
The Nashville Wealth Building Alliance



The Economic Impact of EITC in Nashville

The Earned Income Tax Credit (EITC) is not only a benefit for the working family claiming the credit. EITC also benefits the Nashville economy. The “ripple effect” from EITC refunds spent within Davidson County produces millions of dollars each year in economic stimulus, creates hundreds of jobs due to increased demand for products and services purchased with EITC refunds, and reduces poverty within our local community.

Community Development

- For every EITC dollar that enters the local economy, a total stimulus of \$1.07 is produced.¹
- Total economic impact for Davidson County-Nashville in 2005 was \$81.8 million. From 1998 to 2005, the total impact to Nashville exceeded \$600 million.
- Total economic impact for the Nashville Metropolitan Statistical Area (MSA) in 2005 was \$173.5 million. Between 1998 and 2005, the total economic impact for the Nashville MSA was approximately \$1.25 billion.
- In 2005, an estimated \$19.86 million in EITC was unclaimed in Davidson County-Nashville. Between 1998 and 2005, the unrealized returns in Nashville totaled \$128 million, which would have sustained an average of 167 additional jobs *each year*.
- EITC reduces the burden on state and local anti-poverty resources *and* provides these governments with additional tax revenue. A cautious estimate has metropolitan government benefiting from \$1.90 million in additional tax revenue during 2005.²

Labor

- In 2005, EITC and related stimulus sustained 708.1 jobs in Davidson County with an average yearly salary of \$42,090. On average, 73 EITC returns equates to 1 additional local job.
- Most jobs created by EITC expenditures (such as retail) are of the low- to middle-income variety, employees who may be eligible for EITC themselves.
- Provides additional incentives for non-workers to enter the labor force--limiting long-term unemployment and building human capital.

Poverty

- No government program lifts more children out of poverty than EITC.
- In 1998, 4.8 million people and 2.6 million children were lifted out of poverty nationally.
- Boosts annual income an average of \$1700 or 13% according to a 2003 Brookings Institute study.

Source: Haskell, John (December 2006). 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. Vanderbilt University.

¹ 82 percent of the Nashville EITC amount reported by the IRS enters the Nashville economy. The remainder is retained as savings by recipients or spent outside of the region.

² Revenues are derived from the 2.25 percent local option sales tax (\$0.78 million) and commercial property taxes (\$1.12 million).