Research Protocol for Earned Income Tax Credit (EITC)

Prepared by the Policy Surveillance Program Staff

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Earned Income Tax Credit (EITC)

I. Date of Protocol: September 2020

II. Scope: Collect, code, and analyze state laws regulating state earned income tax credits (EITCs). EITCs are a benefit for working people with low to moderate income, and have been shown to improve health, with the biggest health improvements occurring among single mothers and children.

This cross-sectional dataset captures important features of state EITC laws in effect as of August 1, 2020 for 50 states and the District of Columbia.

III. Primary Data Collection


b. Dates covered in the dataset: This is a cross-sectional dataset analyzing state EITC laws effective as of August 1, 2020.

The effective date listed for each state is the date of the most recent version of the law or regulation within that state. If more than one law or regulation is included in the legal text for a state, the effective date reflects the date of the most recently amended or enacted law or regulation within the legal text.

c. Data Collection Methods: The research team (“Team”) consisted of two legal researchers (Researchers) and one supervisor (Supervisor). Westlaw Next and Lexis Advance were used to identify which states had EITC laws in effect as of August 1, 2020. Secondary sources, including the Internal Revenue Service (IRS), the Center on Budget and Policy Priorities, the National Conference of State Legislatures, and the Urban-Brookings Tax Policy Center were consulted to assist with defining the scope of the laws included in this dataset. A previous CPHLR dataset was used as a starting point for the research, with additional key word searches and search strings supplementing and updating that research.

d. Databases Used: Research was conducted using Westlaw Next and Lexis Advance, state-specific legislature websites, and secondary sources such as the IRS, the Center on Budget and Policy Priorities, the National Conference of State Legislatures, and the Urban-Brookings Tax Policy Center.

i. Full text versions of the laws collected were collected from each respective state legislature website and the relevant Federal EITC statute from the website of the United States Code.
e. **Search Terms:**

i. **Keyword searches:**
   a. “earned income tax credit”
   b. “eitc”
   c. “working family credit”
   d. “working families credit”

ii. **Search strings:**
   a.

iii. Key word searches were supplemented by reviewing the table of contents in state tax chapters.

iv. Once all the relevant statutes and regulations were identified for a jurisdiction, a Master Sheet was created for each jurisdiction. The Master Sheet for each jurisdiction includes the most recent statutory history for each statute and regulation. The most recent effective dates, or the date when a version of law or regulation becomes enforceable, are recorded for each relevant statute and regulation.

v. All 51 jurisdictions were 100% independently, redundantly researched to confirm that all relevant law was collected by the Researchers.

vi. Divergences, or differences between the original research and redundant research, were reviewed by the Supervisor and resolved by the Team.

f. **Initial Returns and Additional Inclusion or Exclusion Criteria:** Included laws pertaining to state EITC laws.

i. The following variables were included in the EITC dataset:
   - State laws regarding EITC
   - Federal EITC laws
   - State laws clarifying taxable income

ii. The following variables were excluded in the Earned Income Tax Credits dataset:
   - State laws providing other types of tax credits including the Low-Income Tax Credit

IV. Coding

a. **Development of Coding Scheme:** The Team conceptualized coding questions, and then circulated them to a subject matter expert for review. When the questions were finalized, the Team entered them into MonQcle, a web-based software-coding platform. The team then used the collected law built on MonQcle to answer the developed question set.
b. Coding methods: Researchers coded responses based on objective, measurable aspects of the law. Caution Notes were provided to explain any unique regulations and/or where the law was unclear.

Below are specific rules used when coding the questions and responses in the state EITC laws dataset. Not every dataset question is included in the section below. Only questions and responses that required an explanation of the legal text used to code are listed.

**Question 1.1.1:** “What are the state eligibility requirements to qualify for the EITC?”
- “State budget requirements must be met for payment” was selected if any language requiring funding assurances was present in the law.
- “Taxpayer must claim federal credit” was selected if specific language requiring actually claiming the federal credit rather than just qualifying.
- “Taxpayer must be at least a part-year resident” was selected if EITC law included qualifications regarding residency.

**Question 1.2:** What happens when the EITC exceeds a taxpayer’s liability?
- “Taxpayer receives full refund” was selected when the refund is given to the taxpayer before being applied to any tax liability.
- “Taxpayer receives partial refund” was selected when the excess amount after covering taxpayer’s tax liability goes to the taxpayer.
- A caution note was added if qualifying restrictions applied only to a credit’s refundability.

**Question 1.2.1:** “What is the percentage for a nonrefundable EITC?”
- The specific percentage is written out with a caution note indicating any clarifications.
- “State credit is refundable” is written for states that only have refundable credits.

**Question 1.2.2:** “What is the percentage for a refundable EITC?”
- The specific percentage is written out with a caution note indicating any clarifications.
- “State credit is not refundable” is written for states that only have nonrefundable credits.

**Questions 2-9:** “Does the law provide an EITC for x individual/s with x child/ren?”
- For these questions, for states where the EITC was a percentage of the federal credit and/or the state adopted the federal law’s requirements, the language from the federal EITC statute was cited as well as any relevant state laws.
Question 12: “Is the state EITC considered income for public assistance determinations?”

States that explicitly excluded EITCs as income were coded “No” with citations.

V. Quality Control

a. Quality Control – Background Research: All 51 jurisdictions were 100% redundantly researched to confirm that all relevant laws were collected by the Researchers. The Researchers also consulted secondary sources to verify whether states had state EITC laws within the scope of the dataset.
   i. The research showed that 30 jurisdictions had EITC laws.

b. Quality Control – Coding
   i. Original coding: Quality control of the original coding consisted of the Supervisor exporting the data into a Microsoft Excel document each day the Researchers completed coding to examine the data for any missing entries, citations, and caution notes.

   ii. Redundant coding: The redundant coding process is 100% independent, redundant coding by two Researchers of each jurisdiction. Redundant coding means that each jurisdiction (a record) is assigned and coded independently by the two Researchers. Divergences, or differences between the original coding and redundant coding, are resolved through consultation and discussion with subject matter experts and the Team.

   Quality control of the redundant coding consisted of the Supervisor exporting the data into a Microsoft Excel document each day the Researchers completed redundant coding to calculate divergence rates. 100% of the records were redundantly coded throughout the life of the project.

   After coding the first 10 jurisdictions (Batch 1), the rate of divergence was 12% on 10/03/2020. A coding review meeting was held, and all divergences were resolved. Questions and answer choices that led to confusion were edited for clarity and then checked across the dataset to make sure coding was consistent. The next 20 jurisdictions (Batch 2) had a divergence rate of 4% on 04/27/2020. Again, a coding review meeting was held, and all divergences were resolved. The final 21 jurisdictions (Batch 3) were completed on 22/07/2020 with a 1% divergence rate. Divergences were again resolved through consultation and discussion with the Team.

   iii. Post-production statistical quality control: To ensure reliability of the data, a statistical quality control procedure (SQC) is run once all of the original and redundant coding is finished. To conduct SQC, the Supervisor takes a random sample of variables from the dataset for the
Researchers to independently code. SQC occurs until divergences are below 5%. The Supervisor ran SQC after the dataset was completed on September 21, 2020. At that time, the divergence rate was 16.43%. However, 11 of the 12 divergences were because of errors caused by a single variable: “What are the state eligibility requirements to qualify for the EITC? Taxpayer must be at least a part-year resident” (Q1.1.1 AC 7). This was because of a miscommunication within the team after the answer choice was added to the dataset. Each divergence was reviewed as a team and resolved. A second version of SQC was calculated on September 22, 2020 after the original structural error was resolved and the divergence rate fell to 1.37%. The single divergence was reviewed and resolved as a Team.

iv. Final data check: Once all of the coding and quality control was completed, the Researchers checked the final coding results against a secondary source. The secondary source used for comparison was the States and Local Governments with Earned Income Tax Credit from the Internal Revenue Service. Prior to publication, the Supervisor downloaded all coding data into Microsoft Excel to do a final review of coding answers, statutory and regulatory citations, and caution notes.