627	$677
Lassen	258	262	$169,164	$184,796	$656	$705
Los Angeles	99,851	97,732	$45,380,290	$44,954,177	$454	$460
Madera	1,872	1,802	$1,363,714	$1,304,185	$728	$724
Marin	969	991	$353,993	$338,773	$365	$342
Mariposa	165	143	$106,278	$84,861	$644	$593
Mendocino	1,045	993	$640,786	$591,684	$613	$596
Merced	4,036	4,124	$2,851,434	$3,045,212	$707	$738
Modoc	99	88	$60,376	$59,248	$610	$673
Mono	79	82	$21,045	$32,243	$266	$393
Monterey	3,764	3,537	$2,281,840	$2,137,479	$606	$604
Napa	631	680	$267,084	$317,561	$423	$467
Nevada	758	768	$339,258	$348,613	$448	$454
Orange	22,718	22,298	$9,663,058	$9,655,069	$425	$433
Placer	2,148	2,172	$983,436	$1,011,668	$458	$466
Plumas	202	220	$112,241	$115,736	$556	$526
Riverside	22,726	22,798	$13,008,346	$13,260,359	$572	$582
Sacramento	17,523	17,228	$10,137,951	$10,291,660	$579	$597
San Benito	498	457	$312,198	$252,427	$627	$552
San Bernardino	25,057	25,800	$14,613,984	$15,515,789	$583	$601
San Diego	28,481	28,314	$14,509,653	$14,727,901	$509	$520
San Francisco	6,046	5,619	$1,949,585	$1,888,034	$322	$336
San Joaquin	8,887	8,697	$5,756,228	$5,731,348	$648	$659
San Luis Obispo	1,939	1,837	$911,494	$920,560	$470	$501
San Mateo	3,224	3,138	$1,141,172	$1,207,039	$354	$385
Santa Barbara	3,483	3,446	$1,931,115	$1,910,225	$554	$554
Santa Clara	10,560	10,330	$4,689,372	$4,504,214	$444	$436
Santa Cruz	2,206	2,077	$1,078,048	$1,011,957	$489	$487
Shasta	2,580	2,374	$1,498,276	$1,499,749	$581	$632
Sierra	15	20	$10,633	$9,165	$709	$458
Siskiyou	662	621	$400,950	$415,265	$606	$669
Solano	3,718	3,764	$2,109,602	$2,103,560	$567	$559
Sonoma	3,196	3,115	$1,382,705	$1,362,806	$433	$437
Stanislaus	7,368	7,305	$4,920,954	$5,002,712	$668	$685
Sutter	1,257	1,205	$792,140	$785,960	$630	$652
Tehama	840	749	$605,680	$543,754	$721	$726
Trinity	169	142	$89,863	$70,456	$532	$496
Tulare	7,158	6,567	$5,176,485	$4,781,499	$723	$728
Tuolumne	501	526	$254,587	$280,093	$508	$532
Ventura	5,706	5,673	$2,856,906	$2,778,068	$501	$490
Yolo	1,917	1,861	$1,057,556	$1,032,279	$552	$555
Yuba	1,086	1,129	$760,057	$797,106	$700	$706
Other	9,039	9,430	$3,893,651	$4,148,263	$431	$440
CALIFORNIA	**373,299**	**368,343**	**$195,489,574**	**$196,095,317**	**$524**	**$532**

* Fewer than 10 returns
SOURCE: California Franchise Tax Board

Table 12: Economic Impact of the Cal EITC by County (2016)

COUNTY	Claimed Cal EITC Payments	80% Spent Locally	Economic Impact		
			Output	Employment	Labor Income
Alameda	$5,128,516	$4,102,813	$6,464,535	42	$2,261,502
Alpine	$4,632	$3,706	$5,839	0	$2,043
Amador	$156,867	$125,494	$197,732	1	$69,173
Butte	$1,735,650	$1,388,520	$2,187,801	14	$765,363
Calaveras	$196,610	$157,288	$247,828	2	$86,698
Colusa	$101,421	$81,137	$127,842	1	$44,723
Contra Costa	$3,500,690	$2,800,552	$4,412,647	28	$1,543,686
Del Norte	$256,566	$205,253	$323,403	2	$113,137
El Dorado	$610,761	$488,609	$769,869	5	$269,325
Fresno	$9,581,903	$7,665,522	$12,078,064	78	$4,225,296
Glenn	$224,328	$179,462	$282,767	2	$98,921
Humboldt	$813,920	$651,136	$1,025,953	7	$358,911
Imperial	$2,570,608	$2,056,486	$3,240,272	21	$1,133,551
Inyo	$89,562	$71,650	$112,894	1	$39,494
Kern	$8,178,379	$6,542,703	$10,308,911	67	$3,606,389
Kings	$1,389,372	$1,111,498	$1,751,314	11	$612,666
Lake	$540,960	$432,768	$681,884	4	$238,545
Lassen	$184,796	$147,837	$232,937	2	$81,489
Los Angeles	$44,954,177	$35,963,342	$56,665,095	366	$19,823,274
Madera	$1,304,185	$1,043,348	$1,643,936	11	$575,102
Marin	$338,773	$271,018	$427,026	3	$149,387
Mariposa	$84,861	$67,889	$106,968	1	$37,421
Mendocino	$591,684	$473,347	$745,822	5	$260,913
Merced	$3,045,212	$2,436,170	$3,838,514	25	$1,342,836
Modoc	$59,248	$47,398	$74,683	0	$26,126
Mono	$32,243	$25,794	$40,643	0	$14,218
Monterey	$2,137,479	$1,709,983	$2,694,309	17	$942,556
Napa	$317,561	$254,049	$400,288	3	$140,034
Nevada	$348,613	$278,890	$439,429	3	$153,727
Orange	$9,655,069	$7,724,055	$12,170,291	79	$4,257,559
Placer	$1,011,668	$809,334	$1,275,216	8	$446,111
Plumas	$115,736	$92,589	$145,886	1	$51,036
Riverside	$13,260,359	$10,608,287	$16,714,787	108	$5,847,371
Sacramento	$10,291,660	$8,233,328	$12,972,719	84	$4,538,275
San Benito	$252,427	$201,942	$318,186	2	$111,312
San Bernardino	$15,515,789	$12,412,631	$19,557,775	126	$6,841,939
San Diego	$14,727,901	$11,782,321	$18,564,636	120	$6,494,507
San Francisco	$1,888,034	$1,510,427	$2,379,882	15	$832,559
San Joaquin	$5,731,348	$4,585,078	$7,224,409	47	$2,527,331
San Luis Obispo	$920,560	$736,448	$1,160,373	7	$405,936
San Mateo	$1,207,039	$965,631	$1,521,482	10	$532,263
Santa Barbara	$1,910,225	$1,528,180	$2,407,854	16	$842,345
Santa Clara	$4,504,214	$3,603,371	$5,677,597	37	$1,986,206
Santa Cruz	$1,011,957	$809,566	$1,275,580	8	$446,239
Shasta	$1,499,749	$1,199,799	$1,890,445	12	$661,339
Sierra	$9,165	$7,332	$11,553	0	$4,041
Siskiyou	$415,265	$332,212	$523,445	3	$183,118
Solano	$2,103,560	$1,682,848	$2,651,554	17	$927,599
Sonoma	$1,362,806	$1,090,245	$1,717,828	11	$600,951
Stanislaus	$5,002,712	$4,002,170	$6,305,958	41	$2,206,027
Sutter	$785,960	$628,768	$990,709	6	$346,582
Tehama	$543,754	$435,003	$685,406	4	$239,777
Trinity	$70,456	$56,365	$88,810	1	$31,069
Tulare	$4,781,499	$3,825,199	$6,027,117	39	$2,108,480
Tuolumne	$280,093	$224,074	$353,059	2	$123,512
Ventura	$2,778,068	$2,222,454	$3,501,777	23	$1,225,034
Yolo	$1,032,279	$825,823	$1,301,196	8	$455,200
Yuba	$797,106	$637,685	$1,004,758	6	$351,497
Other	$4,148,263	$3,318,610	$5,228,918	34	$1,829,244
CALIFORNIA	**$196,095,317**	**$156,876,254**	**$247,179,697**	**1,595**	**$86,471,415**

SOURCE: California Franchise Tax Board, IMPLAN

The spending of California EITC refunds eventually results in additional tax revenue for the cities, counties and for the state as presented in Table 13. The multiplier effect of the 2016 California EITC dollars spent in California's economy generated $15.4 million in tax revenue, and 36 percent of this amount comes from sales taxes alone. As explained before, the methodology employed to calculate the fiscal impact (IMPLAN) does not produce separate reports for the state and local governments. Thus, the estimates include total estimated tax revenue for all levels of government (state, county and city). However, the tax revenue produced by each county is proportional to the overall economic impact.

Table 13: Economic Impact of the California EITC on State and Local Taxes (2016)

		Employee Compensation	Tax on Production and Imports	Households	Corporations	TOTAL
State and Local Taxes	Dividends				$34,149	$34,149
	Social Ins Tax- Employee Contribution	$77,596				$77,596
	Social Ins Tax- Employer Contribution	$156,781				$156,781
	Production & Imports: Sales Tax		$5,552,505			$5,552,505
	Production & Imports: Property Tax		$4,238,802			$4,238,802
	Production & Imports: Motor Vehicle Lic		$124,175			$124,175
	Production & Imports: Severance Tax		$6,169			$6,169
	Production & Imports: Other Taxes		$927,328			$927,328
	Production & Imports: S/L NonTaxes		$146,470			$146,470
	Corporate Profits Tax				$603,157	$603,157
	Personal Tax: Income Tax			$2,929,138		$2,929,138
	Personal Tax: NonTaxes (Fines- Fees			$465,618		$465,618
	Personal Tax: Motor Vehicle License			$101,135		$101,135
	Personal Tax: Property Taxes			$33,482		$33,482
	Personal Tax: Other Tax (Fish/Hunt)			$27,410		$27,410
TOTAL		**$234,376**	**$10,995,449**	**$3,556,782**	**$637,306**	**$15,423,913**

SOURCE: California Franchise Tax Board, IMPLAN

VI. Concluding Remarks

Both federal and California EITC programs represent an important source of business sales, revenue for state and local governments, as well as income for the working families who receive the EITC refunds. Using conservative data and assumptions, this report estimates that the 7.6 billion federal EITC dollars claimed in 2015 generated a total economic impact of $9.6 billion in business sales (output), supported more than 62,000 jobs, created more than $3.3 billion in labor income and $15.4 million in tax revenue. Similarly, 196.1 million California EITC dollars claimed in 2016 resulted in a total economic impact of $247.1 million in business sales (output), supported more than 1,595 jobs, created more than $86.4 million in labor income, and $548 million in tax revenue.

Yet, many eligible families within California failed to claim these credits. Findings of this updated report suggest that the estimated number of Californians failing to claim the federal EITC refunds has remained high along with the number of dollars left on the table. Based on the data examined for tax year 2015, estimates indicate that California residents failed to claim over $2.3 billion in federal EITC payments for which they are eligible. If these federal payments had been claimed, economic activity resulting from the payments would have supported an additional 14,500 jobs and created more than $800 million dollars in new labor income each year. These foregone federal payments, if claimed, would have also generated more than $150 million dollars in additional tax revenue for state and local governments.

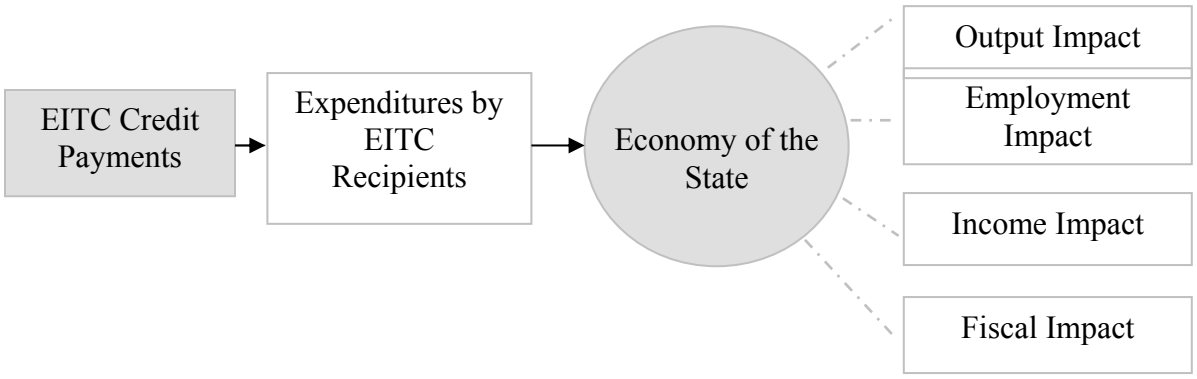
As argued in the previous update, it must be considered that from December 2007 to June 2009 the U.S. economy suffered from a severe and prolonged economic recession that considerably increased the number of poor households, many of which have not fully recovered from the dire conditions they went through. Some households that have been poor for years continued claiming federal EITC refunds, but some new poor households are not claiming federal EITC refunds. The data collected in this report show that the number of Californians claiming the federal EITC refunds has increased along with the number of dollars injected into the state's income stream. Both federal EITC claims as a percentage of the total number of returns as well as the average EITC credit claimed, grew more than the state population and more than the total number of returns. This suggests that although the gap between potential federal EITC payments and actual EITC payments is still large, it could have been larger if all the efforts and awareness campaigns about this important federal program had not taken place.

APPENDIX A: Data, Scope and Economic Impact Methodology

Using federal and California EITC payments data for the state (collected from the IRS and the California FTB), and focusing on the state's economy and on each of its 58 counties, the report: **a)** assesses the economic impact of the federal and California EITC programs as resources are injected into the state's revenue stream; **b)** estimates the amount of foregone federal EITC dollars that state residents leave unclaimed; and **c)** assesses the foregone economic impact of unclaimed federal EITC dollars when the foregone resources never make it into the state's revenue stream and, thus never circulate in the state economy. In each region (state and counties), the economic impact (or lack thereof) of the EITC attributable to the tax credit payments is linked to the ways recipients spend this income.

This report measures the impact of the EITC in four different areas: **1)** Additional business sales (output impact); **2)** Number of jobs that these benefits payments support directly and indirectly (employment impact); **3)** Additional labor income (income impact); and **4)** Additional state tax revenue (fiscal impact). Chart A1 illustrates the conceptual framework of this economic impact analysis.

Chart A1: Conceptual Framework



The report calculates the economic impact of the federal EITC for 2015 and the economic impact of the California EITC for 2016 the most recent years for which data is available. Since EITC eligibility is based on earned income, federal EITC payments and their associated economic impact in the state are likely to be different in 2016. However, due to data limitations derived from the fact that the IRS releases these data with a lag of at least one year, 2015 is the most up to date year for which the economic impact assessment can be performed.

Additionally, the calculation of the economic impact understates the potential impact of the federal and California EITC programs on low-income families in the state for two reasons: (1) not all eligible taxpayers claim the credit; and (2) not all taxpayers claiming the EITC credit get the entire amount for which they are eligible (mainly because they use the services of

a professional tax preparer, sometimes for a very high fee).

The impact of the federal and California EITC dollars in California is smaller when there are income leakages mainly in the form of savings withheld and dollars spent outside the state's economy. Accurately determining which percentage of the EITC payments is spent in California would probably require an expensive primary data collection instrument, such as a survey. Instead, following the methodology employed in the original "*Left on the Table*" report to account for initial expenditures leakages, it is assumed that 80% of the federal and California EITC payments made to California residents are spent within the state's economy.[23] This assumption is a conservative one considering (1) the low mobility of low-income families, (2) empirical evidence showing the low savings rate (and negative in some cases) for low-income families, and (3) the geography of California, which is bounded on three sides by mountains, deserts and an ocean. This report also assumes that EITC dollars will be spent following a typical pattern for households with incomes between $15,000 and $30,000. In other words, it is assumed that the spending profile of EITC recipients resembles one of typical families earning this income level.

The analysis mainly relies on the use of input-output (IO) models and associated databases, which are techniques for quantifying interactions among firms, industries, and social institutions within a regional economy. IO models are the standard techniques that regional economists use to conduct economic impact analysis. In particular, the report makes extensive use of IMPLAN economic impact data and analysis software.[24] The total economic impact (also known as the multiplier effect) of the EITC is equal to the sum of three components: the *direct* effect, the *indirect* effect and the *induced* effect. The direct effect is the immediate upshot caused by residents when they spend their EITC payments. Due to the interactions between firms, industries, and social institutions that naturally occur within the regional and state economy, the direct effect initiates a series of iterative rounds of income creation, spending and re-spending that result in indirect and induced effects. The indirect effects are changes in production, employment and income that result from the inter-industry purchases triggered by the direct effect. Finally, induced effects arise due to changes in household income and spending patterns caused by direct and indirect effects. Since the total impact of the EITC payments that are spent within the regional economy is a multiple of the initial expenditures, the total effect is expressed as a multiplier effect. Therefore, the total impact of the EITC payments spent within the regional and state economy as estimated by IMPLAN is larger than the initial expenditures.

The increases in economic activity resulting from the multiplier process

[23] The Jacob France Institute of the University of Baltimore in its 2004 study "The Importance of the Earned Income Tax Credit and Its Economic Effects in Baltimore City" assumes that two-thirds of the payments made to city residents were re-spent within the City. Similarly, John Haskell at Vanderbilt University in his 2006 study "The State of the Earned Income Tax Credit in Nashville: An Analysis of Economic Impacts and Geographic Distribution of the 'Working Poor' Tax Credit, TY 1997-2004" assumes that 87% of the EITC disbursements would be spent within the Nashville region.

[24] www.implan.com

become smaller with each round due to leakages from the spending stream. Furthermore, spending on goods and services that are not produced within the regional economy do not generate additional regional spending. Therefore, the multiplier process traces the flows of spending and re-spending until the initial expenditures have completely leaked out to other regions. To properly estimate the effects at the regional level, an adjustment known as the regional purchase coefficient is implemented within the IMPLAN system.

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The UBC serves as the outreach arm for the Craig School of Business at Fresno State by offering professional development programs and state-of-the-art meeting facilities. The UBC focuses on providing business and professionals with services and resources to foster growth, create jobs and develop a prosperous economy. The UBC's present facilities were built in 1987 with donations from private businesses. The UBC has an impressive history of serving private enterprises and public organizations throughout California's Central Valley.

Biographical Sketch of the Author

Dr. Antonio Avalos

Dr. Antonio Avalos specializes in forensic economics, economic development, regional economics, and international economics. He holds a Ph.D. in Economics and a M.S. in Economics from Oklahoma State University. In the past, Dr. Avalos has worked as Herman Kahn Fellow at the Hudson Institute in Indianapolis, and later as an external consultant for the institute, conducting research on regional economics and workforce issues. He also was a visiting scholar at the Andean Corporation of Development in Caracas, Venezuela, where he conducted applied research in international trade, economic development and labor markets in Latin American economies. Over the last few years, Dr. Avalos also has participated and presented research at an assorted list of regional, national and international conferences, including countries such as Chile, Argentina, Nicaragua, Mexico, The Netherlands, Romania, Italy, China, and others. Currently, Dr. Avalos is a Professor of Economics at California State University, Fresno, where he has served as a faculty member since 2003.