

***Left on the Table: The California Economy and  
Low-Income Residents Lose \$1 Billion when Earned  
Income Tax Credits go Unclaimed***

**Dr. Antonio Avalos**  
[aavalos@csufresno.edu](mailto:aavalos@csufresno.edu)

**Dr. Sean Alley**  
[ralley@csufresno.edu](mailto:ralley@csufresno.edu)

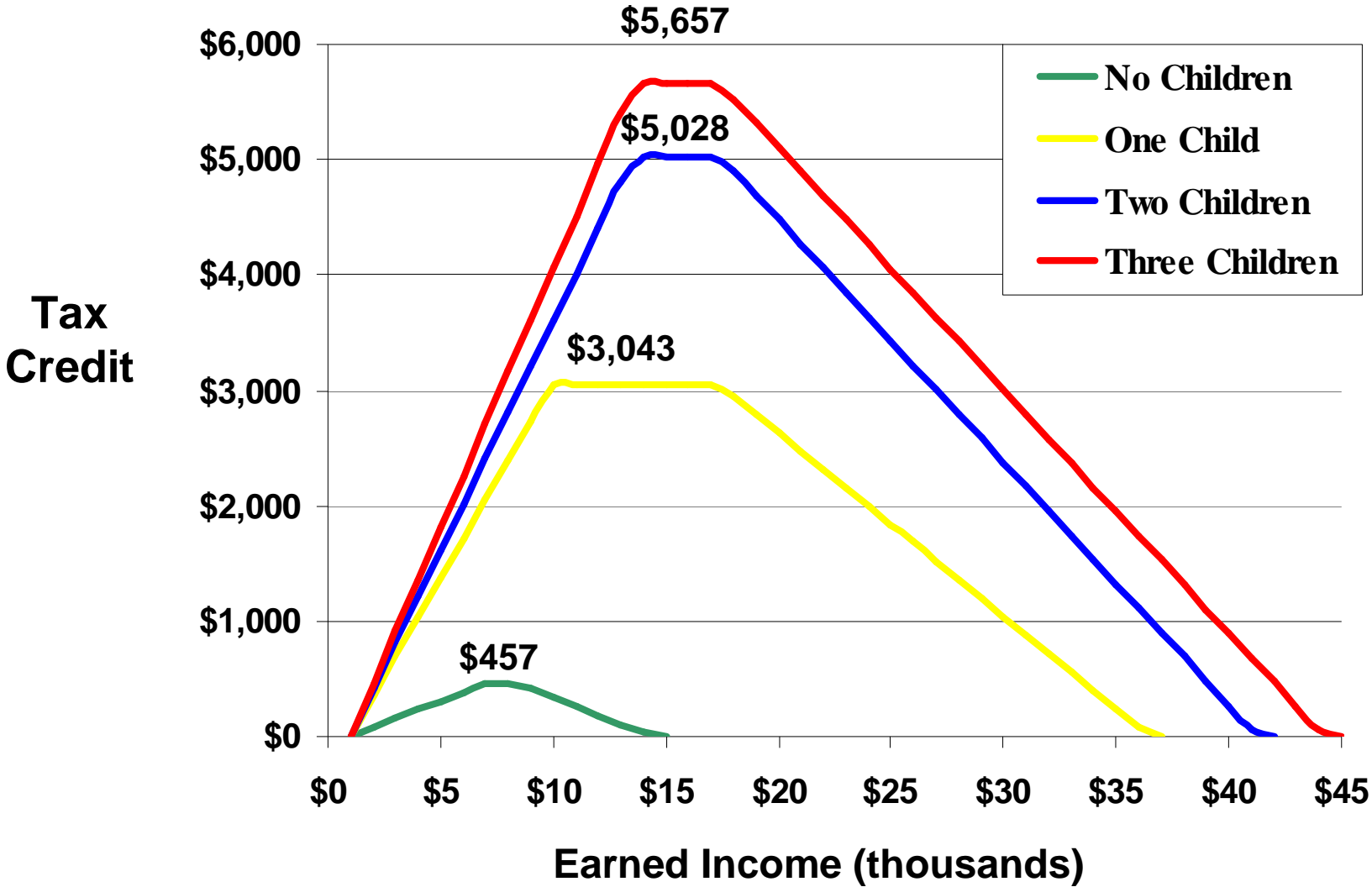
**Department of Economics  
California State University, Fresno**

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# The EITC Program

- A **refundable federal income tax credit** for low to moderate income working individuals and families.
- When the EITC exceeds the amount of taxes owed, it results in a **tax refund** to those who claim and qualify for the credit.
- **Effective poverty-alleviation policy** since it does not have the usual collateral effects of alternative welfare policies.

# 2009 EITC Structure for a Single, Head of Household or Qualified Widow



SOURCE: Internal Revenue Service (IRS)

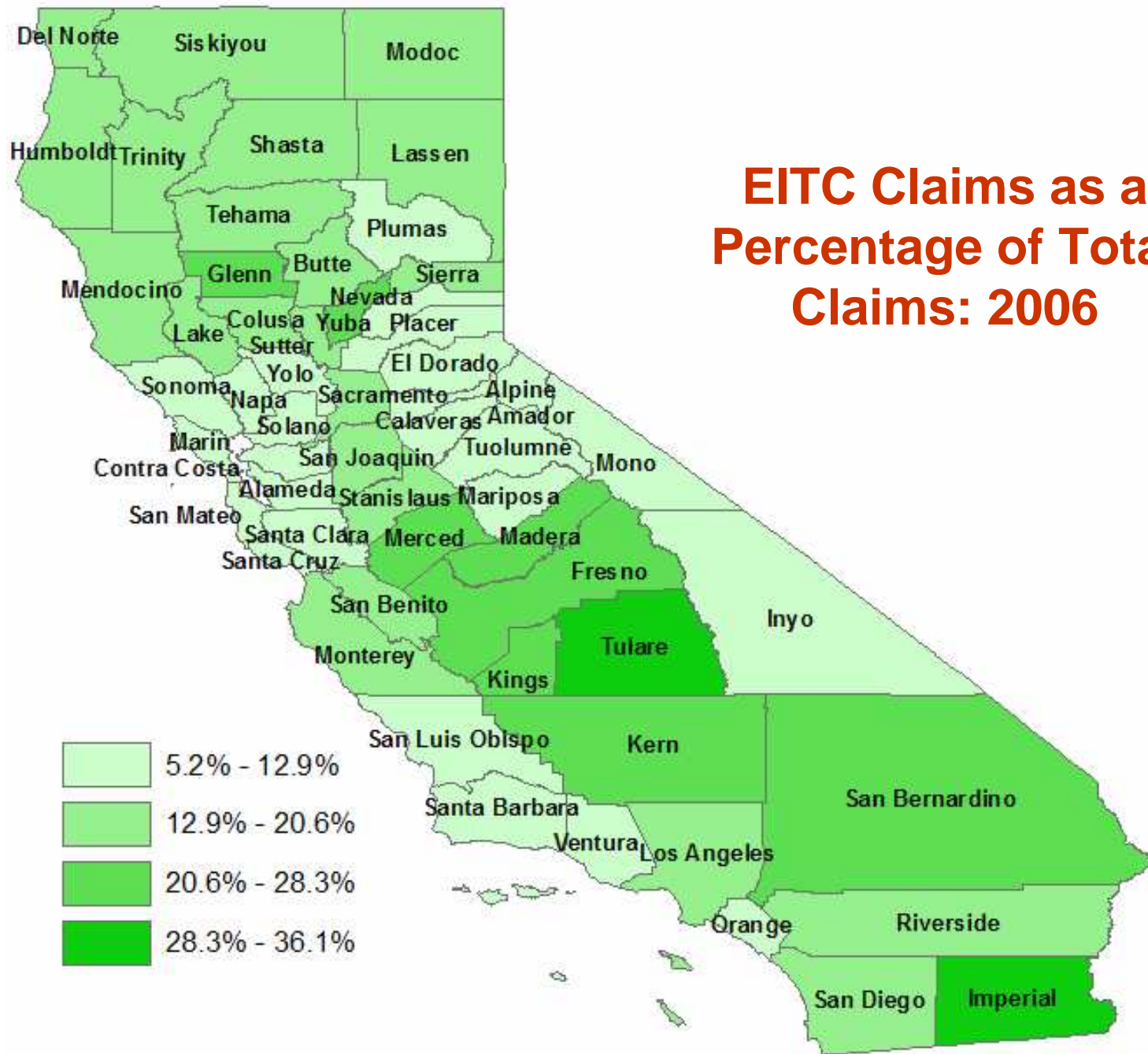
# The Economic Impact

- The large sums of EITC dollars claimed in the State of California provide a **substantial amount of cash to State residents.**
- The State greatly benefits from this annual infusion of money as resident recipients spend the extra money.
- **Ripple effects** → as more dollars move among consumers, firms and even among state and local governments, which capture higher tax revenue.

# The Foregone Economic Impact

- Unfortunately, the positive economic impact of the EITC could be even larger than it is.
- Not all taxpayers who are eligible claim the credit, so **some EITC resources never make it into the State's revenue stream.**
- Sometimes taxpayers:
  - Are not aware that the credit exists
  - Face language or cultural barriers
  - May be afraid that by claiming the credit they will lose their eligibility for other important programs.

## EITC Claims as a Percentage of Total Claims: 2006



# Main Findings: Economic Impact

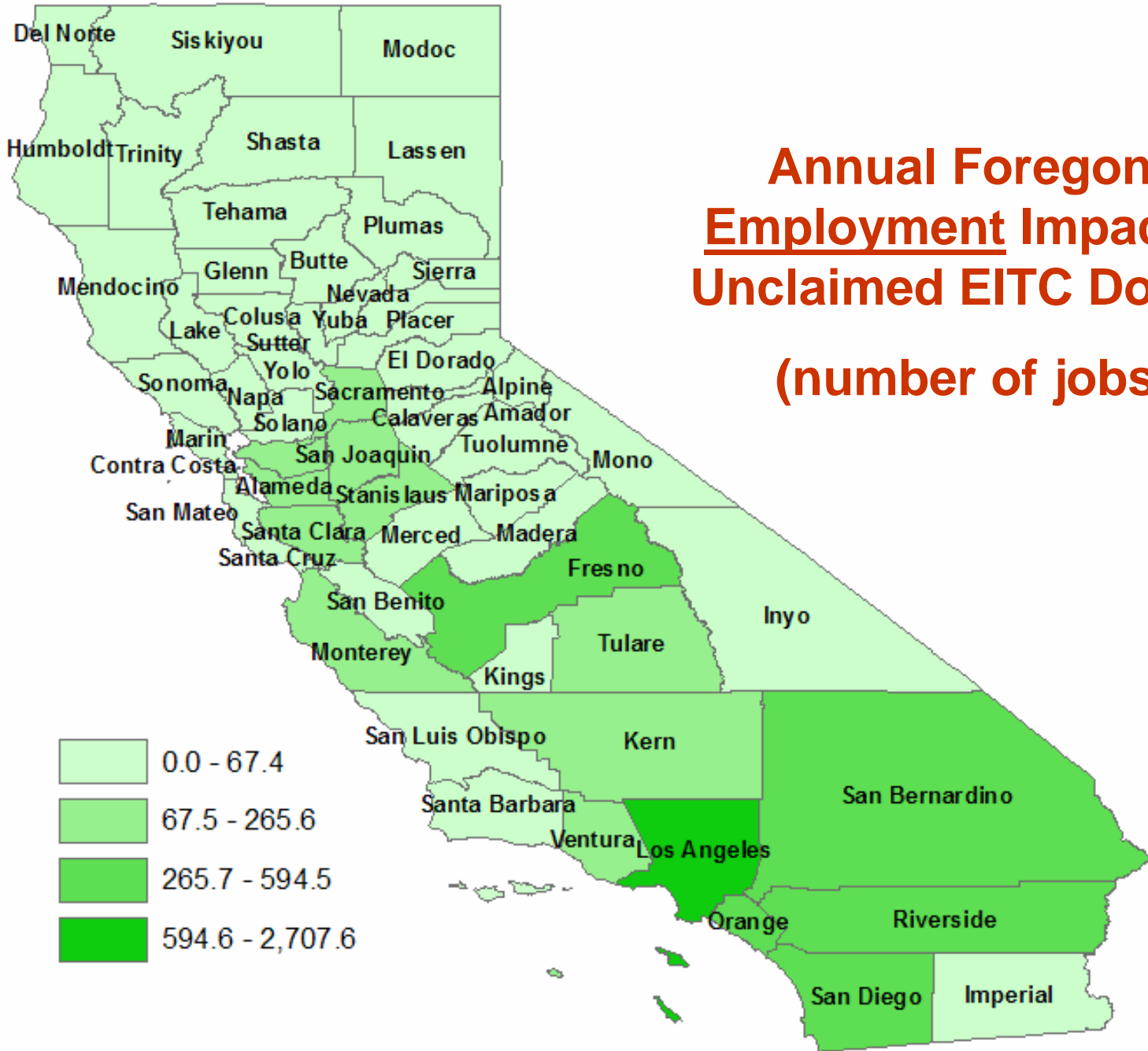
- In 2006, California residents claimed **\$4.5 billion** in EITC payments.
- These EITC refunds spurred \$5 billion in business sales, \$1.2 billion in wages, \$355 million in tax revenue and added nearly 30,000 jobs to the California economy.
- It is estimated that in 2009, California residents will claim **\$4.95 billion** in EITC refunds. These payments will spur:
  - **\$5.5 billion in business sales**
  - **\$1.32 billion in wages**
  - **\$390.5 million in tax revenue**
  - **Nearly 33,000 jobs**

# Main Findings: Foregone Impact

- Around **one in five** eligible EITC claimants fail to claim their refunds.
- On average, families not claiming the credit would have received **\$1,400**.
- In 2009, is estimated that 800,000 Californians **will fail** to claim **\$1.2 billion** in EITC refunds, which would mean:
  - **\$1.4 billion in business sales**
  - **\$342 million in wages**
  - **\$97.8 million in tax revenue**
  - **8,200 jobs to the economy**



**Annual Foregone  
Employment Impact of  
Unclaimed EITC Dollars  
(number of jobs)**



# Claimed and Unclaimed EITC Payments (\$) in California

