

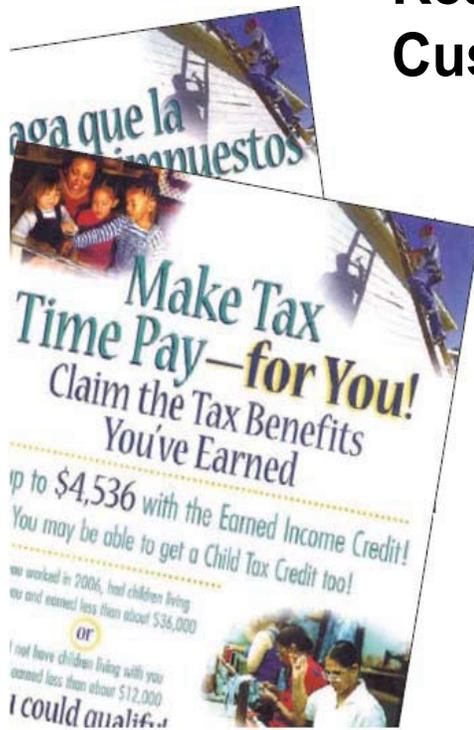


Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

ENSURING A SAFE AND SOUND
NATIONAL BANKING SYSTEM
FOR ALL AMERICANS

Reaching New Bank Customers Through the Earned Income Tax Credit



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A Look Inside ...

The Office of the Comptroller of the Currency (OCC) is publishing *Reaching New Bank Customers Through the Earned Income Tax Credit* (EITC) to increase the public's awareness of the EITC and free tax-preparation sites. This publication highlights the efforts of national banks and other financial institutions—along with their nonprofit and government partners—to help promote the use of EITCs in their communities.

In these pages, you will find specific examples of EITC programs that facilitate education, open accounts, and provide other financial services to low-income wage earners and small businesses. The following is an annotated list of articles.

The Earned Income Tax Credit: Leveraging Earned Income Tax Credits to Reach New Bank Customers (page 5)

OCC (March 2009)

The OCC fact sheet demonstrates various ways for bankers to take advantage of EITC opportunities to reach new customers. It includes examples of bank activities involving EITC programs, information on starting a successful program, how banks may gain positive Community Reinvestment Act consideration through use of these programs, how to make use of the Internal Revenue Service's Volunteer Income Tax Assistance (VITA) sites, and where to obtain more information on these topics.

Expanding Financial Services to Underbanked Consumers: How Tax Preparation Partnerships Can Help Bridge the Gap (page 9)

Amy Brown, The Center for Financial Services Innovation (September 2005)

A key question for those interested in reaching underbanked families with financial services is how to effectively market the services and make the connection. This paper looks at the potential for using income tax preparation as part of the answer. The paper explores opportunities for using the tax preparation moment to bridge the gap between financial needs of underbanked consumers and services that can meet those needs. It looks at lessons learned from existing programs in both the private and nonprofit sectors and considers additional approaches that might be tested in the future. It discusses six opportunities for linking financial services and tax preparation for underbanked filers:

Seizing the Tax Day: Acquiring New Customers with Free Tax-Preparation Services (page 26)

National Community Investment Fund (November 2005)

For many low- and moderate-income families, federal tax refunds (like the EITC) represent the largest infusion of cash they will have all year. By offering free tax-preparation services to these prospective customers, financial institutions are able to open accounts and build core deposits. This article discusses factors critical to creating a successful free tax-preparation site, choosing the correct approach (partnering vs. hosting), and getting started.

United Way of America and Bank of America Partner to Promote Earned Income Tax Credit Availability (page 34)

United Way of America and Bank of America (January 31, 2007)

In a press release, the United Way of America and Bank of America announced a national initiative in January 2007 designed to help individuals and families in communities across the country obtain tax-preparation assistance and unrealized tax refunds through the EITC. Under this initiative, the Bank of America Charitable Foundation provided \$500,000 in grants to two statewide and 31 local United Way organizations, and Bank of America associate volunteers assisted in tax preparation for qualified individuals and families eligible for the EITC.

The Keys to Establishing a Successful VITA Site (page 38)

Joyce Robbins, Senior Tax Specialist, Internal Revenue Service (2008)

The Internal Revenue Service's VITA program offers free tax help at sites with volunteers who prepare and electronically file tax returns for lower income taxpayers, individuals with disabilities, non-English-speaking people, and others with limited income who find it difficult to pay for commercial tax preparation assistance. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations. This article offers tips and advice for any group planning to offer effective VITA services.

VITA: Potential CRA and Business Opportunities May Be Available Before the Start of Tax Season (page 40)

Federal Deposit Insurance Corporation (November 6, 2007)

The Federal Deposit Insurance Corporation's Financial Institution Letter focuses on VITA, which offers an opportunity for financial institutions to provide financial services to underserved low- and moderate-income consumers. Recent amendments to Internal Revenue Service rules have created more opportunities for financial institutions to help consumers save a portion of their refunds. Financial institutions involved with VITA programs may be eligible for favorable consideration under Community Reinvestment Act rules and develop opportunities to facilitate education, open accounts, and provide other financial-related services to underserved individuals. An institution may maximize these potential benefits by exploring opportunities to be involved before the start of the tax season.

The People's Bank: A Neighborhood Bank with a Very Different Bottom Line (page 44)

Yori Yanover, Grand Street News (January 2008)

New York's Lower East Side People's Credit Union came into being many years ago after the last bank in that neighborhood had announced it was closing. Since then, the credit union's mission has been to bolster the neighborhood's economy, concentrating primarily on low-income wage earners and small businesses. This article presents an interview with Jennifer Thompson, the credit union's director of program development. She explains what makes this banking institution different, how it has been affected by the subprime crisis, how the credit union invests its funds, how it compares with savings banks, and how it provides free income tax return preparation. Thompson is particularly proud of two loan products that the People's Credit Union offers as antipredatory measures: The Emergency Cash Loan and the Tax Refund Loan.

Community Building Through the Earned Income Tax Credit (page 48)

Institute for a Competitive Workforce (Summer 2007)

This publication contains a plethora of useful information. You can find, for example, an outline of the EITC opportunity in many communities, the value proposition for chambers and businesses to partner with the Internal Revenue Service to promote the EITC, the anatomy of an EITC outreach campaign, case studies of communities where the chamber of commerce is actively involved, and other resources on the EITC.



The Office of the Comptroller of the Currency was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to assure that national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers.

development of assets, large or small, helps a household eventually leverage those dollars into a home, college education, small business, or retirement fund.³ Banks benefit from the EITC by attracting consumers who receive EITC refunds and who want their savings to grow. These consumers become new bank customers who likely will use a broad range of deposit, credit, and mortgage loan products and services.

Many banks have developed or supported IDA programs in connection with EITC refunds. An IDA is a matched savings account, similar to a 401(k) that can be used for a specifically defined purpose, such as purchasing a home, seeking post-secondary education, or capitalizing a small business.

Consumers make regular savings deposits in their IDAs that are then matched by funds from the sponsoring bank, a foundation, charitable organization, or local government agency that seeks to promote a specific wealth-building initiative. IDA income eligibility requirements vary, but generally limit participation to low- and moderate-income households.

EITC Partnerships with Employers

Working with employers on bank-sponsored payroll and stored-value cards, retirement services, college savings funds, and other bank products and services is another way for banks to incorporate the EITC into their financial literacy programs.

Some employers host or adopt an IRS Volunteer Income Tax Assistance (VITA) site that is staffed with company and bank volunteers. They may launch an internal EITC public awareness campaign through seminars, notes included with paychecks, company newsletters, and other forms of communication.

EITC Partnerships with Nonprofit Organizations

Another example of a bank EITC initiative involves resources to assist nonprofit organizations in working with the unbanked and underbanked in underserved neighborhoods.

Banks provide grants and staff to nonprofit organizations to coordinate free tax preparation sites,

expand outreach, and conduct financial education and literacy programs. These organizations provide to their constituencies information about the EITC and bank programs and services in newsletters, bulletins, Web sites, meetings, and other distribution channels.

STARTING A SUCCESSFUL EITC PROGRAM

Banks that view having a successful EITC program often bring together various community leaders, such as members of the local chamber of commerce, financial literacy and education representatives, community development corporations, and consumer credit counseling agencies.⁴ Further, these banks report that they explore opportunities to become involved well before the start of the tax season.⁵

Some aspects of creating a successful bank EITC program include:

- Focusing on customer acquisition,
- Having a mix of complementary products (because not all customers will have the same needs),
- Using community partners strategically,
- Creating a smooth transition from tax preparation into opening a bank account, and
- Having dedicated staff to coordinate and administer the site infrastructure.⁶

COMMUNITY REINVESTMENT ACT (CRA)

Through the Interagency Questions and Answers⁷ (Q&As), the OCC and other financial institution regulatory agencies have interpreted the Community Reinvestment Act (CRA) and its implementing regulations as recognizing the importance of financial literacy programs in serving the credit needs of low- and moderate-income individuals. Generally, such programs must have a community development purpose, which is defined to include

³“[Individual Development Accounts: An Asset Building Product for Lower Income Consumers](#)” OCC Insights Report, February 2005.

⁴“Acquiring New Customers with Free Tax-Preparation Services” RFSI Strategy Guide.

⁵“The Keys to Establishing a Successful VITA Site,” Marketwise, Spring 2007.

⁶“Acquiring New Customers with Free Tax-Preparation Services” RFSI Strategy Guide.

⁷“Community Reinvestment Act: Interagency Questions and Answers Regarding Community Reinvestment Notice,” 74 Federal Register 3 (06 January 2009), pp. 498-542.

community services targeted to low- and moderate-income individuals.

Under CRA, large banks are reviewed under the lending, investment and service tests, as described more fully below. Small and intermediate banks also may receive consideration under the CRA for lending to financial literacy providers and are eligible to receive consideration for investments and services if their lending performance exceeds satisfactory standards.

Lending Test

Loans to organizations to be used for financial literacy programs targeted to low- and moderate-income individuals will be considered under the lending test. The Interagency Q&As define community development loans to include loans to “not-for-profit organizations serving . . . community development needs;” and loans to “financial intermediaries including Community Development Financial Institutions (CDFIs), Community Development Corporations (CDCs), . . . [and] community loan funds or pools . . . that primarily lend or facilitate lending to promote community development.”⁸ Community development activities are defined to include “educational, health, or social services targeted to low- or moderate-income persons.”⁹

Investment Test

Investments in, or contributions to, a program, activity, or organization that provides financial service education programs targeted to low- and moderate-income individuals will be considered under the investment test. The Interagency Q&As note that qualified investments include, but are not limited to: investments, grants, deposits, or shares in or to “not-for-profit organizations serving . . . community development needs, such as counseling for credit, home-ownership, home maintenance, and other financial services education.”¹⁰

Service Test

Community development services, which include, but are not limited to, providing bank staff to serve as educators in financial literacy programs targeted to low- and moderate-income individuals, will be considered under the service test. The Interagency

Q&As state that examples of community development services include “providing technical assistance on financial matters to small businesses”; “providing credit counseling, home buyer and home maintenance counseling, financial planning or other financial services education to promote community development”; and “establishing school savings programs and developing or teaching financial education curricula for low- or moderate-income individuals.”¹¹

TAKING ADVANTAGE OF IRS VITA

Many banks participate at IRS VITA sites by providing staff or other resources. VITA sites employ volunteers who offer free tax help and prepare and electronically file tax returns for lower income taxpayers, persons with disabilities, non-English-speaking people, and others on a limited income who find it difficult to pay for commercial tax preparation assistance. VITA sites generally are located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations.

In 2008, Congress appropriated \$8 million for a VITA matching grant program. This was the first time that community VITA sites had an opportunity to receive federal funding for their programs. The \$8 million in federal funding leverages another \$8 million in matching support from nonfederal sources, such as state and local funds and private entities including corporations and foundations.

FOR MORE INFORMATION

OCC

Financial Literacy Resource Directory

To assist banks in developing EITC programs or obtaining information about other financial literacy and education opportunities, the OCC maintains an online financial literacy resource directory, available at www.occ.treas.gov/cdd/finlitresdir.htm.

Individual Development Accounts: An Asset Building Product for Lower-Income Consumers

This edition of *OCC Insights* examines IDAs as a tool for banks and other financial institutions to encourage lower-income person and families to save money and thus build assets for particular financial

⁸ See Q&A §§ __.12(i) & 563e.12(h)-1.

⁹ See Q&A §§ __.12(h) & 563e.12(g)-1.

¹⁰ See Q&A §§ __.12(s) & 563e.12(r)-41.

¹¹ See Q&A §§ __.12(j) & 563e.12(i)-3.

goals. It describes why banks offer IDAs, how they are involved with IDAs, and addresses barriers to the growth of IDA products. It can be accessed at <http://www.occ.treas.gov/ftp/release/2005-25a.pdf>.

Community Affairs Article Archive: Transaction Account Products Targeting the Unbanked

This resource page provides access to publications relating to products targeted toward unbanked consumers, such as IDAs, remittances, payroll cards, stored access cards, and more. Access the page at <http://www.occ.treas.gov/ftp/release/2005-25a.pdf>.

IRS

The IRS provides information by tax-related topic, available from the IRS Teletax Information line, toll free, at 1-800-829-4477. For EITC information, select topic 601. The IRS also provides “[Link & Learn Taxes](#)” training for volunteers, available at www.irs.gov/app/vita/index.jsp.

Other

The National EITC Outreach Partnership involves work of a number of national organizations throughout the country that are promoting EITC outreach, free tax preparation alternatives, and asset development strategies. The organization’s Web site offers the [Directory of EITC Community-Based Partnerships](#), which includes a list of coalition contacts, sorted alphabetically by state. The list includes the city, a summary of each coalition’s activities, core partners, and contact information. The directory has a territory manager listing as well. The site is available at www.cbpp.org/eitc-partnership/index.html.

March 2009

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Expanding Financial Services to Underbanked Consumers:

How Tax Preparation Partnerships Can Help Bridge the Gap

INTRODUCTION

Between January and April each year, millions of workers across the country – including many who may otherwise never enter a bank or meet with a financial advisor – turn to tax preparers for help in completing their income tax returns. This may be the one time of year they consider their income as a whole or talk with someone about money issues. Equally important, it may be the only time that some workers have the financial flexibility to make a significant investment in savings. Families living paycheck-to-paycheck for most of the year frequently receive large tax refunds, due primarily to over-withholding and tax credits – especially the Child Tax Credit and Earned Income Tax Credit (EITC).¹

For Tax Year 2002 (the latest for which IRS data is available), nearly 70 million tax filers with incomes under \$30,000 received more than \$82 billion in federal tax refunds – and more than 21 million filers received nearly \$38 billion in the EITC.² Total refunds in the U.S. exceed \$200 billion per year. Given the right options, the tax refund could serve as a starting point for improved long-term financial security for a large number of American consumers.

Recognizing the market gap for unbanked families that do not have access to many financial vehicles, both financial institutions and other service providers have developed efforts to reach these consumers at tax time. For financial institutions, these groups represent an opportunity to expand service to an untapped, emerging market segment. Some have attempted to connect consumers with traditional services, while others have designed new services to meet the group's unique needs.³

¹ The EITC is a refundable credit available to lower-income individuals and families when they file a tax return. The amount of the credit varies with income and family size, but the largest credits generally go to those earning \$7,500-\$20,000 a year. For Tax Year 2004, the maximum EITC was \$4,300 and the credit phased out at just over \$35,000 in income for married filers with two children. Because it is refundable, the EITC not only reduces the amount of taxes owed, but may result in a refund if the amount of the credit is greater than any taxes due. The Child Tax Credit is worth \$1,000 per child for all families and is partially refundable for some low-income families.

² Internal Revenue Service, Information Services (2004, October). Unpublished data.

³ For more information, see also Center for Financial Services Innovation. (2005, July). *Marrying Financial Transactions with Asset-Building Opportunities*.

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While there have been many innovations in this area over the past decades, model efforts are often small and take-up rates are low.

A key question for those interested in reaching underbanked families with financial services is how to effectively market the services and make the connection. This paper looks at the potential for using income tax preparation as part of the answer.

This paper explores opportunities for using the tax preparation moment to bridge the gap between the financial needs of underbanked consumers and services that can meet those needs. It looks at lessons learned from existing programs in both the private and non-profit sectors, and considers additional approaches that might be tested in the future. It discusses six opportunities for linking financial services and tax preparation for underbanked filers:

- Bank Accounts for the Unbanked
- Alternative Refund Anticipation Loans
- Stored Value Cards
- Individual Development Accounts
- Retirement Savings
- Refund Splitting (a newly emerging opportunity)

Interest in offering these services has grown in recent years, as free tax preparation programs have become more experienced and commercial preparers look to expand their market reach and depth. Results of a June 2005 survey by the National Community Tax Coalition gives an indication of the degree to which free tax preparation programs are moving in this direction:

FINANCIAL SERVICES AND FREE TAX PREPARATION PROGRAMS⁴
(of a total of 61 survey respondents)

Type of Financial Product or Service	Programs Intending to Provide the Service in 2006	
	#	%
Savings Account	20	33%
Checking Account	19	31%
IDA	13	21%
Check Cashing	9	15%
Alternative RAL	6	10%
Mortgage Lending	6	10%
IRA	5	8%
Stored Value Card	3	5%
Alternative Short-term Loan Product	3	5%
529 Education Savings Plan	3	5%
Savings Bond	2	3%
<i>Interested in Refund Splitting</i>	25	41%

Additionally, there has been a great deal of activity in the private sector as companies begin to see tax season as a prime moment of opportunity for distributing financial services. For example, H&R Block has sought to expand its presence in the general financial services marketplace for some time, including applying for its own bank charter. In 2004, the company developed the “Everyday Financial Services” or EFS concept in order to build a platform for providing a suite of financial services—in addition to tax assistance—to the majority of its clients who fell into the low- and moderate-income category.⁵ Other firms, such as Jackson Hewitt, have partnered with stored value card providers and other financial institutions to offer enhanced financial services options at tax time. Financial institutions, from large firms such as JP Morgan Chase to small credit unions, have also focused on tax time as a marketing strategy for financial services through the provision of special account products, emergency loans, and deposit vehicles such as stored value cards.

This paper comes at a key juncture, when experiences have yielded lessons that can

⁴ National Community Tax Coalition (2005, June). Unpublished results from a survey of free tax preparation programs. The free tax preparation programs referenced in this report are generally affiliated with the IRS’ Volunteer Income Tax Assistance (VITA) program. Under VITA, the IRS provides free software, electronic filing and materials (and to a varying extent, training, hardware and other assistance) to community-based programs that rely primarily on volunteers to complete tax returns at no charge for low-income filers.

⁵ A more complete description of EFS can be found in Tufano, P and Schneider, D. (2004, October). *H&R Block and “Everyday Financial Services.”* Harvard Business School. To order copies, visit <http://www.hbsp.harvard.edu>.

inform growth in the field, and when the emergence of refund splitting offers the promise of significantly expanding programs in this area. By allowing tax filers to direct their refunds to more than one account, refund splitting provides an opportunity for filers to achieve multiple objectives. This can make it more realistic for underbanked filers to invest in savings and take advantage of asset-building opportunities, because they can still retain a portion of the funds for immediate or ongoing needs. This paper's goal is to encourage innovation while providing direction to those interested in exploring new approaches.

OPPORTUNITY #1: BANK ACCOUNTS FOR THE UNBANKED

As many as 22 million American households do not have either a checking or savings account.⁶ These families, the majority of whom have incomes under \$25,000 a year, may end up paying a premium to access financial services. They also face difficulty in achieving long-term financial security by saving money, building a credit history, avoiding or reducing debt and accumulating assets. The tax preparation moment offers a prime opportunity for marketing accounts to the unbanked because having an account can facilitate rapid receipt of tax refunds. A refund direct deposited from an electronically filed return is generally available to the filer in 8 to 16 days, compared with three weeks or more if a refund check is mailed – and direct deposit is provided by the IRS at no cost to tax filers. Direct deposit can also offer filers greater security than having a check mailed to their home.

Linking tax filers with bank accounts is perhaps the most common financial service offered at free tax preparation sites, usually in partnership with a bank or credit union that has a branch in the community. Credit unions may operate their own tax sites, using tax preparation both as a service to existing members and as a way of attracting new members. Some commercial tax preparation offices have established similar banking partnerships.

Programs have had varying experiences in linking tax preparation and accounts for the unbanked. Take-up rates are often lower than expected, for a variety of reasons. Filers who are focused on getting their taxes done may not be interested in making an immediate decision about a bank account. The partner financial institution may only be able to spare staff to open accounts at the tax site for a portion of the hours the site is open. Filers may not meet criteria to open an account, such as adequate identification or a clean ChexSystems history.⁷ And tax filers may bring their own issues, such as mistrust of banks or a negative prior banking experience.

Programs with the greatest success at opening accounts have often been those that reduced these kinds of barriers. High-volume sites are more likely to offer a rich environment for account opening and therefore an incentive for financial institutions to assign staff full-time (all hours the site is open) to the partnership. Banks that offer

⁶ Stuhldreher, A. and Tescher, J. (2005, February). *Breaking the Savings Barrier: How the Federal Government Can Build an Inclusive Financial System*. Center for Financial Services Innovation.

⁷ ChexSystems is the common name for a series of databases, operated by eFunds, that enables financial institutions to make decisions on new or current account holders based on past history of involuntary account closure, fraudulent activity, nonsufficient funds charges, and a variety of other factors. For more information, see www.efunds.com.

incentives (such as reduced fees or opening deposits) or that lower identification and ChexSystems requirements can also serve more filers. And programs where staff and volunteers actively market new accounts are likely to see a higher percentage of filers respond.

BOX 1

HOW DELAWARE'S EITC CAMPAIGN CONNECTS TAX FILERS WITH BANK ACCOUNTS⁸

At most tax preparation sites that offer access to accounts, bank representatives need to be at the tax site in order to process the new accounts. Recognizing the logistical challenges of doing this, the Delaware EITC Campaign, in partnership with PNC Bank, developed an alternative model:

- PNC Bank agreed to assign a dedicated 800 number, based in their Pittsburgh operations center, to the project. The tax campaign provides PNC with a schedule of when sites are open, and PNC ensures that operators are available during those hours.
- Tax filers are asked early in the intake process if they would like direct deposit of their refund, and the benefits of doing so are explained. If filers do not already have an account, they offered the opportunity to open one with PNC Bank.
- If the filer is interested, the tax site manager dials the 800 number (the number is closely kept to limit access to tax clients only). The tax filer is then put on the phone and interviewed by the bank operator. The interview includes basic information, such as name, address, employer and driver's license or state-issued photo ID number.
- No cash deposit is needed to open the account, and the account has no fees or minimum balance requirements for one year. PNC also does not run ChexSystems on these accounts.
- The tax filer is assigned an account number over the phone, which can be immediately entered on the tax return.
- PNC mails a package to the new account holder including the account agreement, which must be signed and returned. Once the paperwork is returned, the filer can access the account using any PNC branch.

The partnership has been in place for three years, during which time 400 accounts have been opened. While the number of accounts is not large (the campaign completed 8,000 tax returns in 2005), the vast majority of filers (85%) already have accounts and the partnership has helped the campaign assist those who do not (and has also contributed to the program's impressive 70-80% direct deposit rate).

⁸ Interview with and information provided by Mary Dupont, Executive Director, Nehemiah Gateway CDC and Coordinator, Delaware EITC Campaign. July 2005.

OPPORTUNITY #2: ALTERNATIVE REFUND ANTICIPATION LOANS

Refund Anticipation Loans (RALs) are short-term loans secured by tax filers' anticipated refunds. The loans can provide quicker cash to filers who either do not have a bank account or who want or need their money even faster than the 8-16 days it takes for direct deposit. Filers may also use RALs because they do not have the funds to pay for tax preparation up-front, or because they are concerned about the safety of receiving a large refund check in the mail. When making a RAL, the tax preparer essentially fronts the refund amount (minus tax preparation fees and fees and interest for the loan itself) to the filer; the loan is repaid when the refund is direct deposited into a temporary account created by the preparer.

RALs have been criticized by consumer advocates for their expense, as well as for deceptive practices surrounding marketing and disclosures.⁹ The total cost of a RAL is generally between \$180 and \$250, representing about 10% of the consumer's refund. RALs are big business: in 2003, consumers paid an estimated \$1 billion in RAL fees, plus an additional \$389 million in administrative fees related to RALs. Furthermore, low-income tax filers are most likely to take out RALs. Seventy-nine percent of RAL recipients in 2003 had incomes of \$35,000 or less, and more than half of RAL customers receive the EITC.

Some practitioners have developed alternative RAL products in an attempt to balance their concerns about the high cost of RALs with recognition of the market demand for quick refunds. The products are generally both more affordable than traditional RALs (with reduced or eliminated administrative fees and low interest rates) and include upfront, clear disclosure of terms and costs. Alternative RALs are often combined with aggressive consumer education to discourage tax filers from using the product. Filers are told about all their options, including direct deposit, and are encouraged to wait if they can afford to do so. Programs may also suggest that filers take out a RAL only for the portion of the refund they need right away, as a way to minimize the cost of the loan.

In addition, some programs have attempted to use alternative RALs as an entry-point to a longer-term financial relationship. For example (as described in Box 2), the loan could be linked to a permanent bank account and/or structured as a line of credit that can remain open after the tax refund is received. RAL customers can also be linked with other services, from credit repair to Individual Development Accounts.

⁹ Wu, C.C. and Fox, J.A. (2005). *Picking Taxpayers' Pockets, Draining Tax Relief Dollars: Refund Anticipation Loans Still Slicing Into Low-Income Americans' Hard-Earned Tax Refunds*. National Consumer Law Center and Consumer Federation of America.

BOX 2

HOW ONE CREDIT UNION DEVELOPED AND MARKETED AN ALTERNATIVE RAL¹⁰

Since 2003, Alternatives Federal Credit Union, located in Ithaca, New York, has offered a “Refund Express Loan” to filers at the credit union’s free tax preparation site. The loan was developed to draw taxpayers to the site and save them hundreds of dollars in fees. (The product was also used as a tool for encouraging tax filers —especially the unbanked— to open accounts at the credit union.) The loan uses an existing credit union product, the Line of Credit, so there were no new forms, paperwork or policies needed.

Once a tax return was completed, tax filers could apply for a Line of Credit secured by the refund amount. The refund would be direct deposited into the filer’s savings account at the credit union and then transferred to pay off the credit line. At this point, members had the option of applying for an unsecured Line of Credit to keep the credit line open. The cost of the Refund Express Loan was \$20, with an APR of 11.5% (tax preparation and e-filing were free at the site).

The Refund Express Loan was marketed to filers as a way to save money, repair or build a credit history, and receive assistance with financial planning and goal setting. In the first year, 20% of filers requested a Refund Express Loan, but that number fell to only 10% in the second year and 8% in the third – a decrease that staff attribute to increased consumer education. In 2004, the average interest was less than \$5, bringing the total cost to under \$25. One year later, 66% of new members retained their accounts, and many had moved forward with IDAs, car loans, youth savings accounts, share certificates and other products.

OPPORTUNITY #3: STORED VALUE CARDS

Stored value cards (SVCs) work like debit cards, using magnetic stripe technology to store information and track funds. They are often called “prepaid debit cards,” branded with a MasterCard or VISA logo, and can be used at ATM and POS machines. Unlike traditional debit cards, however, SVCs are prepaid, and therefore offer limited risk of overdraft while providing liquidity for consumers. According to industry estimates, nearly 20 million consumers used SVCs to make \$42 billion in transactions in 2003.¹¹

SVCs can be an attractive alternative to a traditional bank account – or additional resource – for underbanked consumers.¹² Depending on how they are structured and how they are used, SVCs can be either more or less expensive than a bank account or check casher. SVCs also

¹⁰ Audetat, A., Myers, B., Cocciarelli, S., and McGill, Y. (2004, November). *Building a Better Refund Anticipation Loan: Options for VITA Sites*. Annie E. Casey Foundation.

¹¹ Federal Reserve Bank of New York. (2004). *Stored Value Cards: An Alternative for the Unbanked*.

¹² For more information, see also: Jacob, K., Su, S., Rhine, S., and Tescher, J. (2005, April). *Stored Value Cards: Challenges and Opportunities for Reaching Emerging Markets*. Center for Financial Services Innovation; and Jacob, K. (2004, July). *Stored Value Cards: A Scan of Current Trends and Future Opportunities*. Center for Financial Services Innovation.

offer varying degrees of consumer protections. Currently, most SVCs do not help consumers build a credit profile or access additional financial services – though the industry is moving in that direction, and products with those features can begin to mimic bank accounts in terms of functionality for consumers.

When offered in conjunction with tax preparation, an SVC can deliver the speed of direct deposit without a bank account. SVCs are also promoted by some commercial tax preparers as a way to receive refunds without needing to cash a check. H&R Block has piloted the H&R Block Debit Plus Card, a partnership with Bank of America. Both Jackson Hewitt and TurboTax partner with UniRush Financial Services to offer the RushCard, a prepaid VISA debit card. Development of SVCs is still early, however, and many of these products are being refined and redesigned each year in an effort to make them more attractive and useful to consumers.

SVCs can also be designed as a first step toward improved financial stability. Programs can educate customers about the use of SVCs and promote bank accounts and IDAs in addition to or as an alternative to SVCs. (A restricted account with a debit card may offer a middle ground, providing more flexibility for consumers while limiting overdraft risk and also promoting bank accounts for the unbanked.) Providing statements or another record-keeping system can also help SVC users track and manage their money. Finally, programs can offer other (low-cost) uses for the card, such as sending foreign remittances, paying bills or purchasing money orders.

BOX 3

THE DESIGN AND DEVELOPMENT OF BANK ONE'S DIRECT CARD

(Bank One is now doing business as "Chase")¹³

In the 2004 filing season, Bank One piloted the Bank One Direct Card® with free tax preparation partners in Texas, Illinois, Michigan and Indiana. The card was designed to be an alternative to a checking or savings accounts for taxpayers who either did not want an account or did not qualify for a typical account. The card was a pre-paid VISA debit card that could be used to get cash at ATM machines, make purchases, and pay bills where VISA was accepted. Because no credit check or bank approval was needed, every taxpayer could qualify for the card – making it more easily and universally available than a regular Bank One account.

This product was priced to appeal to the target market demographic. Bank One did not charge customers an initial issuing fee or monthly service fee, and customers had free access to a customer service phone line. Customers could make two free ATM withdrawals per month (\$1.50 per transaction thereafter), and POS transactions were free. However, the card did carry an overdraft fee of \$15.

In order to further facilitate access to the card, it was designed so that nonprofit partners could issue the card online with a user ID and password. This avoided having to place Bank One personnel at every location offering the card. Using the on-line system, account and routing numbers would immediately be assigned that could be entered on the tax return. The tax refund would then be directly deposited into the customer's new Direct Card account. The cards themselves would be received in the mail by clients in 7–10 business days – just about the same time as their refund would be available.

The card was marketed to taxpayers as "a new way to receive your refund" that was safer and more convenient than cash. Out of a sampling of 100 cards issued, most still had balances as of the end of May 2004. Customers used the cards primarily to make purchases or for cash withdrawals; there were no accounts in which the entire refund was withdrawn. The Bank is currently in the process of redesigning the card to enhance its usefulness and flexibility for the 2006 filing season.

¹³ Bank One materials and information provided in August 2004 by Sophie Guerra, Vice President, Office of Community Partnerships, JPMorganChase/Bank One. JP Morgan Chase acquired Bank One in late 2003.

OPPORTUNITY #4: INDIVIDUAL DEVELOPMENT ACCOUNTS

An Individual Development Account (IDA) is a matched savings account designed to encourage and assist low- and moderate-income individuals and families in building assets. Every dollar invested in an IDA is matched – typically at one to three dollars – and the total savings can be used only for defined purposes, such as the purchase of a home, post-secondary education or small business development. IDA programs also include a significant financial education component, which is generally viewed as of equal importance to the matching funds.

Since they were first developed in the 1990s, IDAs have grown as an asset-development strategy among financial institutions, non-profit organizations and policy-makers. A 2003 survey found more than 500 IDA programs across the country, with 15,000 participants.¹⁴ IDAs are generally restricted to individuals with household incomes under \$35,000 a year.

Participants usually contribute to IDAs in regular monthly amounts. However, given their tight finances, it can be difficult – or at least take a very long time – for individuals to save enough to reach their goal. Linking IDAs to tax preparation offers the potential for jump-starting the savings process by using part of the refund to make a substantial contribution to an IDA. Leveraging tax refunds in this way can enable participants to more successfully achieve their asset development goals.

Programs linking IDAs and tax preparation have worked in two directions:

- Providing information on tax credits and free tax preparation services to IDA account holders in order to help them access tax refunds, and encouraging them to deposit those refunds into their IDAs.
- Marketing IDAs to tax preparation clients in an effort to recruit new account holders and using the tax refund as a marketing hook by offering the opportunity to double or triple the refund amount.

In general, programs have had more success with the former than the latter. For example, in San Antonio, during the 2005 filing season, 132 existing IDA members used the city's free tax preparation program, and 22 used their tax refund to make a deposit into their IDA. At the same time, only 33 new IDA accounts were opened from tax preparation customers.¹⁵ One challenge for recruiting tax filers for IDAs is that many low-income filers have essentially spent their refunds before even entering the tax preparation office, and simply do not have the financial flexibility to divert a substantial portion to any savings product – or may not be prepared to make that decision on the spot. Another is that IDAs are only appropriate for a portion of the income-eligible population, so take-up rates are often quite low.

¹⁴ CFED. *A Look at the Growing Individual Development Account Field: Results from the 2003 Survey of IDA Programs.*

¹⁵ Information provided by Dennis Campa, Director, City of San Antonio Department of Community Initiatives. July 2005.

BOX 4

THE CHALLENGE OF LINKING TAX PREPARATION AND IDAS: ONE PROGRAM'S EXPERIENCE¹⁶

The Louisville Asset Building Coalition (LABC) began marketing IDAs in conjunction with free tax preparation in the 2002 filing season. The LABC is a broad coalition, including many local partners who are interested in providing a range of services and opportunities to low-income Louisville residents. The LABC sponsors both an EITC campaign (including free tax preparation assistance at multiple sites) and an IDA program. For many LABC members, tax preparation is seen largely as a recruiting mechanism for IDAs, financial education and other asset-building strategies.

After the first two years of operation, however, results for tax preparation were much more encouraging than for IDAs. The ten LABC tax sites surpassed their goals for 2003, completing more than 1,350 returns and helping residents claim tax refunds of nearly \$2 million. However, only 19 tax customers applied for the 60 available IDA slots.

LABC members identified a number of potential reasons for the lack of interest in IDAs. Based on their own observations and anecdotal evidence, they speculated that:

- Tax clients were single-mindedly thinking about their returns when they came to the sites, and were not prepared to consider longer-term financial strategies.
- Tax clients had essentially already spent their refunds before completing their tax returns, and therefore had no additional funds to invest in an IDA.
- The financial behavior of low-income residents was strongly formed, making it an uphill battle to promote new ideas.
- Tax clients had more pressing short- and middle-term needs, from paying bills to car repair to paying down debt – all things for which an IDA cannot be used.

OPPORTUNITY #5: RETIREMENT SAVINGS

Americans at all income levels save little for retirement. But the problem is especially severe for lower-income Americans, who are less likely to be covered under employer-provided pensions or to contribute to Individual Retirement Accounts (IRAs). Less than 2.1 percent of households with incomes below \$40,000 contributed to an IRA in 2004.¹⁷ In an effort to address the low savings rate, policy makers have looked primarily to the tax system, subsidizing retirement savings through tax incentives for 401(k) plans and IRAs.

The Retirement Savings Contributions Credit, also called the Saver's Credit, was introduced in the 2003 filing season (Tax Year 2002) and is aimed specifically at lower-income filers. The

¹⁶ Watson, O. (2003, October). *Earn It Keep It Save It? Transforming Earned Income Tax Credits into Family Assets in Louisville*. Case Study developed for the Annie E. Casey Foundation.

¹⁷ Burman, L.E., Gale, W., Hall, M., and Orszag, P. (2004, September). "Distributional Effects of Defined Contribution Plans and Individual Retirement Arrangements." *National Tax Journal*. 57:3. September. 671-701.

Saver's Credit applies to the first \$2,000 contributed to a 401(k) or IRA (\$2,000 each for married filers). The credit offers the greatest advantages (50% of funds contributed) to the lowest income filers (for Tax Year 2004, ranging from single filers earning less than \$15,000 to those earning under \$30,000 filing Married Jointly). As income rises, the credit drops to 20% and then 10% of contributions, until it phases out at a maximum income of \$50,000 for married filers. Because the credit is non-refundable, however, those who can benefit most are least likely to be able to, because their low incomes mean that they likely have little or no tax liability, after standard deductions, personal exemptions and other credits are applied.

One answer is to increase tax incentives for low-income filers, and especially to make the tax credits refundable. Another is to better explain and market existing incentives to low-income filers, in an effort to increase take-up among those eligible. A third is to enhance existing incentives by increasing their value.

The latter approach was tested during the 2005 filing season at 60 H&R Block offices (see Box 5 for more details).¹⁸ In the test, H&R Block offered matching funds as an incentive for clients to invest in the IRAs. Results suggest that while the Saver's Credit alone did little to encourage retirement investment, matching funds can greatly increase both the number of people who open IRAs and the amount they contribute.

The evaluation also uncovered some lessons for similar efforts:

- Matching funds were the key to promoting savings. Tax clients offered the regular Express IRA product, even with the \$15 set-up fee waived, were unlikely to take advantage of it, despite the potential tax benefits.
- Simplicity is also important. The offer should be easy to understand and directly relevant to the transaction at hand, namely the tax preparation moment. This may be one reason why the match was so much more effective than Saver's Credit, since it is can be difficult to explain the credit or to calculate exactly what the economic benefit is at different income and contribution levels.
- Individual marketing of the incentives appears to have been critical to success. A limited number of tax professionals were responsible for opening almost all of the new accounts. These tax preparers were somehow much more successful at recommending the IRAs to tax clients.

¹⁸ In addition to the IRA pilot, H&R Block also partnered in a variety of ways with local tax preparation programs in 2005. For more information on those partnerships, see Jacob, K. (2005, July). *Utilizing Partnerships to Test Emerging Market Strategies: A Case Study of H&R Block Initiatives in Five Cities*. Center for Financial Services Innovation.

BOX 5

PROMOTING IRA INVESTMENT THROUGH MATCHED SAVINGS: A PILOT AT H&R BLOCK¹⁹

Since 2001, H&R Block has offered an Express IRA product, which allows tax filers to make an IRA contribution at the time of tax preparation and – especially important to lower-income customers – to fund all or part of the contribution from their expected tax refund. In the 2005 tax season, H&R Block tested the effectiveness of offering matching funds as an incentive to open Express IRAs.

All tax clients at 60 Block offices in the St. Louis metropolitan area were randomly offered one of three opportunities: the regular Express IRA product, an Express IRA with a 20% match, or an Express IRA with a 50% match. The regular \$15 IRA set-up fee was waived for all filers. In the end, the match rate had a significant effect on contributions. Only 3% of clients took up the offer in the no-match group, compared with 10% in the 20% group and 17% in the 50% group. Furthermore, clients offered higher matches also saved more. The average contribution by those who took up the offer (not including the match) was \$860, \$1,280 and \$1,310 for each group, respectively.

The effect of the match rate was less pronounced for EITC recipients (17% of the overall sample). In other words, increasing the match was more likely to encourage higher income filers to contribute more to the accounts. However, the larger matches still significantly increased investment by lower-income filers. The effects were largest for married filers: 25% of low- and middle-income married filers contributed when offered the 50% match – similar to take-up rates for higher-income married filers.

OPPORTUNITIES FOR THE FUTURE: REFUND SPLITTING

An emerging opportunity may soon create an environment that supports significant growth of efforts to link financial services and income tax preparation. The IRS has announced that beginning in the January 2007 filing season (Tax Year 2006), taxpayers will be able to split their refunds – that is, they will be able to direct refund dollars to more than one place. For low-income filers, who want or need to get cash back for immediate use, refund splitting will allow them to set aside at least part of their refund for longer-term savings or other uses. For example:

- A filer could get most of her refund as a check mailed to her home, but put a portion into a new bank account as a first step towards the financial mainstream.²⁰

¹⁹ Duflo, E., Gale, W., Liebman, J., Orszag, P., and Saez, E. (2005) *Savings Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block*. The Retirement Security Project. No. 2005-5.

²⁰ At the time of this writing, it is unclear whether Treasury will allow split refunds to be sent via check in addition to direct deposit.

- A filer could direct deposit half of his refund into his existing bank account but earmark the other half towards an IDA.
- A filer could put part of her refund onto a stored value card, while investing the remainder in a retirement or 529 college savings account.

While refund splitting presents an opportunity for connecting tax filers to financial services, it is also important to consider how unbanked filers would be able to open accounts at tax time. One option could be that, with a check of a box, tax filers could open a checking, savings, or IRA account directly on their tax forms. The IRS could help in facilitating this process by soliciting proposals for private financial institutions to provide low-cost quality products nationwide. Another possibility would be for the IRS to create and maintain a web-based directory of financial institutions that offer low- or no-cost products online for tax filers. Indeed, research suggests that allowing filers to sign up for financial services directly on the tax form would help to push the adoption of certain products, such as savings bonds, especially for lower-income consumers.²¹ Today, a few companies, such as Vanguard and H&R Block, allow customers to send their tax refunds to them electronically to be deposited into an IRA, but the practice is not widespread.

Despite challenges related to reaching the unbanked, refund splitting offers great promise. The opportunity presented by refund splitting has been tested in recent years under a pilot initiative developed by the Doorways to Dreams (D2D) Fund (see Box 6 for details). The premise of the test revolved around the notion that it is easier to pre-commit to saving – that is, to decide to direct money to savings before it is received and the temptation to spend it competes with savings goals. Refund splitting was therefore used in the pilot as a way to encourage low-income tax filers to decide at the time of tax preparation to set aside a portion of their refund into a savings account; the remainder of the refund would be received as a check to be used for other purposes. The test's designers hoped to learn whether filers would respond to this idea and whether making an early decision would in fact facilitate saving among low-income filers.

Early results from the test have been promising: in the first year of the pilot (the 2004 filing season) in Tulsa, Oklahoma, 27% of the 500 people offered the option responded to the offer, and those who participated earmarked nearly half of their refunds for savings. Follow-up data suggest that participants were more likely than other tax filers to have retained some savings four months after receiving their refunds.

²¹ For a more complete description of this concept, see Tufano, P. and Schneider, D. (2005). *Reinventing Savings Bonds: Working Paper*. Boston, MA: Harvard Business School. See authors for copies.

BOX 6

THE D2D PILOT: TESTING THE MARKET FOR AND EFFECTS OF REFUND SPLITTING²²

For the past two years, the Doorways to Dreams (D2D) Fund, based in Boston, has partnered with financial institutions and local tax campaigns to test refund splitting. The test involved marketing refund splitting to tax preparation clients, offering new bank accounts to clients who did not currently have one, and then working with each client to determine how much of their refund would be received as a check and how much would be deposited into the bank account. (Because the IRS does not yet allow refund splitting, the project developed its own mechanism for splitting the refund after it was received into a designated account.)

In the 2004 tax season, 516 filers at free tax preparation sites operated by the Community Action Project of Tulsa County (CAPTC) were given the opportunity to open an account at Bank of Oklahoma and to split their tax refunds (at an individually determined amount) between the new account and a check. Approximately 27% of filers accepted the offer, though only 15% were able to participate. The primary reason for inability to participate was not meeting identification and ChexSystems criteria to open the bank account.

Of those who did participate, 56% opened a new account and split their refunds, 27% used an existing account to split their refunds, and 17% deposited their entire tax refund into a new account. Participants chose to save approximately 47% of their refunds – an average of \$606 and a significant increase (90% or more) over their existing savings. Four months later, 66% of participants were still saving a portion of their refunds, compared with 36% of a comparison group.

The D2D test also provides lessons for future refund splitting efforts:

- The simpler the design of the option, the better, for explaining and marketing it to potential customers.
- On-site account opening seems important to scale; only 27% of people who accessed refund splitting used an existing account. Furthermore, making accounts more accessible (for example by waiving the ChexSystems requirement) could have substantially increased take-up of the offer.
- Participants who opened new accounts often seemed more interested in the account opening than the refund splitting – though they were interested in both. This suggests that the pilot's results may overstate interest in splitting, but also points to the power of co-marketing the two ideas. Follow-up focus groups uncovered the fact that the savings mechanism was very convenient; this was not specific to refund splitting per se.
- Another major challenge – as with other efforts described in this paper – is that many low-income taxpayers have already spent their anticipated refunds before they complete

²² Beverly, S., Schneider, D., and Tufano, P. (2005, April) *Splitting Tax Refunds and Building Savings: An Empirical Test*. Draft Working Paper.

their tax return. Using refund splitting to promote savings may require either earlier marketing or working with clients over multiple years so they can plan further ahead.

- There is a potential market for refund splitting to other financial products besides savings accounts. In follow-up research, survey respondents expressed interest in retirement accounts, college savings products, Certificates of Deposit, Savings Bonds and mutual funds – as well as directing refund dollars to pay down debt on car loans, credit cards and mortgages.

CONCLUSION

A wide range of financial products and services can help individuals and families manage their money, increase their financial stability and build savings. For millions of underbanked Americans, however, these services are either not available or are available only at high cost. Linking these individuals with consumer-friendly services has posed a challenge for banks, credit unions and other institutions that have tried to bridge the gap. Perhaps the biggest challenge has been one of outreach and engagement – how to access the target population at a time and place where they are best prepared to listen to the marketing message and take advantage of the services offered.

The tax preparation moment offers one promising answer. Bank accounts, alternative refund loans and stored value cards can all help tax filers access refunds more quickly and conveniently, and can be an entry point for long-term financial services. At the same time, large tax refunds can open the door to opportunities for saving and investment, including retirement accounts, IDAs and other asset-building strategies. Finally, the upcoming availability of refund splitting offers the potential for significant growth in the number and scale of efforts to link tax preparation with asset development.

Yet linking these pieces is not simple. Despite the access to a target population and the power of the tax moment, programs have still struggled to engage participants at any real scale. The experiences of programs that have pioneered these efforts reveal significant challenges, including marketing services to customers who come focused only on getting their taxes done, and developing products that can effectively compete with the convenience and ease of check cashers. Programs that have had the greatest success tend to be those that have built strong relationships among the partners involved, have engaged in aggressive marketing and outreach, and have reduced barriers or offered special incentives (for example, by waiving fees and requirements or providing matching funds).

Finally, while all the ideas described in this paper can help meet the needs of underbanked consumers, the most useful will be those that offer a combination of convenience, functionality, affordable pricing, consumer protections and opportunities for future asset development. Those same features are critical components for achieving the ultimate goal of promoting the long-term financial success of un- and underbanked Americans.

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SEIZING THE TAX DAY:

Acquiring New Customers with Free Tax-Preparation Services



For the estimated 20 million low-income families that are eligible for the Earned Income Tax Credit (EITC), April 15th heralds a financial windfall. With EITC refunds averaging nearly \$1,700, the federal tax credit, which was designed to reward work, is often the largest infusion of cash that many low-income families will see all year. Credit unions and community banks have come to realize that tax day represents an important moment for reaching low-income consumers of financial services. By offering free tax-preparation services as a hook, community-based financial institutions are often able to bring low-income customers—an estimated 70% of whom do not have a regular checking or savings account—into the institution. Using their federal tax returns as the opening balance, customers open basic checking and savings accounts. Ideally, these customers migrate from basic accounts to other savings, credit, and asset-building products—building credit, cultivating financial skills, and growing their assets. Over the past five years, growing numbers of banks and credit unions have been finding ways to connect to the tax moment—from sending bankers to free tax-preparation sites, to establishing referral programs, to setting up programs in their lobbies. In most cases, financial institutions partner with nonprofit organizations that offer free tax-preparation services for low-income families and EITC recipients, typically through the IRS's Volunteer Income Tax Assistance (VITA) program, which provides training tools and management advice. The Annie E. Casey Foundation's National Tax Assistance for Working Families program, which has been compiling data on the structure and outcomes of EITC campaigns across the country, reports that in 2004 the 41 participating campaigns (414 sites) prepared more than 158,000 returns. Financial institutions were involved with 20 of these campaigns.

Policy advocates applaud the fact that there was a 25% increase in the number of returns prepared by campaign sites in 2004, but they also acknowledge that the scale is nowhere near that of commercial tax preparers such as H&R Block and Jackson Hewitt. For the 2004 tax year,

CHAPTER SUMMARY

PRODUCT/STRATEGY DEFINITION — For many low- and moderate-income families, federal tax refunds (especially the EITC refund) represent the largest infusion of cash that they will have all year. By offering free tax-preparation services to these prospective customers, financial institutions are able to open accounts and build core deposits.

CRITICAL SUCCESS FACTORS —

- **Focus on customer acquisition.** Institutions have to be extremely disciplined about making it as easy as possible for customers to move from preparing a return to opening—and using—an account.
- **Right product mix.** Not all customers will want to open an account right away, so institutions have to have complementary products—especially a low-cost instant—refund loan—and a clear script for discussing the merits of different options for receiving a refund.
- **Strategic use of community partners.** Many community-based organizations offer free tax-prep services, and partnering with them often makes good sense. But institutions have to develop a relationship with the customer.
- **Smooth hand-off of new customers.** The most important element of this strategy is in creating a seamless hand-off from preparing a client's return to opening a new account. If working with a community partner, map out an integrated, consistent hand-off that feels right to the customer.
- **Staffing and management.** Financial institutions need a dedicated staff person to manage partners, coordinate volunteers, and administer the site infrastructure.

INSTITUTIONAL FIT—Tax-prep services are appropriate for institutions looking to increase core deposits in communities with high numbers of EITC—eligible taxpayers. Tax day is the one time of year when low-income families have extra cash—and a perfect moment to establish a banking relationship. In many communities, partnering with nonprofit organizations that already do tax-prep is a good option—but institutions have to be disciplined about creating a seamless hand-off from tax-prep to new accounts.

H&R Block alone completed 15.9 million returns, though not all clients were eligible for the EITC. One of the attractions of the paid preparers are the refund anticipation loans (RALs) that they offer their customers, which enable the taxpayer to walk out of the office with their tax refunds in hand rather than wait the 10-15 days for the payment from the IRS. The National Consumer Law Center estimates that consumers took out approximately 12.15 million refund anticipation loans during the 2003 tax season, down slightly from 12.7 million in 2002. In 2003, consumers paid \$1 billion in loan fees, plus an additional \$389 million in administrative or “application” fees for their tax benefits.

Almost all of the RFSI institutions have connected to EITC campaigns and VITA programs in one way or another. This chapter examines the approach taken by Alternatives Federal Credit Union in Ithaca, New York, which has run its own VITA program since 2002. Using tax-preparation services as the entry point for a broader customer acquisition and migration strategy, Alternatives has developed a suite of branded, integrated retail products and services (including a low-cost refund anticipation loan), marketing strategies, and customer education tools. This chapter will also help financial institutions think through the strategic and operational issues endemic to free tax-preparation campaigns.

Product and Strategy: Choosing the Right Approach

For several years, Alternatives Federal Credit Union in Ithaca, New York, had been thinking about ways to use the federal Earned Income Tax Credit as a hook for bringing low-income customers into the financial mainstream. According to IRS figures, about 2,000 families in Alternatives’ service area were eligible for the Earned Income Tax Credit—a federal tax credit that provides low-income working families with refunds of up to \$4,300 per year—but were not claiming it. All told, the area’s low- and moderate-income families were forgoing nearly \$1 million in unclaimed benefits—a significant potential market for Alternatives if it could get these families to join.

In 2002, Alternatives launched a free tax-preparation service under the aegis of the IRS’s Volunteer Income Tax Assistance (VITA) program. “It was essentially a new-accounts strategy,” explains Bill Myers, Alternatives CEO.

To Partner or To Host: Strategy Decision Points

- **Overall Goal**—What is the overall goal? Is it customer acquisition, brand development, goodwill capital, community visibility, mission, or customer migration towards long-term profitability?
- **Competition/Partnership Opportunities**—Who else is offering tax-prep services? Can they be a possible partner?
- **Quality/Capacity of Community Partners**—If there is a viable partner, what services do they do well? What help do they need? Marketing? Volunteer recruitment? Financial support?
- **Internal Staff Capacity**—What level of involvement/oversight/financial risk can the institution handle in light of its goals? Financial risk and commitment of resources will follow goals. Because Alternatives saw tax-prep as part of a longer-term customer acquisition and migration strategy, it was willing to invest more resources.
- **Roles for Financial Institutions in EITC/VITA Campaigns**—Most financial institutions do not directly manage EITC/VITA sites. Here are some other options:
 - Host tax preparation groups in their facility
 - Send bank or credit union staff to off-site tax-prep sites to open new accounts
 - Offer accounts at tax-prep sites by training volunteers or staff to open accounts
 - Support marketing campaigns for EITC/VITA programs
 - Recruit volunteers to prepare taxes at VITA sites
 - Contribute to nonprofit organizations managing EITC/VITA programs
- **Cost Structure**—Given that tax-prep services are, at minimum, short-term loss leaders, how can some of the costs be underwritten—through foundation grants, public funding, or cost sharing with local partners? Financial institutions and community partners can make a strong case for charitable or public support to cover the direct costs of EITC/VITA programs.

“We said that instead of giving them a toaster, we’d give them a free tax return. We were looking at it as a financial institution, not a social service agency.” If a client opens a share account, Alternatives waives the \$10 membership fee and suspends the \$5 minimum balance requirement until

the client's refund is deposited. Members are also able to take out a Refund Express Loan, a low-cost alternative to commercial instant refund loans. For a \$20 fee, Alternatives gives customers a short-term line of credit, at an annual interest rate of 11.5%, in the amount of their anticipated return. But what distinguishes Alternatives from other community-based financial institutions that offer some sort of free tax-prep service is that Alternatives has chosen to manage the program and run the site itself. Local nonprofit partners help with volunteer recruitment and community outreach, but Alternatives retains control over volunteer training and management, client screening, branding, and administration of all financial transactions—filing returns, opening accounts, processing refunds, and approving loans. Conversely, most other financial institutions partner with local nonprofit organizations that actually manage the sites.

Alternatives' decision to host its own site was driven by two main strategic considerations. The first was the lack of a viable partner. There was only one other VITA site in Alternatives' service area, but it was exclusively for senior citizens. In the commercial sector, the main competitors were large private commercial tax-preparation companies like H & R Block. While Alternatives did not conduct any formal product development focus groups, commercial services drove design and strategy. The RAL component, in particular, was a direct response to customer demand—though the loan is priced significantly lower than competing loans, and Alternatives does not market it heavily. The second strategic consideration was Alternatives' twin goals of customer acquisition in the short-term and migration over the long-term. Running its own site gave Alternatives the opportunity to establish a relationship with the customer from the outset, and create a smooth pathway for customer development.

Without a local partner to share costs, Alternatives has sought to shift some of the costs to higher-income customers. It currently offers its tax-prep services to households earning under \$50,000 per year. Though well above the income eligibility threshold for EITC (\$36,000/year for families; \$15,000/year for individuals), the higher income limits allow the credit union to have broader market penetration by distributing the costs of customer acquisition among low- and moderate-income families. Alternatives encourages non-members to open a share account so they can receive their refunds via direct deposit.

Alternatives also links its tax-preparation service to aggressive marketing (to cross-sell products) and customer-education (to induce customer retention and migration, and to minimize losses). Alternatives' staff makes a point to reach out to members who take out a REL to see if they qualify and are interested in converting that loan to a line of credit, a product that can be drawn upon to meet short-term cash-flow needs whenever they arise.

Operations: Building the Right Model

Financial institutions can make a number of choices about how to engage in the EITC/VITA process depending on their goals, partnership opportunities, internal capacity, and resources. Institutions with community partners managing the tax-prep sites and the underlying duties (marketing and outreach, volunteer management, site operations), can still acquire new accounts and promote asset building. By contrast, Alternatives' model is much more comprehensive and costly; however, it also has high rates of customer acquisition and retention, and has helped Alternatives build its brand as a leading innovator in serving low-income families.

Alternatives FCU Operational Model

- **Site.** During tax season, Alternatives' lobby is turned over to the VITA program from 3:00 to 7:00 p.m. each day during the workweek. This past year, local nonprofit partners hosted a trio of "Saturday Super Sites" at community centers around the county, allowing Alternatives to reach dozens of new clients through intensive one-day tax-prep road shows.
- **Staffing.** Alternatives employs a full-time VITA site coordinator whose main duties include managing operations and logistics, training and supervising volunteers, and overseeing customer education regarding predatory lending and credit repair. The site coordinator is also responsible for cultivating relationships with community partners. There is also a part-time seasonal employee and a VISTA volunteer.
- **Volunteer Management.** The VITA site coordinator manages a corps of roughly 50 volunteers who play one of three roles—greeters (who welcome clients); preparers (who prepare regular returns); and, specialists (who deal with complex returns). Volunteers receive six hours of training from the VITA site coordinator, who offers a regular "study hall" as volunteers prepare for IRS certification tests.

CREATING A FAIR, NON-PREDATORY RAL

The market psychology of refund anticipation loans is rooted in the perpetual cash flow crisis many low-income people live with day after day. A recent report from the Brookings Institution outlined several reasons why consumers take out RALs. The primary reason is a real or perceived need for immediate cash. Second, many commercial tax-preparation companies bundle loan fees together with application fees and the fee charged for preparing returns, thus obscuring the actual cost. (Likewise, many low-income consumers don't realize that the IRS can turn around returns with direct deposit within 8 to 15 business days.) Finally, even if they don't want to take out a RAL, many low-income consumers lack the money to pay for tax-prep out-of-pocket. Conversely, tax refunds often create a "windfall" effect, leading consumers, suddenly flush with cash, to disregard the hefty fees associated with RALs.

According to the National Consumer Law Center, about 10% of all taxpayers take out RALs, but RAL customers are disproportionately clustered at the bottom end of the economic ladder. According to the IRS, 79% of RAL recipients in 2003 had incomes of \$35,000 or less. Over half of all RAL borrowers are recipients of the Earned Income Tax Credit (EITC), a federal anti-poverty tax credit designed to encourage and reward work. Yet RAL fees take a significant bite out of taxpayers' refunds. Alternatives wanted to offer customers a better deal. Consider the following comparison between Alternatives' Refund Express Loan and a typical commercial refund loan:

Commercial RAL v. Alternatives RAL for \$3,600 refund in 2001

	Typical Commercial RAL	Alternatives FCU REL
Tax Preparation	\$117	Free
Administration Fee	\$35	Free
Loan Fee (Fee or Interest)	\$89.95	\$20 Line of Credit + 14 days interest @ 11.5% = \$15.88
Effective APR	300%	11.5%
Restrictions	None	Must have Alternatives Share Account
Total Cost	\$241.95	\$35.88

Source: Alternatives FCU

More importantly, the loan is an enticement for unbanked customers to join the financial mainstream. The credit union waves the set-up fee for a basic share account, as well as the minimum balance requirement. Once the IRS distributes the refund, a loan officer evaluates the member's credit history and decides whether the line of credit should be extended. Financial planners and credit counselors are also on hand at the tax preparation site to help set up accounts and cross-sell other products: individual development accounts, savings accounts, car loans, lines of credit, small business loans, etc. In the 2004 tax year, Alternatives did 56 RALs for a total of \$120,000, saving taxpayers an average of \$150.

Alternatives' overall objective was to keep costs and overhead as low as possible, and one of its strategies was to cut product development costs by adapting an existing product. The RAL is actually a line of credit secured with promised federal tax refunds. But the underlying operations and administrative structures were already in place, thus saving Alternatives the expense and time of due diligence, costing, and product design. The Refund Express Loan fits in with current data processing systems so the back-office costs are kept to a minimum.

- **Community Partner Roles.** The VITA site coordinator has good working relationships with five principal non-profit groups: the local United Way, the local living wage coalition, Tompkins-Cortland Community College, the Childcare Council, and the local Cooperative Extension Service. These partners provide word-of-mouth marketing, volunteers, and, more recently, helped coordinate “Saturday Super Sites.” The relationships are friendly and supportive but not integral to the program’s operations.
- **Integration With Regular Operations.** Alternatives’ tax-prep services are tightly integrated with the institution’s regular operations. Alternatives’ loan officers and new accounts staff offer education, credit counseling, and retail sales at the VITA site. This integration has proved remarkably successful in recruiting and retaining new customers, particularly those who were previously unbanked. The long-term challenge is to develop credit counseling and customer-education services that migrate customers into more profitable products.
- **Marketing and Outreach.** Alternatives puts very little effort or expense into marketing and outreach. As the VITA site coordinator quipped, “It doesn’t take much to convince people to get their taxes done for free.” The service is advertised in the credit union newsletter and the newsletters of local nonprofit organizations. Volunteers and credit union members also spread the word. Even the local “Saturday Super Sites” require minimal effort: This past year, the VITA site coordinator sent out general materials, which the sites amended with the date, time, and directions for each site.
- **Product Mix.** After the first year, Alternatives realized it needed to offer a product that could compete with the expensive, but popular, refund anticipation loans offered by commercial tax-service providers. In 2003, the credit union began offering Refund Express Loans, which were essentially a short-term line of credit secured with a customer’s federal refund. The credit union encourages customers to wait for an electronic refund, but having the product on hand is a critical enticement for many customers.

Key Operational Considerations

- **“Ownership” of the VITA Site.** Of all the operational considerations, Alternatives’ decision to run the site itself was arguably the most important. Alternatives has much

more control over the accuracy of returns and vetting of clients for EITC eligibility and tax liens—both key areas of financial risk. Likewise, the institution is able to achieve a requisite economy of scale to both lower overall costs and boost marketing and new accounts activity. If a client expresses an interest in opening an account, a member of the marketing team is nearby with brochures and marketing material. The “Saturday Super Sites” have been an important outreach tool as well, allowing Alternatives to expand its reach into rural areas. (Recruitment numbers are not yet available, but anecdotal evidence suggests that new member recruitment at super sites has been on par with, or above, the main site.)

- **Staffing and Management.** Having a staff member with the right skill set has also been critical to the Alternatives’ success. In the program’s first year, Alternatives’ CFO, a trained accountant, oversaw the program, checking all the returns for accuracy and completing the more complicated ones. The VITA site coordinator has since taken over, and the CFO now consults only on particularly difficult returns. The site coordinator, meanwhile, has a much broader range of responsibilities, overseeing volunteer training and management, financial education, logistics, and operations.
- **Administrative and Management Systems.** Alternatives’ success is largely attributable to the strength and comprehensiveness of the site’s administrative and management systems. Over the past two years, the site coordinator has developed and refined systems for client intake, scheduling and pre-screening, volunteer management and training, and return processing. These systems have been critical to streamlining the process, improving customer satisfaction, and cutting labor costs.
- **Volunteer Management.** One of Alternatives’ biggest challenges has been to figure out the best ways to use volunteer labor. On one hand, the program would not run without volunteer labor; on the other hand, volunteers can be unreliable, slow, and sloppy. Alternatives has taken two approaches to the care and feeding of volunteers. The first is to provide them with top-notch training and to find a role that is appropriate for them. Using materials adapted from the IRS’s VITA program and the Center for Economic Progress in Chicago, Alternatives’ site coordinator has created a streamlined but comprehensive training program, one that gives volunteers just what they need but no more. Volunteers are

also allowed to select their own jobs from three clearly defined volunteer roles: greeter, preparer, and specialist. The second approach is to provide volunteers with plenty of support and encouragement. Volunteers have food at every site. The site coordinator is friendly and enthusiastic. And Alternatives has reasonable expectations of what its volunteers can do—and what they can't do.

- **Using Institutional Partners.** Although Alternatives runs the VITA site itself, its community partners are instrumental in volunteer recruitment, marketing, and coordinating “Saturday Super Sites.” Site volunteers are recruited mainly by the local living wage coalition and from area community colleges. This past year, the local United Way identified nonprofits to host and coordinate the super sites. With these partnerships in place, Alternatives saw a significant increase over the previous year in the number of returns filed.

Customer Relationship Management: Getting, Keeping, and Migrating New Customers

Alternatives’ long-term strategy depends on product marketing and customer migration once clients are in the door. Credit union pamphlets and marketing material for a full array of products and services (individual development accounts, credit counseling, financial education, car loans, lines of credit) are distributed throughout the VITA site. More importantly, member-services’ staff try to be on hand to talk with customers waiting for their turns with a tax preparer. Staff may start the conversation with a financial “Wish List” questionnaire, which helps customers talk about and begin quantifying their financial goals. The items on the wish list serve as talking points to inform customers about credit union services and then direct qualified customers to the loan department, if they are seeking a RAL. But member services representatives do not push the RALs, and are trained to redirect people to apply for a line of credit. Because the VITA volunteers doing the actual tax preparation are too busy to counsel each individual customer, the VITA site coordinator has begun a credit-counseling program during the off-season and trains volunteer credit counselors who also work during tax season with VITA site customers.

Outsourcing Tax-Prep Services to Community Partners: Legacy Bank

Legacy Bank, a Milwaukee-based state-chartered commercial bank, has taken a more detached approach. The bank has hosted a local nonprofit’s tax-prep site in its lobby since 2000. Although the site is managed and run by the Milwaukee Asset Building Coalition, a partnership among community organizations, government representatives and agencies, and financial institutions, nearly half of Legacy’s customers took advantage of the service.

Legacy Bank’s Operational Model

- **Site:** For the first two years, Legacy’s site was open from 8:30 a.m. to 1:30 p.m. every Saturday, starting in mid-January to April 15th. (The site closed at noon in subsequent years.) The site handled 30-35 clients at any given time, the vast majority of whom were already customers.
- **Staffing:** The Milwaukee Asset Building Coalition provides volunteers and staffs the site. Legacy staff members are on hand to open accounts if need be, but new accounts are not a major focus. In an effort to get more of its customers into the VITA program, Legacy directs customers to three other VITA sites around the city. A Legacy staff member stops by each partner site once a week to check in and begin the process of opening any new accounts.
- **Volunteer Management:** The coalition manages all volunteers.
- **Community Partner Roles:** The Milwaukee Asset Building Coalition manages the EITC/VITA campaign, as described above. Legacy ensures that its core community partners let their clients know about the tax credits and free tax-preparation sites that are most convenient for them.
- **Integration With Regular Operations:** The VITA site was closely tied to Legacy’s ongoing operations as another tool for educating customers and building assets.
- **Marketing and Outreach:** Marketing was done almost exclusively through Legacy’s network of community partners, with some internal marketing to existing customers (flyers, mailings, etc.), and additional word-of-mouth.

Over the long term, Alternatives' mission-driven emphasis is to help its customers overcome chronic debt and to become asset builders. Free tax preparation and low-cost loan products are the doorway to asset-building as people move along the "Credit Path"—a four-stage model developed and popularized by Alternatives that describes how the unbanked move from borrowing to saving to investing:

1. **Transactor:** Members who need to cash checks, purchase money orders or official checks, get change, or wire money to others.
2. **Saver:** As members develop financial skills, they begin saving—through IDAs and CDs.
3. **Borrower:** Members use responsible borrowing as a financial tool that can lead to greater wealth. Starter consumer loans—car loans, personal loans, VISA cards, and lines of credit—build credit history and help members move towards larger loans.
4. **Owner:** By learning to save and developing a good credit record, members move toward becoming owners of homes or businesses. Alternatives offers a variety of home and business loan products. But a model is just a model, and CEO Bill Myers readily concedes that customers rarely move in a straight upward arc—it often takes them much longer than expected to inch along. "We've got a clear idea of how people move through these products, but we are still figuring out the metrics." What is a reasonable period of time for members to move through products? How long do I hold onto them? What is the right mix of members—those starting, those in the middle, some well along the path? "We may not nail the numbers, but how do we find metrics that are good enough?"

Key Customer Relationship Management Considerations

- **Aggressive Marketing.** From the moment clients step through the door, Alternatives begins engaging them in a process that is part customer education, part marketing. Using the "Wish List" survey, the customer relations department develops a database profile for each customer and begins marketing the benefits of credit union membership. As Myers notes, some people open an account, then close it after they get their refund. "It's our job to convince them to keep it," he adds.

- **Replenishing the Customer Base.** Non-member VITA customers, who were initially attracted to the credit union by the VITA and Refund Express Loan programs, were often unbanked community members with lower incomes than most of the credit union's existing members. But, the ratio of new members to existing members has been declining. During the first year of its operation, 50% of the VITA site's customers were non-members; the second year, only 40% were non-members. In order to keep pace with new member acquisition, Alternatives has to grow the size of the program.
- **Meeting Customer Demand.** Alternatives' foremost goal for the VITA program has been the acquisition and education of low-income customers. The first year, Alternatives did not offer a rapid refund loan product, but it turned out to be a main driver for target customers. Alternatives' decision to develop the product was a simple matter of meeting customer demand, and it is now looking at ways to offer the product for free. "Our goal is to get people into the banking system," Myers says. "But what if they can have their cake and eat it too—if we can get them quick refunds and get them accounts?"

Putting it All Together: Performance, Outcomes, and Challenges

Customer Acquisition. The VITA program and REL have proved remarkably successful in attracting and retaining new members. The credit union opened 60 new accounts in the 2004 tax year. In 2002 and 2003, it opened 122 and 66 respectively, two-thirds of which are still active. Still, Alternatives has been forced to cap the size of the program because of the high cost. Myers estimates that the credit union could have processed 50% more returns than the 904 returns it did this year. On the other hand, Alternatives' model has won national acclaim, and the credit union has garnered outside grants to offset its expenses.

Data Tracking and Costing. Alternatives' migration strategy is tied closely to improved data tracking and costing. Back-of-the-envelope estimates place the cost of each new member somewhere between \$40 and \$50, but precise figures aren't yet available. The systems for tracking

customer migration through specific products are currently under development. When complete, the loan-tracking system will show if a customer has made deposits/withdrawals to accounts, or opened and closed a loan over a given amount of time, thus making it possible to track customer patterns over time.

Ancillary Benefits. Alternatives has realized a number of ancillary benefits, both financial and non-financial. The credit union's ability to attract new community partners underscores the amount of goodwill capital generated by the VITA program. This past year, partners also contributed over \$20,000 of in-kind donations. In addition, Alternatives' reputation as a national leader in retail financial services (and, more generally, community development finance) has attracted deposits and grants from institutions around the country.

¹ The IRS's Volunteer Income Tax Assistance (VITA) Program offers free tax help to families whose incomes are \$36,000 or less. Located at community and neighborhood centers, libraries, schools, or shopping malls, VITA sites are typically run by nonprofit organizations.

In most cases, local volunteers prepare returns and staff the sites.

² National Tax Assistance for Working Families Campaign, Report to the Annie E. Casey Foundation, Steve Holt, Holt & Associates Solutions, www.aecf.org.

³ These systems include the following: an appointment script that screens out unqualified customers and ensures that they show up with proper documentation; an intake form that streamlines the tax-prep process and feeds into customer education and marketing; and, a client checklist for each client file, which tracks the progress of each return and reduces errors.



Press Release

**FOR IMMEDIATE RELEASE
January 31, 2007**

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**UNITED WAY OF AMERICA AND BANK OF AMERICA PARTNER TO
PROMOTE EARNED INCOME TAX CREDIT AVAILABILITY**

*-- United Ways Receive Grants to Expand EITC Outreach and
Bank of America Encourages Employees to Volunteer --*

Alexandria, VA and Charlotte, NC -- United Way of America and Bank of America today announced a new national initiative designed to help individuals and families in communities across the country obtain tax preparation assistance and unrealized tax refunds through the Earned Income Tax Credit (EITC). Under this initiative, the Bank of America Charitable Foundation will provide \$500,000 in grants to two statewide and 31 local United Ways, and Bank of America associate volunteers will assist in tax preparation for qualified individuals and families eligible for EITC.

“United Way of America and Bank of America are committed to increasing the financial stability and long-term economic independence of low- to moderate-income individuals and families nationwide,” said Brian A. Gallagher, President and CEO of United Way of America. Gallagher continued, “Bank of America’s generosity helps support and expand United Way’s efforts to promote a critical program that increases eligible families’ access to the tax credit and, in turn, makes a financial investment in communities across our country.”

“Across the country, the IRS works with thousands of community partners helping millions of taxpayers file their taxes,” IRS Commissioner Mark W. Everson said. “We appreciate Bank of America’s generous support of United Way, one of our most significant national partners.”

EITC campaigns, as they are commonly called, typically include marketing and outreach to eligible tax filers; free tax preparation for low-income individuals and families (those earning under \$38,000 annually) using volunteer tax preparers; and financial education and other asset building opportunities. In communities where United Way is involved, thousands of families have received more than \$8 billion in EITC refunds.

“Every year, billions of dollars in tax refunds are left unclaimed by the very people who most need those funds. By donating both financial and human capital, we hope to help more people effectively navigate the tax system, access tax preparation services and secure the benefits of the Earned Income Tax Credit,” said Andrew Plepler, president, Bank of America Charitable Foundation. “By supporting the United Way EITC program and others like it, Bank of America hopes to help underserved individuals and families preserve income and develop assets, and thereby advance the health and vitality of the communities in which we all live.”

United Way of America will provide leadership and technical assistance to the 33 participating United Way organizations and will coordinate key project components, including: creation of goals, objectives, and outcomes; compliance with grant guidelines; fund disbursement; and national reporting on the results of the partnership, including the number of taxpayers helped. Statewide and local United Way grant recipients will be responsible for strategic administration and oversight of grant resources by the community-based EITC coalition and will work with local Bank of America employees to promote volunteer opportunities regarding EITC outreach and free tax preparation.

United Ways that will receive grants from Bank of America include:

Local United Ways	City	State
Valley of the Sun United Way	Phoenix	AZ
United Way of Tucson and Southern Arizona	Tucson	AZ
United Way of Fresno County	Fresno	CA
Orange County United Way	Irvine	CA
United Way of Greater Los Angeles	Los Angeles	CA
United Way of the Inland Valleys	Riverside	CA
United Way of San Diego County	San Diego	CA
United Way of the Bay Area	San Francisco	CA
United Way of the Capital Area	Hartford	CT
United Way of Delaware	Wilmington	DE

United Way of Palm Beach County	Boynton Beach	FL
United Way of Northeast Florida	Jacksonville	FL
United Way of Miami-Dade	Miami	FL
United Way of Metro Atlanta	Atlanta	GA
United Way of Metro Chicago	Chicago	IL
United Way of Massachusetts Bay	Boston	MA
United Way of Central Maryland	Baltimore	MD
Heart of America United Way	Kansas City	MO
United Way of Greater St. Louis	St. Louis	MO
United Way of Central Carolinas	Charlotte	NC
United Way of Southern Nevada	Las Vegas	NV
United Way of New York City	New York	NY
United Way of Southeastern Pennsylvania	Philadelphia	PA
United Way of Metropolitan Nashville	Nashville	TN
United Way Capital Area	Austin	TX
United Way of Cameron County	Brownsville	TX
United Way of Metropolitan Dallas	Dallas	TX
United Way of the Texas Gulf Coast	Houston	TX
United Way of San Antonio and Bexar County	San Antonio	TX
United Way of Richmond & Petersburg	Richmond	VA
United Way of King County	Seattle	WA
Statewide United Ways		State
United Ways of New York State	NY	
United Ways of Texas	TX	

About United Way

United Way is a national network of more than 1,300 locally governed organizations that work to create lasting positive changes in communities and people's lives. Building on more than a century of service as the nation's preeminent community-based fundraiser, United Way engages the community to identify the underlying causes of the most significant local issues, develops strategies and pulls together financial and human resources to address them, and measures the results. United Way of America is the national organization dedicated to leading the United Way movement. While local United Ways tackle issues based on local needs, common focus areas include helping children and youth succeed, improving

access to health care, promoting self-sufficiency, and strengthening families. For more information about United Way, please visit: www.unitedway.org.

About Bank of America Corporate Philanthropy

Bank of America has embarked on an unprecedented 10-year goal to give \$1.5 billion to nonprofit organizations engaged in improving the quality and vitality of their neighborhoods. The bank will give more than \$200 million in 2007, making it one of the most generous corporate donors in the world. Bank of America approaches giving through a national strategy called "neighborhood excellence" under which it works with local leaders to identify and meet the most pressing needs of individual communities. Through Team Bank of America, bank associate volunteers contribute more than 500,000 hours each year to improve the quality of life in their communities nationwide. For more information about Bank of America Corporate Philanthropy, please visit www.bankofamerica.com/foundation.

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The Keys to Establishing a Successful VITA Site

by Joyce Robbins, Senior Tax Specialist, Internal Revenue Service



Financial solvency and stability can be elusive to many low-income workers. In the event of financial shocks that result in lost wages, a “nest egg” can mean the difference between having a residence or being homeless. For low-income working families, the additional income provided from the Earned Income Tax Credit (EITC) is important. That’s why volunteers, organizations and businesses who offer free income-tax preparation, check cashing and counseling can make a difference.

An important first step for claiming the EITC is filing an accurate tax

return. That’s where the Volunteer Income Tax Assistance (VITA) program fits in. The Internal Revenue Service’s VITA Program offers free tax help at sites with volunteers who prepare and electronically file tax returns for lower income taxpayers (generally those making \$39,000 and below) individuals with disabilities, non-English-speaking people and others on limited incomes who find it difficult to pay for commercial tax preparation assistance.

Volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls and other convenient locations. Most of these locations offer free electronic filing.

Communities are unlikely to be saturated with VITA services, especially since VITA taxpayers typically do not have the resources to travel long distances for assistance. So any group planning to offer effective VITA services should consider the following tips.

Start Early

People who go to VITA sites to have their taxes prepared usually expect refunds. Volunteers should begin planning their EITC efforts in the fall prior to the tax year. Your site needs to operate mid- to late January each year.

Determine where you will recruit your volunteer base. Most groups want to settle on a location and then select volunteers. However, where you find volunteer preparers will likely determine your site locations. That’s not to say that you



can't pick a location first. But if you do your volunteers may have to cross town to get to your site, and volunteers who are inconvenienced will tend not to stay with your program very long.

Work with Volunteers to Find a Good Site Location

Several characteristics make a good site location. First, your site should be in a stable location that is available each year. Second, the site should "belong" to everyone in the community. Libraries and community centers often make good choices. Banks and churches may also work but they may feel less inclusive. Third, the site should allow easy access. If the serviced population uses public transportation, then the site needs to be on a public transportation route. For clients who drive cars, try to make parking available and choose a location that is easy to find. Be sure to analyze potential sites to ensure they serve the targeted population and do not present barriers.

Arrange for Volunteer Training

You can order Link and Learn training for volunteers through the IRS or through www.irs.gov. Your organization can provide classroom training or a self-study option for its volunteers. Frequently, certified VITA instructors double as volunteers. Regardless of how volunteers are trained, each must pass a test to become certified before preparing tax returns.

Obtain Equipment and Supplies

You will need computers for electronic filing and Internet access for transmitting returns. (Returns can be prepared at a VITA site but transmitted from another location, if necessary.) Your site should be equipped with a printer, computer paper, toners and diskettes.

Conduct a Marketing/ Publicity Plan

Just as you had a marketing plan for recruiting volunteers, you will need one for getting taxpayers to utilize your services. Use the media to reach your targeted audience. Building a VITA program is much like building a business and you cannot have too much publicity, especially during the first few years.

Recognize Your Volunteers

This may be as simple as providing doughnuts on the last day the site operates or a thank you note to each volunteer. Volunteers are the backbone of any VITA program, so make sure they feel appreciated. Finally, VITA site coordinators need to relax and enjoy the summer knowing that they have helped people claim money that they may not have known about. For some of those taxpayers, this will be the first "savings" of their lives and the beginning of the road to financial stability.

Joyce Robbins has worked for the IRS in Columbia, South Carolina since 1981. She received her undergraduate and graduate degree in social work from the University of South Carolina. She is also a member of Midlands Association of Volunteer Administrators, a professional association of managers and supervisors of volunteers.





Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-97-2007
November 6, 2007

VOLUNTEER INCOME TAX ASSISTANCE (VITA)

Potential CRA and Business Opportunities May Be Available Before the Start of Tax Season

Summary: Volunteer Income Tax Assistance (VITA) sites offer an opportunity for financial institutions to provide a financial service to underserved low- and moderate-income consumers. Recent amendments to Internal Revenue Service (IRS) rules have created more opportunities for financial institutions to help consumers save a portion of their refund. Financial institutions that are involved with VITA programs may be eligible for favorable consideration under Community Reinvestment Act (CRA) rules, as well as develop opportunities to facilitate education, open accounts, and provide other financial-related services to underserved individuals. An institution may maximize these potential benefits by exploring opportunities to be involved before the start of tax season.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
CRA Officer
Head of Deposit and Branch Operations

Attachment:

List of FDIC regional contacts

Contact:

Luke W. Reynolds, Community Affairs Specialist,
lureynolds@fdic.gov or (202) 898-6724

Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2007/index.html.

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- The FDIC continues to partner with the IRS to encourage financial institutions to consider developing relationships with IRS-coordinated VITA sites or coalitions.
- A financial institution may maximize its opportunities to be involved in the VITA program by initiating contact with the IRS or VITA program coordinators before the start of the tax preparation season.
- Institutions partnering with the VITA program may be eligible for favorable consideration under CRA rules as well as develop new business by promoting financial education, banking products, and other financial services to underserved low- and moderate-income taxpayers.

**VOLUNTEER INCOME TAX ASSISTANCE (VITA)
Potential CRA and Business Opportunities May Start Before Tax Season**

The Federal Deposit Insurance Corporation (FDIC) partners with the Internal Revenue Service (IRS) in promoting the IRS-coordinated Volunteer Income Tax Assistance (VITA) program, which offers free preparation of income tax returns for low- and moderate-income individuals. The FDIC would like to remind financial institutions that if they are involved with VITA programs, they may be eligible for favorable consideration under Community Reinvestment Act (CRA) rules, as well as develop opportunities to facilitate education, open accounts, and provide other banking-related services to underserved individuals. An institution may maximize these potential benefits by exploring opportunities to be involved before the start of tax season.

VITA sites are generally located at community centers, libraries, nonprofit organizations, local governmental offices and other locations convenient to clients. The sites are staffed by volunteers who receive free training to prepare basic tax returns. Most locations offer free electronic filing to expedite the receipt of tax refunds.

VITA sites also help consumers obtain the tax credits to which they are entitled, including the Earned Income Tax Credit (EITC). The EITC is a tax benefit available to qualifying low- and moderate-income working people. IRS studies indicate that millions of eligible workers fail to claim this credit. The maximum EITC is approximately \$4,700 for a family with two or more children (for calendar year 2007 returns).

Taxpayers who file an IRS Form 1040 and choose to receive their refund via direct deposit can now elect to split their tax refunds into up to three different checking and savings accounts, with up to three different U.S. financial institutions. This is a change from prior years when consumers could direct-deposit their refund into only one account. The IRS added this flexibility, which took effect in 2007, to encourage more taxpayers to put part of their refunds into savings accounts as well as checking accounts and to increase their use of financial institutions. This change also creates new opportunities for financial institutions at VITA sites to reach underserved and low- and moderate-income consumers.

The FDIC encourages institutions to help facilitate increased use of the split refund availability to explore avenues to promote savings. For example, banks can offer appropriate savings accounts and other longer-term deposit products to help clients save a portion of their

refund. These savings can be for a specific purpose, or help clients confronted with a financial emergency avoid high-cost short-term loan products. FDIC Community Affairs staff can provide technical assistance to institutions seeking to enhance their efforts to encourage low- and moderate-income individuals to save.

VITA sites are generally open between late January and early April. The planning for these sites often begins well in advance of the date the site opens. An institution that is in communication with the IRS and other VITA program coordinators before the tax season may be able to better facilitate the integration of banking and financial-related enhancements into the VITA program than would otherwise be possible. By being involved early, the institution can also assist organizers understand what resources, such as staff volunteers, the bank expects to contribute, which can lead to a more effective campaign. Finally, certain activities in support of the VITA campaign, such as training for volunteers, may take place before the tax season.

Financial institutions can participate in the IRS VITA program in various ways, including by:

- Notifying staff of opportunities to be VITA volunteers;
- Co-sponsoring a VITA site or coalition;
- Donating old computer equipment for use in preparing returns;
- Hosting a VITA site at a bank branch;
- Promoting the EITC and/or VITA program to bank customers, such as by displaying a poster in the lobby or adding a message to bank statements;
- Offering taxpayers the opportunity to start the process of opening a bank account at the VITA site, whether by phone or with staff on-site;
- Offering banking products responsive to the needs of VITA clients;
- Working with a VITA coalition to address other financial needs of VITA clients, such as by helping clients obtain and interpret their credit report; and
- Partnering with the local VITA program to make financial education available to consumers at VITA sites.

Under CRA regulations, financial institutions can receive favorable consideration in the investment test (12 CFR 345.12(t) & 345.23) or service test (12 CFR 345.12(i) & 345.24) for qualifying VITA-related activities.

The FDIC continues its partnership with the IRS through a formal memorandum of understanding that is intended to help form a strong coalition of FDIC-supervised institutions and community groups in support of the VITA program. In addition, the FDIC-IRS partnership is designed to enhance financial management skills and create positive banking relationships for underserved individuals.

For assistance in finding opportunities to be involved in the VITA program, contact the Community Affairs Officer in your local FDIC regional office (see attached list) or Luke W. Reynolds, Community Affairs Specialist in the Division of Supervision and Consumer

Protection, at 202-898-6724. The regional Community Affairs Officers can help interested financial institutions identify local VITA program contacts, and can provide additional technical assistance to financial institutions considering initiating or expanding their involvement in the VITA program.

Sandra Thompson
Director
Division of Supervision and Consumer Protection

The People's Bank

A neighborhood bank with a very different bottom line
by Yori Yanover

Jennifer Thomson, Director of Program Development for the Lower East Side People's Federal Credit Union, takes me to a wall beside the tellers' booths, to show me several black-and-white photographs from the 1980s. They were all taken outside the Manufacturers Hanover building on the corner of 3rd Street and Avenue B, and they show demonstrators who gathered outside the bank 21 years ago to stand up against the rampant drug dealing that was concentrated on that corner at the time.

It was this same period of crisis in the neighborhood when Manufacturers Hanover Trust announced that they were closing the branch. It was the only bank remaining in the neighborhood, which back then was still sinking into drugs, poverty and crime. Without a bank, the Lower East Side was destined to dive even deeper into economic isolation. In response, a group of activists, many of whom had also participated in the anti-drug demonstrations, came together to convince the bank to keep the branch open.

A compromise was reached, whereby Manufacturers Hanover would leave its building and a sizable seed fund to its successor, the Lower East Side People's Credit Union. Since then, it has been this credit union's mission to bolster the neighborhood's economy, concentrating primarily on low income wage earners and small businesses. But when you hear Jennifer Thomson describe it, you get the notion that this is one bank that finally gets it right.

Jennifer Thomson is youthful and cheerful, neither being qualities you'd expect in a banker. Her desk is almost literally in a hole in the wall, just outside the bank's safe. But from those cramped quarters emanate great ideas.

GSN: How are you different from regular banks?

Thomson: As a community development credit union, we are a cooperative financial institution, owned by our members. A savings account here is called a share. And we operate for the benefit of our members exclusively. We have to make some level of profit to keep us in operation, break even at least – as opposed to a bank, which exists to maximize profits.



Jennifer Thomson protects LES residents with good banking



The People's Credit Union looks like a bank but has a different bottom line

We are insured by the credit union's equivalent of the FDIC, the National Credit Union Administration, which is the federal body that regulates us and insures all deposits up to \$100,000 – just like the FDIC.

We serve all the Lower East Side as a community, and we also have several employee groups, including the LES People's Mutual Housing, next door, and our nonprofit affiliate, the People's Center for Economic Independence, which we recently formed to provide financial education, credit counseling and asset building programs. Anyone involved with PCEI who lives anywhere in New York City and whose annual household income is \$38,000 or below may also join the credit union.

Recently we've expanded our field of membership through an acquisition of a credit union in central Harlem, which handled the limited equity co-ops in New York City, primarily the Housing Development Fund Corporations, known as "HDFCs." These are all the buildings which in the 70s, 80s, 90s and even today have been abandoned by their landlords, went to city management, and entered the City's Tenant Interim Lease Program, to help train the tenants to become a self managed co-op for low and moderate income people.

We partner very closely with the Urban Homesteaders Assistance Board, down on Wall Street, which does management training for the tenants, so they manage their buildings well, so they don't lose them. We do financing for the buildings – if they need a new boiler, or to undertake some necessary repairs.

Anyone who lives in any of the HDFC buildings, as well as the buildings themselves, can join the LES People's Credit Union.

GSN: Have you been affected by the recent subprime crisis?

Thomson: We haven't, because we never gave predatory or subprime loans. We loan to low and moderate income people, even to people with some credit problems—as long as the problems are clarified—but we don't do any of those exotic mortgages with a 110% financing. Those were banks that were involved in fraudulent activities, providing people with fraudulent appraisals and getting them into incredible trouble.

What we're trying to do right now for people who are stuck with mortgages that they can't pay off, is refinance. But, luckily, everyone who financed with us is fine, they have a mortgage they can afford, a property they can afford. Because in addition to providing financial services, we also make sure that it's in the best interest of our members.

GSN: How do you invest your funds?

Thomson: Our reason for being is to mobilize savings from our members and then lend those savings to our members. That's one of the benefits of banking with us – you can be sure that your savings are being invested in the community.

Most of our money is lent out in the form of loans to members. Whatever little liquidity we need to keep our operations going we invest in very safe investment tools. We are limited by the NCUA in what we can invest in, so it's only the most conservative, low risk – like treasury bills and CDs held at our "corporate" credit union, which is a credit union that serves other credit unions nationally. We don't buy corporate stocks, it's too risky.

GSN: How do you compare with savings banks?

Thomson: Our fees pretty much across the board on all services are lower than banks' and our minimum balance is much lower.

To open an account here all you need is \$30 – a \$25 deposit and a five dollar annual membership fee. In order to avoid any fees on your savings and checking you need to maintain \$75 in your account. That's very low and

very accessible to low and moderate income people. We are a federally designated low income credit union.

Our yields are competitive with commercial banks. We have money market accounts and share certificates—a certificate of deposit—with a yield that's competitive with all banks. Depending on the term and the amount of money that you put in, the yield is about 4%, give or take.

We offer a Visa card and a debit card. We have an ATM outlet right outside – we've got nine ATMs over this area, including a few in the local McDonalds. We also offer Internet access to your account. You can transfer money to savings and checking, you can pay off loans that you have with us, and soon you'll be able to pay your other bills.

We are most interested in serving microbusinesses which are usually smaller and less profitable than most banks are interested in. Most banks are interested in businesses that are ready to borrow \$100,000. That is a big loan for us. We have micro-enterprise loans that start from \$500 and go up to \$15,000. Our small business loans start at \$15,000 and go up to about \$150,000. If the person wants more than \$150,000 we'll collaborate with the other community development credit unions in New York City and we would all come together to provide the loan. Historically, our average business-purpose loan is about \$25,000.

Free income tax return preparation

Thomson: We offer the VITA, Volunteer Income Tax Assistance. It's a program launched by the IRS to collaborate with community organizations like ourselves to help people file their taxes for free, especially those who qualify for the Earned Income Tax Credit, to make sure that they are filing and getting that tax credit.

We have three locations, one here at Avenue B and 3rd Street, one in the Chinatown Manpower Project, and the third in the Grand Street Settlement, at 80 Pitt Street.

In order to qualify for VITA, your family income must be \$40,000 or below. For a single person without children their income must be below \$20,000.

In order to qualify for the EITC there are various cutoffs, depending on how many children you have and other factors.

We also help individuals who do not have a Social Security number to get an Individual Taxpayer Identification Number. You can get an ITIN regardless of your legal status in this country. We charge \$20 for that service, as opposed to hundreds of dollars other providers in the city are charging.

When we started to offer VITA, in 2003, we did just under 300 returns. For the 2007 tax site we did almost 2000 returns, and the total refund people got this year was \$3.2 million. It really adds up. Cumulatively over the past four years we've done over 6000 returns and generated over \$9.8 million in refunds. We also saved people the \$100-\$300 fees that they would've paid to for-profit tax prepares.

We're the 91st largest VITA site in the whole country, out of about 36,000 sites. And because of the program's proximity to the credit union, we also provide people with the opportunity to open a bank account if they don't already have one, which is a great way to reach out to what we call the "unbanked people," who rely on check cashing places – and you know the fees associated with those are really high. People lose money every time they cash a check, when they could come here and open an account.

And of course once they open an account here they have access to all of our loan services and all of our financial education services. So people can apply for a small starter loan when they never had any credit before in their lives, their credit history is a blank.

We start people off with maybe a \$500 loan and go from there, so people have the opportunity to build a credit history. We see credit history as an asset building strategy, so that people can become home owners in the future, and if they want to start their own business they'll have access to larger amounts.

Defending Low Income People

Thomson is particularly proud of two loan products that the People's Credit Union offers as anti-predatory measures.

Thomson: One is the Emergency Cash Loan and it's loans under \$500 if you need money today and can't wait for us to pull your credit and go through a credit check. It's an installment loan, so you get the full amount, but there's no credit check and it's on an honor system. The reason we do this is because of payday lending.

Payday lending is illegal in New York State, but anyone can go online and get one of those loans, and if you annualize, the interest-rate that people pay is like 400%. And if you don't pay, God forbid, they'll just say no problem and they roll it over and you get all these fees and you continue to pay at 400% interest.

You see people that start out with a \$500 payday loan and next thing they're \$5,000 and \$10,000 in debt, because the fees and interest keep on accumulating. People destroy their credit history and get themselves into incredible amounts of debt – legally.

So the best thing that we can do to help our members is we say, Okay, if you have an emergency, don't go to the payday lender, come to us. But we have restrictions. It's only up to \$500, we wouldn't give someone a thousand. They get their emergency loan, which comes with a \$10 application fee, but if they meet with our financial counselor they get that \$10 back.

If they want a second emergency loan – you get a pattern developing – before they can get it, they're required to have financial education with our counselor, to try and identify what's the problem here and really take the person aside and say, Look, this is not a good way to manage your finances, what's wrong here – and try to find some solutions.

So they can get the second loan because they're in a crisis, but they are counseled on things they can do to prevent a crisis in the future. If they come back for a third time and they've paid off two loans, then they get into our regular personal loans, because they have proven themselves with us, and they go into the mainstream of our regular loans.

The other product is our tax refund loan. We'll provide you with a little loan so that you can get your tax refund immediately, instead of having to wait for the check or direct deposit to come. That's, again, in response to all the high cost fast refunds that you see being offered by for-profit tax preparers. In fact, we discourage people from taking our tax refund loan, and instead encourage them to get their refund through direct deposit which takes about 7 days. If they don't already have an account, they can open one with us at the same time they get their taxes done. But if the person insists on needing a tax refund loan to get the funds immediately, we prefer that they get an affordable loan with us, instead of going to a commercial tax preparer for an overpriced loan.

Lower East Side People's Federal Credit Union, 37 Avenue B, 212.529.8197, lespeoples.org, Mon.-Wed. 9-4, Thu. 9-7, Fri. 9-4, Sat. 10-1

Community Building Through the **Earned Income Tax Credit**

Using the nation's largest and most successful worker support program
to spur economic development and strengthen your community's workforce.



Institute for a Competitive Workforce
an Affiliate of the U.S. Chamber of Commerce



The Institute for a Competitive Workforce (ICW) is a 501(c)(3) affiliate of the U.S. Chamber of Commerce and works to ensure that businesses have access—today and tomorrow—to an educated and skilled workforce. Through policy initiatives, business outreach, and a strong grassroots network, ICW finds solutions that will preserve the American workforce as this country’s greatest business asset and its strongest resource.

Mission:

The Institute for a Competitive Workforce promotes high educational standards and effective workforce training systems so that they are aligned with each other and with today’s rigorous business demands.

Summer 2007

Introduction

Over the next decade, 78 million baby boomers will retire.¹ But, to both the excitement and dismay of the American business community, the jobs will not go, too. It is more complicated than that.

What seems like a boon may well turn out to be a crisis. Experts agree that by 2010, the U.S. will have 168 million new jobs. Yet estimates suggest that there will be only 158 million workers to fill them.² The already substantial growth in such industries as healthcare, retail, and hospitality will only continue to expand, as will the gains in other industries with a technology base. Yet, everywhere you look, employers are not overly optimistic about the economic future of the United States. How can this be?

Simply put, businesses are struggling to find qualified workers. Making matters worse, employers are finding it increasingly difficult to retain their best employees. Increases in the skills required by employers, coupled with the fact that many employees do not possess the skills demanded and the inability of the workforce and education systems to adapt to changes in a technologically based, global marketplace, have created concern among employers. While such increases in the number of available jobs may seem to be a good problem, it poses a difficult scenario for managers in which they must establish effective, efficient workplaces while maintaining workflow as they reduce absenteeism and turnover, especially among frontline and low-wage workers.

In 2003, the U.S. Chamber of Commerce's Institute for a Competitive Workforce (ICW) conducted a comprehensive survey of employers to identify the most pressing challenges of finding and securing qualified workers.³ The data demonstrated that employers face multiple challenges:

- 50% report having a hard time or very hard time finding qualified job applicants.
- Securing qualified applicants is most difficult for small businesses; nearly 60% of employers with 11 to 50 employees report having a hard time.
- "Recruiting and retaining employees" is identified as an extremely important factor, on par with "remaining competitive."

Experts agree that by 2010, the U.S. will have 168 million new jobs. Yet estimates suggest that there will be only 158 million workers to fill them.



One factor is economics. Many hourly or nonexempt employees (30%) earn low wages—less than \$10 per hour in 2006.⁴ Moreover, 28% live in low-income families, which the government defines as below 200% of the federal poverty threshold.⁵ That adds up to a lot of workers who are struggling to pay for transportation to their jobs and cover bills and expenses, let alone save for the future. They live from paycheck to paycheck, and many do not possess the skills to advance their career, thus allowing them to earn more. Nor do they have the resources to invest in themselves through training.

Many hourly or nonexempt employees (30%) earn low wages—less than \$10 per hour in 2006.⁴ Moreover, 28% live in low-income families, which the government defines as below 200% of the federal poverty threshold.

Needless to say, this hurts the employer as much as the employee. To have unhappy and unstable employees is to have unproductive and unstable workplaces. And no employer wants that. In March 2007, the Institute for a Competitive Workforce (ICW), an affiliate of the U.S. Chamber of Commerce, in partnership

with the New Jersey Chamber of Commerce and the Internal Revenue Service, received a grant from the Annie E. Casey Foundation to conduct a statewide leadership course called “Community Building through the Earned Income Tax Credit (EITC).” The appeal of the course was to show local chambers, their members, and their community partners how the 30-year-old federal EITC program could help their community’s economic and workforce development.

The information contained in this report was culled from both the leadership course and many authoritative sources on the Earned Income Tax Credit, currently known as the United States’ largest antipoverty program. This report could not have been produced without the gracious assistance of the Internal Revenue Service, the Center on Budget and Policy Priorities, the National League of Cities’ Institute for Youth, Education, and Families, the Brookings Institution, the Nehemiah Gateway Development Corporation, and, of course, the support of the Annie E. Casey Foundation.

What is the Earned Income Tax Credit (EITC)?

The Earned Income Tax Credit is a tax credit for workers who do not earn high incomes. If they qualify and claim the credit, they could pay less federal tax, pay no tax, or even receive a refund beyond the amount of tax withheld.⁶

Congress enacted EITC in 1975 for three primary reasons: to offset the burden of Social Security taxes on low-income taxpayers, to supplement wages, and to make employment more attractive than public assistance. Since its inception, EITC has evolved in a variety of ways, increasing the scope and impact of the credit. It is often referred to as the nation's largest and most successful antipoverty program. Businesses support the program because of its link to work. It is not an entitlement program but rather an element of the tax code that benefits the frontline worker. The Center on Budget and Policy Priorities concludes that for some workers, EITC:

- Represents up to a 40% pay increase
- Turns an \$8 per hour job into a \$10 per hour job⁷

Yet, despite the considerable benefit to working families, the Brookings Institution estimates that during the mid-1990s, 15% to 20% of eligible tax filers did not claim EITC.⁹

The Internal Revenue Service (IRS) administers the credit through the standard tax process, which is used as part of a larger asset-development strategy for workers it terms as the “unbanked”—individuals with little or no financial literacy. Research indicates that with a maximum credit of about \$4,700, families often use the refund to pay for necessities, such as repairing vehicles needed for commuting to work, for transportation, or to obtain education or training.⁸ According to the IRS, during the 2005 tax year, approximately 22 million taxpayers received over \$41 billion in EITC funds.

Yet, despite the considerable benefit to working families, the Brookings Institution estimates that during the mid-1990s, 15% to 20% of eligible tax filers did not claim EITC.⁹ Such numbers are attributed to the simple fact that many Americans are unaware of the program. A decade later, the figure is estimated to be closer to 25%.¹⁰



EITC: Cash at Tax Time

These are examples of credits that eligible filers can expect from the EITC for work in 2007:

Single parent, 2 children,
earns \$14,000

EITC: \$4,716

Single parent, 2 children,
earns \$18,000

EITC: \$4,166

Married workers, 2 children,
earn \$25,000

EITC: \$3,113

Source: Center for Budget and Policy Priorities

This publication contains much useful information. You can find an outline of the EITC opportunity in many communities, the value proposition for chambers and businesses to partner with the IRS to promote EITC, the anatomy of an EITC outreach campaign, case studies of communities where the chamber of commerce is actively involved, and other resources on EITC.

Opportunity and Eligibility

EITC lifts 4.9 million people—including 2.7 million children—above the poverty line each year.¹¹ Yet a significant number of families miss out on thousands of dollars annually, and so do their communities. Why is this occurring? Sadly, for a number of reasons, people fail to file for these tax credits:

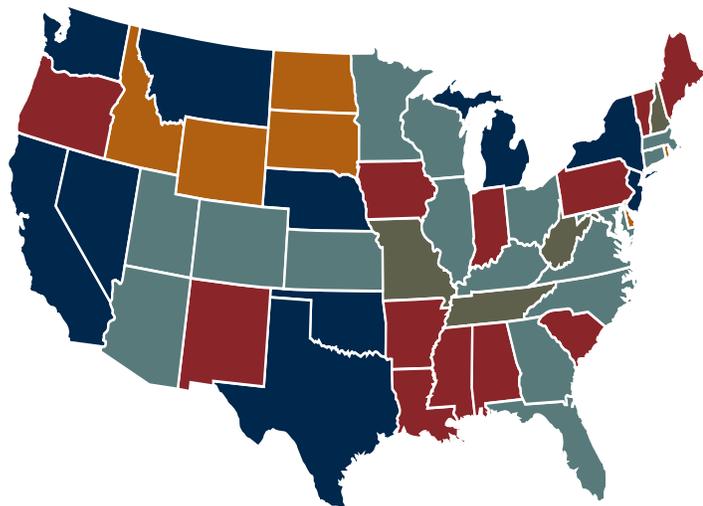
1. Many eligible filers do not know about the credit.
2. Some low-income families may fear that they will owe taxes, and so they do not file.
3. Others may know about the credit, but they fear that they will lose eligibility for other benefits.

The only way to claim EITC and other credits is to file a tax return. So, to add some longer-range perspective to the contents of this guide, EITC is a means of financial literacy education by the IRS and local community for its residents. Conducting an EITC campaign, therefore, is a starting point for educating low-income workers on how to establish their financial stability by allowing them to take advantage of the economic assistance programs available to them.

Nationally, between 15% and 25% of eligible workers and families miss out on tax credits by not filing for EITC. Roughly translated, that means that the U.S. economy misses out on about \$8 million.¹²

Who exactly is eligible to claim EITC? Depending on income level, people who worked full or part time for at least a portion of a calendar year may be eligible for EITC. The IRS publishes guidelines to determine whether a taxpayer is eligible for EITC. These guidelines change from year to year, as both the maximum EITC and income limits are adjusted for inflation.¹³

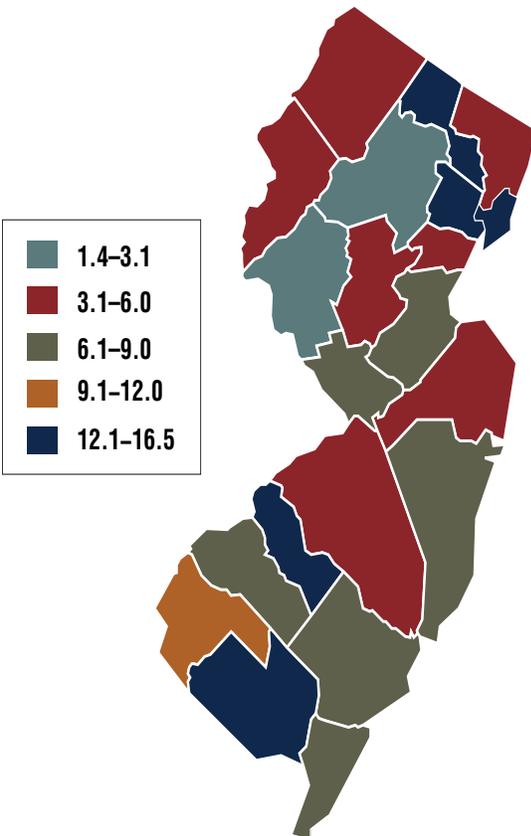
Percentage of eligible EITC recipients failing to file taxes, Tax Year 1996



Source: Metropolitan Policy Program, Brookings Institution

Workers generally at risk of missing out on EITC include the following:

New Jersey poverty percentage rate, by county, 2005



Source: Brookings Institution and U.S. Census Bureau

- Parents who have just entered the labor force
- New parents, including foster and adoptive
- Divorced or separated parents
- Homeless workers and dislocated workers
- Qualified workers who are not raising children
- Parents with older disabled children
- Workers who speak English as a second language
- Workers not otherwise required to file a tax return. That is, those with the following incomes for Tax Year 2006:
 - \$8,450 – single
 - \$10,850 – head of household
 - \$16,900 – married

An important part of recognizing the potential impact of EITC to your community or state is an economic assessment. In March 2007, the New Jersey Chamber of Commerce hosted a forum to discuss New Jersey's economic assessment and how additional EITC funds could help their workforce and economy. The Brookings Institution provided data on the distribution of wealth and poverty in New Jersey to show exactly where EITC campaigns would have the most impact. The data is represented in the graphic to the left:

Examining the data further, it became even more evident where the biggest needs were. Such an examination allows campaigns, which naturally lack a surplus of resources, to concentrate their efforts not only where there is the most opportunity for impact but also where the campaign might have the greatest chance to have an impact. On a local basis, communities, counties, and regions can work with the IRS to do this type of “homework” to better focus their efforts if they decide to further cultivate EITC.

The Case for Business Involvement

Significant portions of the population are eligible for these tax credits. What is the case for business involvement in facilitating greater usage of this program? About three-fourths of the nation's 100 largest cities have some coordinated effort around EITC outreach and free tax preparation. Chambers of commerce and businesses should become involved for four primary reasons:

Build the community's workforce:

The need to find more workers, or stabilize at-risk workers, is extremely important in many communities. The law of supply and demand dictates the outcome—the worker shortfall

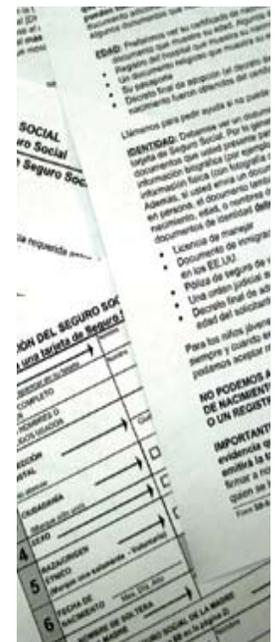
expected in the next decade means that employers will need new strategies to recruit qualified employees. By supporting EITC campaigns, employers can put together a package of wages and tax benefits that provides more financial assistance to families than just their wages. Through EITC, employers can potentially raise their employees' wages by \$1 to \$2 per hour at no cost. Employees can elect to use the Advance EITC, which allows added take-home dollars to be distributed over the course of a year through paychecks. By introducing employees to these benefits, businesses help their employees—and help themselves.¹⁴

About three-fourths of the nation's 100 largest cities have some coordinated effort around EITC outreach and free tax preparation.

Reduce turnover: As noted in a recent ICW publication, employee turnover is expensive for businesses and can be especially crippling to small employers. Because the tax credits help workers take care of day-to-day needs, these credits can help them keep their jobs and promote a more stable workforce. In other words, the credit helps workers to keep working and care for themselves at no cost to the business itself. Workers use their credits to:

- Pay for transportation to the job
- Keep a car in working order
- Pay for job training or education
- Cover child care costs

All of these factors contribute to an employee's stability and productivity on the job, which directly influences the company's sustainability and profit margin.



Economic development: Studies show that for every federal EITC dollar delivered to a community, there is an additional return on that investment spent in the community. For example, officials in the city of San Antonio estimate that each additional \$1 in EITC would generate a further \$1.58 in local economic activity. These officials also note that each additional \$37,000 would result in one additional permanent job.¹⁵ The large sums of EITC dollars claimed in urban areas provide a concentrated cash infusion to local economies—in some cities, more than \$1 million per square mile.¹⁶

In St. Louis, the Regional Chamber and Growth Association started an EITC outreach effort on a shoestring budget in 2003.

The economic impact of the credit reaches beyond the initial dollars, however. For many low-wage workers, the tax refund—including EITC—constitutes the largest payment they receive at one time during the entire tax year. Surveys of taxpayers and analyses of federal

expenditures indicate that most EITC recipients use the funds to meet short- to medium-term needs: buying clothes for their children, replacing old furniture and appliances, repairing a vehicle, or catching up on past-due rent and utility bills.¹⁷

Volunteerism and community goodwill: The EITC is also a means by which citizens, corporate or otherwise, can commit their time to helping the community. Any not-for-profit awareness campaign needs volunteers, and promoting EITC in a community is no different.

In St. Louis, the Regional Chamber and Growth Association (RGCA) started an EITC outreach effort on a shoestring budget in 2003. Eric Schneider, Vice President of Public Policy Research, said the program was an easy sell to the chamber and the business community because of its economic impact.¹⁸ However, once he started mobilizing, Schneider quickly found that the volunteerism involved with EITC got folks excited about helping out. After two years, RCGA turned over the reins of its EITC campaign to a newly-hired executive director independent of the chamber. The chamber still sits on the campaign's advisory committee and has enjoyed the visibility of being connected to the establishment of such a positive effort.

The Outreach Campaign

For chambers and employers who want to increase EITC filings and usage, the best place to start is a local EITC outreach campaign. The good news is that the infrastructure for such a campaign already exists in many communities, thanks to the IRS and various municipal and nonprofit entities that are already working together. The local coalition welcomes support from the business community because it provides a unique and trusted avenue through which to distribute the EITC message.

In cities like Orlando, Florida, and St. Louis, Missouri, the business community saw an opportunity to start such a campaign. Based on the structure and needs in your community, coupled with your organization's resources, your involvement can range from being a leader to being an active planning participant to being a supporting member of an EITC coalition.

The following section looks at the various elements that are common to all EITC outreach campaigns, regardless of who leads them. Case studies are examined in the final section of this publication.

Goals of an EITC Campaign

An EITC campaign can range from a simple effort to raise public awareness to an in-depth initiative that not only informs families about EITC but also helps them claim and make the most out of this benefit. The primary goals and activities for EITC campaigns generally fall into three categories:

- Outreach
- Free tax preparation
- Asset building, or helping citizens establish bank accounts, savings, and financial stability

In most cases, everything the campaign hopes to accomplish contains elements from these three areas. The outreach refers to building understanding and awareness of the program; the free tax preparation is the IRS-facilitated process by which tax payers can take advantage of these tax credits; and asset building is the long-range strategy to assist these workers in advancing their careers. Goals, then, are specific deliverables that in many ways address the three categories. For the state-wide effort in New Jersey that was led by the New Jersey state chamber, the goals were as follows:



Community Building Through the Earned Income Tax Credit

- *Forming Partnerships:* Bring together chamber of commerce leaders, community leaders, financial education representatives, community development corporations, consumer credit counseling services, and others to collaborate in increasing the number of workers claiming EITC—thereby improving retention rates and spurring economic development.
- *Building Capacities of Local Chambers to Engage in EITC Local Initiatives:* Provide comprehensive information on worker support programs, focusing specifically on EITC, to allow local chambers to help their business members retain and advance qualified and productive entry-level workers.
- *Implementing Regional Change:* Work with local chamber teams to establish clear action plans for implementation upon return to their communities. Connect coalition members to each other to share strategies and promising practices in order to replicate successes. Connect local chambers with regional existing EITC campaigns.
- *Influencing State Policy:* Work with state advisory teams to develop strategies for influencing state policy, which will spur EITC outreach campaigns and coalition-building.

Broad-based coalitions are essential. To have just one or two organizations tackle all of the above objectives would require a full-time commitment, and that is not feasible (or wise) for most organizations. Therefore, most new campaigns are modestly sized and aim for only a portion of the activities described above.

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Clearly, more ambitious campaigns require additional staff time and resources. Yet campaigns that simply focus on public awareness without addressing tax preparation needs or helping families convert refunds into longer-term assets will not have the same financial

impact for eligible residents. Each campaign needs to make a decision (and constantly re-evaluate that decision) on how much time and effort that campaign

can spend in comparison to what it hopes it can accomplish.

Finally, on the most basic level, when working with the IRS on the ground, there are specific performance goals or measurements that any community must address with a campaign:

Before setting out to build an EITC coalition, examine the current status of any existing community efforts in order to maximize resources and not duplicate ongoing initiatives.

- Increase in the number of EITC outreach activities, thereby increasing the awareness of EITC among eligible EITC taxpayers
- Increase in the number of eligible EITC taxpayers using various Volunteer Income Tax Assistance (VITA) sites
- Increase in the number of VITA volunteers
- Increase in the number of eligible workers claiming EITC

Building and Branding a Local Coalition

While EITC campaigns come in different shapes and sizes, many communities have had success using a coalition model that taps into the resources and capacity of multiple stakeholders. While it is certainly possible to run a campaign primarily through a city agency or another local organization, having many groups participating in an EITC initiative increases the number of residents that a campaign is likely to reach, improves long-term sustainability, and spreads the burden among several organizations. In fact, recent research by Michigan State University suggests that the coalition model produces a higher community impact relative to cost than other models.¹⁹

Before setting out to build an EITC coalition, examine the current status of any existing community efforts in order to maximize resources and not duplicate ongoing initiatives. In some communities, a coalition of organizations interested in EITC issues may already exist and would simply be looking for another partner. The IRS keeps records of the activities of all formal existing coalitions nationwide. You should contact your local IRS territory manager to acquire this information.

In other cases, there may be organizations that are already engaged in some aspect of EITC outreach, free tax preparation, or asset development. But these efforts may not be coordinated. As conveners, chambers can facilitate

Sample EITC Coalition

The coalition in Cincinnati, Ohio, is dubbed the “Make Work Pay in Cincinnati EITC Partnership.” The 35-member organization coalition is headed by the Mayor’s office and is supported by two chambers of commerce. More information is located at www.makeworkpay.com.

Core Planning Group

- Association for the Improvement of Minorities in the Internal Revenue Service
- City of Cincinnati
- Consumer Credit Counseling Services
- IRS - Stakeholder Partnerships, Education and Communication (SPEC) Office
- Legal Aid Society
- National City
- Smart Money Community Services
- Starboard Strategy Corporation
- United Way of Greater Cincinnati

Coalition Members

- Association for the Improvement of Minorities in the Internal Revenue Service
- City of Cincinnati
- Consumer Credit Counseling Services
- Legal Aid Society
- National City
- Smart Money Community Services
- Starboard Strategy Corporation
- United Way of Greater Cincinnati
- Other Coalition Members
- AFL-CIO
- African-American Chamber of Commerce
- Baptist Ministers’ Conference
- Boys and Girls Clubs
- Cincinnati Bell
- Cincinnati Childrens’ Hospital Medical Center
- Cincinnati Metropolitan Housing Authority
- Cincinnati Public Library
- Cincinnati Public Schools
- Cinergy
- City of Cincinnati Health Department
- City of Cincinnati Recreation Department
- Community Action Agency
- Convergys
- FreeStore/FoodBank
- Give Back Cincinnati
- Cincinnati USA Regional Chamber of Commerce
- Greater Cincinnati Water Works
- Hamilton County Women, Infants, and Children (WIC) Program
- Housing Opportunities Made Equal
- Inclusion Network
- National Association for the Advancement of Colored People (NAACP)
- Over-The-Rhine Community Council
- Phoenix Community Learning Center
- Procter & Gamble
- Second Harvest
- SuCasa Hispanic Ministries
- U.S. Dept. of Housing and Urban Development
- Urban League of Greater Cincinnati
- WBDZ-AM “The Buzz”
- WCIN-1480-AM
- WIZF “The Wiz”
- WMOJ
- Working-In-Neighborhoods
- Xavier University
- YWCA

Source: Internal Revenue Service

The Outreach Campaign

connections among these independent stakeholders to see if working together under one umbrella organization would be a viable option.

Potential Partners

In the best of situations, a wide variety of organizations, public agencies, and businesses collaborate to reach workers who are missing out on EITC. Think creatively about how EITC benefits or fits with the mission of various sectors of the community. Identify these potential outreach partners in your community. Make sure they know about EITC and how to promote it. Outreach partners may include the following:

- *Chambers of commerce, businesses, and other civic organizations*
- *Financial institutions*, which often are interested in developing new business and demonstrating their support for the community
- *State and local government agencies*, such as the office of economic or community development
- *Community development corporations*
- *Labor unions*

Denver Working Together

Public officials: A Denver city councilwoman distributed flyers in 2,000 Christmas baskets to low-income residents in her district.

Employers and local businesses: The Denver Chamber of Commerce and the mayor's office sent a joint letter to 2,400 businesses, urging them to promote EITC to their employees. As a follow-up, 7,000 brochures were distributed.

Schools: Denver public schools sent EITC stuffers home with 72,557 primary school students.

Media: 30-second ads aired on a local TV station, helped get posters put on buses, and promoted EITC through live call-in show "Good Day."

Banks: Colorado Saves and U.S. Bank provided credit counseling and established bank accounts.

Other: Libraries, laundromats, foster care homes, labor unions, grocery stores, and workforce centers displayed information in high-traffic areas.

Result: Tax preparation site prepared more than 1,600 returns with \$782,000 in EITC refunds.

Source: Center on Budget and Policy Priorities

Community Building Through the Earned Income Tax Credit

- *Utility companies*, which understand that money from EITC claims may be used to pay bills
- *Community organizations and institutions*, such as foundations, libraries, food banks, and homeless shelters, which have resources they can dedicate
- *Public schools systems and community colleges*, which can reach out to parents who qualify for EITC or even act as host sites for free tax preparation
- *Nonprofit health and human services providers*
- *Faith-based organizations*
- *Advocacy and grassroots groups*

Most coalitions start small or grow over time to include a number of partners. Locally, a large city coalition can include as many as 30 to 40 members like the coalition in Cincinnati, Ohio. One of the often overlooked benefits of running an EITC campaign is the chance to collaborate and form relationships outside a business's normal purview. The IRS, the United Way, and the mayor's office are all common and valuable partners in EITC campaigns.

Developing Multiple Strategies for Message Delivery

The most successful campaigns use multiple channels to reach their target audience. Likewise, these campaigns customize their messages based on the channel through which the message is delivered. The message to the business community through a chamber of commerce will not be the exact same message broadcast by the mayor's office or the public school district. It is important for coalitions to work in concert when communicating the EITC message.

The message to the business community through a chamber of commerce will not be the exact same message broadcast by the mayor's office or the public school district.

In Denver, Colorado, a number of major organizations under the umbrella leadership of the Denver Asset Building Coalition contributed to reaching out to the EITC-eligible population.

Like any program that requires publicizing its messages in multiple venues, coalitions must be attuned to the specific needs of their community. There are a variety of ways to publicize your message and reach out to your community's workforce. A few specific examples of ideas for this type of outreach are contained in the case study section of this report.

Free Tax Preparation

A crucial portion of an EITC campaign is free tax preparation. Too often, low-wage earners pay a premium fee to get immediate refunds. As part of the IRS' administration of the EITC campaign, free tax preparation is available through Volunteer Income Tax Assistance (VITA) sites. These sites act as the free alternative to predatory lending practices, commercial tax preparation fees low- and moderate-income workers cannot afford, and Refund Anticipation Loans (RALs).

Overview of Five Financial Literacy Curricula

Money Smart

Money Smart is one of the most popular financial literacy curricula among community organizations. It is offered by the FDIC, and consists of ten modules including basic banking, credit, saving, home ownership, and consumer rights aimed at adults with little or no banking skill.

<http://www.fdic.gov/consumers/consumer/moneysmart/>

CreditSmart

CreditSmart is a money management and credit improvement curriculum developed by Freddie Mac in concert with five historically black colleges.

<http://www.freddiemac.com/creditsmart/>

Get the Facts: the SEC's Roadmap to Saving and Investing

Get the Facts is a free Web-based exercise provided by the Securities and Exchange Commission. The content is related to the basics of saving and investing toward certain goals. Although some of the information is basic, it is targeted toward people who have some resources to invest.

<http://www.sec.gov/investor/pubs/roadmap.htm>

All My Money

All My Money was designed by the University of Illinois Cooperative Extension for use by community agencies. There are 16 modules, including budgeting and spending, credit, banking, debt, insurance, benefits, and taxes. This curriculum was used by the Sargent Shriver National Center in its Financial Links for Low-Income People pilot.

<http://www.ace.uiuc.edu/cfe/mymoney/>

Growing Your Money: Personal Financial Tools

Growing Your Money is Fannie Mae's entry into the financial literacy field. It is a shorter curriculum, with four sessions covering spending, banking, savings, credit, and getting loans. The participant workbooks are interactive and full of individual narratives and examples.

http://www.fanniemae.foundation.org/programs/finance_tools.shtml

Source: DuBuisson, Eva and Lucy Gorham, "Strategies for Linking Your Community Tax Campaign to Asset Building," National Community Tax Coalition, November 2004

The VITA program is an IRS program designed to help frontline and hourly wage workers complete their annual tax forms. Every year around mid-January, volunteers working with local nonprofit agencies designated by the IRS begin to mobilize and set up centers in various communities. Clients are eligible for this free service if they have an income below the maximum EITC limit (as of May 2007, around \$39,000). The IRS sponsors the training for volunteers who file the tax returns through a standardized software package. The IRS generally deposits refunds to a tax filer's bank account within 7 to 12 days.²⁰ Opening and staffing new VITA sites are always crucial factors. They generally open in late January to early February, when the majority of EITC-eligible workers file. You can find out where the existing VITA sites are in your community by calling your local IRS territory manager. Among the most common venues for VITA sites are community colleges, community centers, libraries, public schools, shopping malls and retail centers, churches, and United Ways.

Asset Building Strategy

Finally, in an effort to encourage recipients of EITC to become more economically literate and begin to build assets, communities often put together financial literacy training classes on a variety of topics—Individual Development Account programs and first-time homeowner loans, for example—to help frontline and hourly wage workers establish stability and security.

Why should a business organization become part of an EITC coalition? According to a report from the Center for Social Development at Washington University in St. Louis, Missouri,²¹ assets are associated with the following benefits:

- Increased household economic stability
- Decreased economic strain on households
- Greater educational attainment
- Decreased risk of intergenerational poverty transmission
- Increased health and satisfaction among adults
- Increased local civic involvement

There are many different ways to offer financial literacy and asset building training in your community, but nationally recognized programs exist to help a community get started.

Funding a Campaign

While it is not necessary that a chamber of commerce or the business community specifically fund a campaign—you can do a lot as a partner without a budget—it is an option that is worth consideration. For that reason, this sections looks at some of the ways these campaigns are funded.

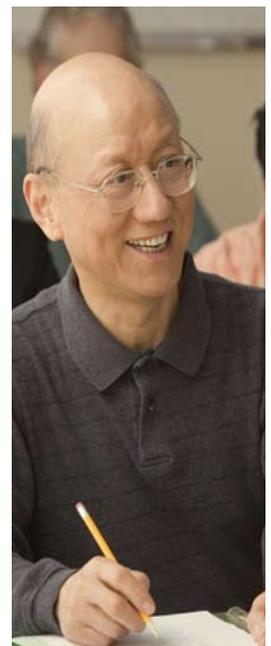
EITC initiatives and the funds needed to sustain them can range from modest (less than \$10,000 plus some in-kind support) to significant (\$700,000 for a very extensive, institutionalized, year-round effort in a large metropolitan area). A more common budget for a significant EITC/free tax preparation campaign in a larger city (more than 500,000 people) is around \$80,000–\$90,000. The amount is smaller if the city size and/or campaign scale are not as large.²²

Typical costs include:

- Wages for any paid staff
- Marketing and outreach costs
- Free tax preparation site costs
- Volunteer recruitment and training costs

In-kind contributions by partners can often cover a significant share of these overall costs. Most EITC outreach and free tax preparation campaigns take advantage of multiple funding opportunities to cover the costs of operating their campaigns. Initiative partners may look to local and national foundations, nonprofits and community groups, the United Way, corporations, employers, and private individuals for in-kind and financial support.²³

- **City Investments:** A number of cities have recognized the payoff to the local economy and decided to use municipal resources to invest in EITC campaigns. The statewide initiative in Delaware was started through a grant from the state government. In addition, municipal government chose to make some strategic investments of staff time, city space, or creative uses of other municipal resources.
- **Community-based Organizations:** Community-based organizations such as the United Way can provide support in many ways, including donating space for free tax preparation sites, assisting with mailing and copying, and recruiting volunteers.
- **Foundation Support:** Leaders can also seek funding from private foundations to develop an EITC outreach campaign or for specific elements of their outreach. Community foundations, in particular, may have a special interest in an area's economic health.



- *Financial Institutions:* Banks and credit unions may be willing to put money into local projects or sponsor free tax preparation sites. Financial institutions may want to establish a free tax preparation site as a community resource and as a way to identify potential clients.

When seeking funding, it is important to state your vision, present attainable goals, and show exactly how sustainable your funding plan is.

On the west coast, San Francisco Works is seeking to develop a sustainability strategy. To meet the financial goals of the campaign and to secure ongoing commitments from at least five resource partners, San Francisco Works is exploring

short- and long-term funding or institutionalization through such public entities as local government, the California Department of Social Services, and AmeriCorps. San Francisco Works is also working with the private sector—banks, insurance firms, and the retail sector.²⁴

When seeking funding, it is important to state your vision, present attainable goals, and show exactly how sustainable your funding plan is. Funders will be interested in the amount of money that has come into the community and what it has meant to improving the lives of low-wage workers. Data on outreach may include process indicators—for example, the number of people reached with mailers or public service announcements (PSAs)—as well as outcome indicators, such as data demonstrating how many more people claimed EITC for the first time in one tax season compared to the year before. Coalitions can quantify the success of free tax preparation sites by reporting the number of tax returns that were filed and the value of EITC claims that families receive as a result.²⁵

Conclusion

The biggest challenge of any campaign centered on EITC continues to be awareness. Nationally, 15% to 20% of eligible filers simply do not know about the credit, don't understand how it works or how to file for it, or have an incorrect understanding of its benefit. This 15% to 20%—perhaps even 25%—of unclaimed refunds results in millions of dollars lost each year by the workforce and by the neighborhoods that those workers call home.

The business community can help its workers, its community, and its bottom line by promoting EITC at tax time. Chambers of commerce are in a unique position, with the ability to effectively reach the employers in their region and to help convene the major community stakeholders that a campaign needs to be successful.

Nationally, 15% to 20% of eligible filers simply do not know about the credit, don't understand how it works or how to file for it, or have an incorrect understanding of its benefit.



Endnotes

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- 2 *Welfare to Work: An Economic Boost*, Institute for a Competitive Workforce (Spring 2004), p. 1.
- 3 *Recruitment and Retention of the Frontline and Hourly Wage Workforce: A Business Perspective*, Institute for a Competitive Workforce (April 2007), p. 2–3.
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- 22 Bosland and Hughes Holsclaw, p. 19–21.
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Case Studies

A Look at How Chambers of Commerce Contribute to Their Community's Earned Income Tax Credit Campaign



Orlando, Florida Extra Credit Community Campaign

www.extracreditorlando.org

ExtraCredit is a three-year community campaign to promote the EITC in Orange County. The campaign is a business-led community initiative sponsored by the Orlando Regional Chamber of Commerce and funded by the Edyth Bush Charitable Foundation, the City of Orlando, and Orange County Government.

The coalition has close to 30 partners and was launched in 2004 based on similar efforts in the state of Florida, most notably the highly successful Greater Miami Prosperity Campaign, which is also featured as a case study in this publication.

Campaign Goals

At the outset of the campaign, the partners laid out the following goals:

- Aggressively promote the campaign and Web site
- Meet with 500 employers and organizations through unique “Refund Roundups”
- Promote coalition goals and activities in faith-based and Hispanic communities
- Increase EITC filings at coalition’s VITA (Volunteer Income Tax Assistance) sites

To achieve these goals, the coalition put together a multipronged strategy of collaboration and partnerships, special events called Refund Roundups, and outreach directly to the business community as well as to the general public through the media.

Campaign Strategy—Collaboration and Partnerships

The chamber leads the campaign and as campaign leader has done the following:

- Forged partnership with United Way to establish a hotline that serviced more than 950 ExtraCredit telephone inquiries via the 211 hotline.
- Recruited multiple partners to assist with outreach to economically challenged communities to strategically locate VITA sites to serve them.

- Forged partnership with Ana G. Mendez University to host the 2006 campaign launch on January 12 and operate a premier Hispanic VITA site at their campus.
- Partnership with LYNX and Transit TV to produce a public service announcement (PSA) with 13 weeks of coverage from January to April and more than 1.45 million exposures to LYNX bus riders. 60% of LYNX bus riders take the bus to work and 75% live in Orange County. More than 40,000 people ride the bus every week. Also marketed the campaign in 150 of LYNX's business outlets.
- Partnership with Orange County Utilities Department to circulate 120,000 campaign bill inserts in January. Partnership with Orlando Utilities Commission to have a bill message printed about the campaign.

Informative Refund Roundups

The campaign implements a unique “business-to-business” model, providing employers with informative sessions about EITC and the campaign and then providing them with promotional tools for their workplaces. Here is a look at these Refund Roundups:

- 20 Chamber In-house Refund Roundups – 105 employers reached
- 87 Outside or Special Refund Roundups – 1,013 employers reached
- 11 Faith-based Roundups – 220 employers and organizations reached
- One-on-one meetings with business organizations and employers

The Coalition

- Orlando Regional Chamber of Commerce
- Central Florida Hotel & Lodging Association
- City of Orlando
- Edyth Bush Charitable Foundation
- Internal Revenue Service – Stakeholder Partnerships, Education and Communication (IRS-SPEC)
- LYNX – Central Florida Regional Transportation Authority
- Orange County Government
- AARP Tax-Aide FL-2
- Association of Communities Organizing for Reform Now (ACORN)
- Ana G. Mendez University
- Associated Catholic Charities
- Bank of America
- Barry University Law School
- Central Florida Educators Credit Union (CFE)
- Florida Agricultural and Mechanical University Law School
- Goodwill Industries
- Heart of Florida United Way
- Hispanic Christian Church Association
- The Hope Church of Orlando
- Legal Aid
- Orange County Public Schools
- Orlando Utilities Commission (OUC)
- Progress Energy
- Publix Supermarkets
- Smart City
- Social Security Administration
- Universal Studios
- Valencia Community College (VCC)

Business and Media Outreach

The chamber leverages its multiple communications channels as well as its relationships with the media to disseminate information to the business community and general audiences. Here is a look at their outreach activities:

- **Web and Electronic Media**

Provided Web tile and electronic articles, and a sample letter of endorsement to all Community Advisory Committee members and Refund Roundups participants. Distributed more than 1,000 Web tiles and electronic materials. It now includes the following:

 - All brochures in downloadable formats
 - A checklist of documents needed when filing your taxes
 - A 211 Web link and number
 - A VITA site information listing with maps
 - A downloadable listing of VITA sites
 - A LYNX Bus Route Map
 - A VITA Volunteer Recruitment page with training information and a schedule

- **Special Business and Customer Outreach**
 - Central Florida Educators Credit Union bank statements
 - 110,000 customers
 - LYNX 150 Bus business outlets, Orlando Federal Credit Union
 - 23,000 customers
 - Workforce Central Florida – 6,000 business customers
 - Orange County Utilities bill statements – 120,000 customers
 - Orange County Library System – 15 branches

- **Print Media**
 - Orlando Sentinel newspaper – 2 articles
 - El Nuevo Día newspaper – 1 article
 - La Prensa newspaper – 2 articles
 - El Sentinel – 2 articles

- **Radio**
 - Radio Interviews 95.5 Star Radio Cox Community Radio Show
 - WDBO Morning Show
 - 1030 AM Siempre Contigo Radio Show

Case Studies

- 1220 AM Titi Chagua Radio Show
- 1220 Informativa tu Salud Radio Show – 3 interviews
- Radio Luz Radio Show – 2 interviews
- Radio La Fantastica Besos y Abrazos Radio Show
- 103.1 FM – 211 and ExtraCredit radio ads

- **Television**
 - Orange TV – Orange Community Café TV Show
 - ExtraCredit Campaign Launch at Ana G. Mendez University, Telemundo, Univision, and Fox 35 TV
 - Hispanic Speak Out TV Show (aired 36 times in 2 weeks) – 90,000 households

- **Publications**
 - FirstMonday magazine – 10,000 circulation
 - Every Monday electronic magazine – 10,000 circulation
 - Asia Trend Magazine – 2 ads
 - Orlando Regional Hospital employee publication – 17,000 employees
 - Orange County Public Schools letter from Superintendent Ron Blocker – 22,000 employees

Campaign Results

The campaign, through its business-to-business model, was able to claim the following results:

Total Refund Roundup sessions	118
Total employers reached	1,158
Total number of employees and members represented	668,000

In addition, the campaign VITA sites were able to report the following results:

- EITC filed in the 2005 VITA sites increased by 56%, from 748 in Tax Year 2004 to 1,167 in Tax Year 2005.

- The average VITA EITC refund increased by 9% or \$129 dollars, from \$1,383 in Tax Year 2004 to \$1,512 in Tax Year 2005.

Community Building Through the **Earned Income Tax Credit**

- The total VITA EITC dollars increased by 80%, from \$1 million in Tax Year 2004 to \$1.8 million in Tax Year 2005.
- Through April 2006, the ExtraCredit VITA sites prepared more than 1,914 tax returns and contributed more than \$1,240,847 in EITC and approximately \$2.9 million in refunds back to the community.

Sources: Internal Revenue Service and the Orlando Regional Chamber of Commerce

Greater Miami Prosperity Campaign

www.prosperitycampaign.org

The Greater Miami Prosperity Campaign (GMPC) was developed to bring federal dollars to the community and increase the capacity of frontline and hourly wage to accumulate wealth. To ensure the success of the new EITC endeavor, a coalition including the mayors of Miami and Miami-Dade County, the Greater Miami Chamber of Commerce, Internal Revenue Service, Federal Reserve Bank, U.S. Department of Housing and Urban Development, and the local United Way, among others, joined forces to map out an aggressive, coordinated campaign strategy.

At the center of the campaign was the leadership of the business community, demonstrating that EITC would prove to be a “No Cost Win-Win-Win” benefiting the business community, its workforce, and the broader economy as federal dollars would be recirculated in the local economy and invested in area assets and savings. The campaign sought and gained funding from the John S. and James L. Knight Foundation, the City of Miami and Miami-Dade County, the Annie E. Casey Foundation, and the Bank of America Foundation.

Strategies

- **Outreach Strategy:** To increase awareness of EITC among the residents of Miami-Dade County. This is being accomplished in several ways, through community-based and faith-based organizations and through business leaders.

Partners

- Greater Miami Chamber of Commerce
- City of Miami Mayor Manny Diaz and staff
- Federal Reserve Bank of Atlanta, Miami Branch
- Hands on Miami
- Human Services Coalition
- IRS – SPEC
- John S. & James L. Knight Foundation
- Miami-Dade County
- Miami-Dade County Mayor Carlos Alvarez
- South Florida Workforce
- U.S. Dept. of Housing and Urban Development
- United Way of Miami-Dade
- AARP
- ACCION U.S.A.
- Colombian American Service Association
- Greater Bethel AME Church
- Harvest Fire
- Miami Herald
- Miami-Dade County Public Schools
- Miami-Dade Weed and Seed
- Minority Development and Empowerment
- Opa-Locka Community Development Center
- Overtown Youth Center
- Sant La Haitian Neighborhood Center
- Touching Miami with Love
- World Relief
- Youth Co-op

Community Building Through the Earned Income Tax Credit

- *Tax Preparation Strategy:* To offer free tax preparation to low-income taxpayers in the City of Miami, primarily in the Little Havana, Little Haiti, Overtown, and the Liberty City/Brownsville and Northwest Miami-Dade County neighborhoods. The focus of the Greater Miami Prosperity Campaign is to serve taxpayers who are income-eligible for EITC.
- *Asset-Building Strategy:* To offer Individual Development Accounts to qualified taxpayers that will help them become first-time homeowners or to start a microenterprise business.

Significant Coalition Activities

Using the results of a local survey commissioned by the campaign, outreach efforts were targeted toward different communities using culturally appropriate methods, such as interface with notary publics in the Hispanic community and radio outreach in the Haitian-Creole community. The campaign enlisted five community-based organizations as partners to provide prototype “Prosperity Centers,” where volunteer tax preparers from the community learned how to use state-of-the-art e-filing software. These partners are now engaged in financial literacy training with their customers and plan to move into the asset development arena with guidance from the campaign’s technical team.

- *Production and distribution/display of marketing materials*
Consumer flyers: 10,000 in English; 10,000 in Spanish; 5,000 in Creole
Business flyers: 9,000
Metrorail: 200 ads in trains, 50 ads on benches
Metrobus: 200 ads in buses
GMPC Web site: www.prosperitycampaign.org received 20,000 hits
- *Business outreach*
Presentations to 200 large employers and organizations
Total reached through business outreach: 200,000
- *Telephone information*
Telephone line with recorded message: 25,000 calls
Office of Miami Mayor Diaz hotline: 35,000 calls

Case Studies

- *Media advertising*

Ads in English, Spanish, and Creole in 60 community newspapers

Radio spots in English, Spanish, and Creole aired on 20 AM stations

Results

Specifically, the Miami EITC program produced a 13% increase in EITC filings, resulting in an additional \$62 million being returned to the hard-working families of Miami. The Miami EITC program was presented to more than 100 businesses; 200,000 low-wage workers learned about EITC in their workplace; 35,000 people accessed the city's hotline; 25,000 people accessed the dedicated EITC recorded message; and 45,000 hits were recorded on the Web site.

In addition, five “Prosperity Centers” were established to serve needy communities. These community partners provided space, equipment, and staff time to the operation of the Prosperity Centers, which were staffed by volunteer tax preparers and coordinated by Human Services Coalition staff. Here's a look at what was needed and what was accomplished:

- 190 volunteers were trained to prepare tax returns
- 65 volunteers donated 657 hours
- 340 tax returns were successfully prepared and filed
- 132 tax returns allowed for direct deposit of refunds into savings/checking accounts
- 50 new bank accounts were opened to allow for direct deposit of refunds
- \$411,585 in refunds was successfully claimed
- \$204,002 in EITC refunds was successfully claimed
- 1 home was purchased with refund money
- 46 candidates were identified for preparation of amended tax returns for previous years of unclaimed EITC

Sources: Internal Revenue Service and the National Community Tax Coalition

Earn It! Keep It! Save It! San Francisco and the Working Families Credit

www.earnitkeepitsaveit.org

www.workingfamiliescredit.org

San Francisco Works (SF Works) is a nonprofit organization founded in 1997 to support the San Francisco business community's involvement in welfare-to-work activities. SF Works was established as a partnership between the San Francisco Chamber of Commerce, the Committee on Jobs (a coalition of the city's 35 largest businesses), and the United Way of the Bay Area and has always been housed within the chamber of commerce. SF Works is a program of the San Francisco Chamber of Commerce Foundation. In recent years, the organization's focus has shifted toward building the careers and self-sufficiency of frontline and hourly workers. SF Works accomplishes this goal by developing pioneering and practical solutions that benefit employers and their workers and are delivered through a network of business, government, and community relationships.

SF Works has long marketed tax credits as a resource for both employers and their workers. Employers are often unaware of the federal and state hiring tax credits for which they may qualify. Likewise, many eligible workers often fail to apply for the Earned Income Tax Credit. SF Works has helped make the economic development case within San Francisco for these credits; i.e., because of lack of take-up, the City is losing out on federal resources that could be flowing into its low-income communities.

Consistent with its efforts, SF Works is a key member of the steering committee for the local United Way's Earn It! Keep It! Save It! Campaign that focuses on connecting low-income individuals to free tax preparation resources. In addition, in 2003, SF Works spearheaded community advocacy for the creation of the Working Families Credit (WFC), a local match to a portion of families' EITC return. Currently approaching its fourth year, the WFC draws attention to – and incentivizes take up of – the EITC. SF Works has helped the City secure large corporate contributions for marketing of the WFC and its linkage to the EITC. More recently, SF Works has worked with the City and Earn It! Keep It! Save It! to also incorporate marketing of other public and community resources into their campaigns.

Strategies

- **Outreach Strategy:** For FY2006, increase the level of EITC refunds claimed. Also promote the Working Families Credit (WFC), San Francisco's version of EITC.
- **Tax Preparation Strategy:** For FY2006, increase the number of taxpayers who claim EITC through Volunteer Return Preparation Program (VRPP) sites by 10% by increasing the following:
 - Total EITC claimed: \$2.5 million to \$2.8 million
 - Number of tax returns: 5,428 to 5,971
 - Prepare the application for the Working Families Credit.
- **Asset-Building Strategy:**
 - Use the EITC campaign as an entry point to help increase low-income families' knowledge about financial literacy and training opportunities, other underutilized public benefits, and participation in Individual Development Accounts (IDAs) by developing a method of serving low-income families and offering financial education.
 - Use volunteer financial counselors at selected VRPP sites to advise EITC-eligible taxpayers of other potential benefits such as food stamps, IDAs, and social services.

Earn It! Keep It! Save It! San Francisco Partners

- SF Works
- Internal Revenue Service
- San Francisco EARN
- Tax-Aid (private nonprofit)
- United Way of the Bay Area
- ACORN
- Arriba Juntos
- City of San Francisco
- Evelyn and Walter Haas Jr. Fund
- Federal Deposit Insurance Corporation (FDIC)
- Federal Reserve Bank of San Francisco
- Homeless Prenatal Program
- Levi Strauss
- Mercy Housing of California
- Northeast Community Federal Credit Union
- San Francisco Housing Authority
- San Francisco Human Services Agency
- San Francisco State University
- University of California (UC) Hastings College of the Law
- Urban Strategies Council
- Walter and Elise Haas Fund
- The Women's Building

Major Activities

- Having helped more than 9,600 families in its first year, San Francisco Mayor Gavin Newsom and Treasurer José Cisneros kicked off the Working Families' Credits second year with a press conference on the steps of City Hall that highlighted free

tax assistance opportunities and unveiled a new marketing campaign in English, Chinese, and Spanish. The campaign, called “Where’s George?”, was funded and created by H&R Block, and the San Francisco office of advertising company McCann-Erickson.

- The steering committee reviewed the Earn It! Keep It! Save It! San Francisco! Campaign funding status and needs, established the campaign goals for the 2006 filing season, discussed return preparation and asset-building volunteer training options, and developed an operating structure that includes the following workgroups: (1) Tax assistance to focus on recruiting, training, and establishing VITA sites; (2) Asset development to focus on the benefits of EITC and use the VITA sites to increase financial literacy and expose low-income families to asset development strategies; and (3) Outreach and community organizing to leverage marketing and outreach plans from surrounding EITC campaigns and better address coalition sustainability concerns (e.g., fundraising, steering committee membership, and continued marketing to local agencies, political offices, and community-based organizations).

Results

During the 2006 filing season, the Earn It! Keep It! Save It! San Francisco campaign operated 32 VRPP sites. 8,284 returns were prepared, bringing \$3,974,956 in EITC into the community and claiming \$9,237,467 in total refunds. Volunteers also prepared applications for the Working Families Credit (WFC). In total, more than 12,500 taxpayers applied for the WFC via a variety of methods.

Sources: Internal Revenue Service and SF Works

St. Louis Gateway EITC Community Coalition (GECC)

www.gecc.us

The Gateway EITC Community Coalition was started by the St. Louis Regional Chamber and Growth Association (RCGA) in July 2002. The coalition is working to bring an estimated \$30 million in unclaimed EITC refunds into the hands of low-income households in the St. Louis region.

According to Eric Schneider, vice president of public policy research for the chamber, the early efforts included working with the IRS, fundraising, establishing VITA sites, and enlisting volunteers. The GECC includes the RCGA, the United Way of Greater St. Louis, Catholic Charities of St. Louis, The Salvation Army, the Center for Economic Progress, and the IRS, among others.

Strategies

- **Outreach Strategy:** Provide educational outreach on unclaimed EITC and eligibility for EITC. With the help of subcommittees, provide marketing and promotional materials about EITC and the free tax preparation sites to community organizations and groups.
- **Tax Preparation Strategy:** Establish free electronic filing sites for low-income, EITC-eligible taxpayers. Utilize the “Super Site” concept for one-day promotional events and establish ongoing sites.
- **Asset-Building Strategy:** Expand the use of U.S. Bank, National City Bank, FDIC, and the United Way Individual Development Accounts

Partners

- AARP
- ACORN
- Annie E. Casey Foundation
- Area Resources for Community and Human Services (ARCHS)
- Better Family Life
- Catholic Charities
- Center for Economic Progress
- Connections to Success
- Employment Connections
- International Institute of St. Louis
- Internal Revenue Service
- Grace Hill
- Jewish Community Relations Council
- MERS Missouri Goodwill Industries, Inc.
- MET Center
- National Association of Black Accountants (NABA)
- National City Bank
- The Regional Commerce and Growth Association (RCGA)
- The Salvation Army
- Shiloh Education Center
- St. Louis Community College District
- St. Louis Public Schools
- The United Way of Greater St. Louis
- University of Missouri-St. Louis
- U.S. Bank
- The Youth and Family Center

Community Building Through the Earned Income Tax Credit

(IDA) function to establish bank accounts for the “unbanked.” Utilize banking resources and grant sources to encourage more IDA participation by organizations. Promote use of IDAs to frontline workers.

Significant Coalition Activities

- St. Clair County Board Chairman John Baricevic, St. Louis Mayor Francis Slay, and St. Louis County Executive Buzz Westfall declared February to be EITC Month and encouraged citizens to file for the Earned Income Tax Credit.
- Distributed disability outreach material to 4,700 people and provided signs at Super Saturdays. The future plan is to develop disability initiatives to include other organizations (ARC, Independent Living, Easter Seals, etc.).
- In the past year, the coalition was incorporated in the State of Missouri, granted 501(c)(3) status, and established a Web site.
- For the future, the coalition plans to secure grants to provide resources for the coalition and to supplement subcommittees with volunteers from other community and business organizations.

Results

- Between January and March of 2006, 148 volunteers helped almost 1,200 local residents with incomes of less than \$35,500 prepare their taxes and file for refunds from EITCs.
- For the 2006 filing season, the coalition experienced an increase of 19.5% in e-file returns for a total of \$1,291,910 in refunds, with approximately \$496,423 in EITC refunds and an average EITC refund of \$1,210.79. Ten IDA accounts were opened. Child tax credits totaled \$186,158.

Sources: Internal Revenue Service and the St. Louis Regional Chamber and Growth Association

Appendixes



Appendix A

Sample IRS Local Coalition Report

IRS-SPEC Partner Coalition FY-06	
Please Check One: Existing [<input type="checkbox"/>] Emerging [X]	
TERRITORY NAME:	Omaha
FORMAL NAME OF COALITION:	Lexington Tax Credit Coalition
COALITION WEB SITE:	N/A
KEY COALITION CITY/STATE:	Lexington, NE
COALITION CHAIR'S NAME AND ORGANIZATION:	Lexington Foundation
COALITION CHAIR'S E-MAIL ADDRESS/PHONE#:	lexfoundation@alltel.net
DATE COALITION STARTED AND GEOGRAPHICAL AREA COVERED:	2005, Lexington/ Dawson County
STRATEGIES – briefly define each strategy, if applicable	
Outreach Strategy:	Increase the awareness of EITC, AEITC, CTC, and e-filing through media outlets, partner mailings, and community outreaches. Utilize various employers, churches, and community services to expand assistance.
Tax Preparation Strategy:	Use the new equipment donated by the Lexington Foundation to increase the number of low-income taxpayers receiving assistance with e-file preparation of their tax returns. Utilize the local media and employers to publicize VITA.
Asset-Building Strategy:	To be determined – this coalition is still emerging
CORE PLANNING GROUP	
	Lexington Chamber of Commerce Lexington Foundation Lexington Libraries Nebraska Health and Human Services
Significant Coalition Activities	
	<ul style="list-style-type: none"> Nebraska Health and Human Services is distributing EITC Pub 962/962SP to their clients Existing local VITA site converted from paper to e-file through funding from the coalition
Planned Future Activities	
	<ul style="list-style-type: none"> Nebraska Health and Human Services continuing to distribute EITC Pub 962/962SP to their clients Enlisting Tyson Foods to publicize EITC and electronic filing at the VITA site to their employees

Appendix B

Boston EITC Campaign

What coalitions do – A look at the activities of coalition partners

The campaign is spearheaded by **Mayor Thomas M. Menino** and Boston's Office of Jobs and Community Services. Mimi Turchinetz, the city's living wage administrator, serves as campaign director.

The **Federal Reserve Bank** works closely with the banking collaborative and financial literacy aspect of the coalition. A representative from the bank is also a steering committee member.

The **IRS-SPEC** office represents the IRS on the steering committee.

The **Boston Chamber of Commerce** provides the coalition with corporate recruitment and support.

Action for Boston Community Development ABCD, Inc., a private nonprofit human services agency, manages eleven tax sites for the coalition and is our survey data expert.

ACORN, the Association of Community Organizations for Reform Now, operates two free tax sites in two different communities.

The **Federal Deposit Insurance Commission (FDIC)** works closely with the coalition as a volunteer tax preparer and a steering committee member.

The **Civic Health Institute at Dotwell** plays a key role in the coalition as a steering committee member and coordinator of two tax sites.

Jewish Vocational Service is a steering committee member and a tax-site coordinator.

Citizens Bank is a funder and a supporter of the campaign. It helps open bank accounts for those who rely on check cashing services.

Sovereign Bank is a funder and supporter, opening bank accounts at the tax sites. Sonia Alleyne plays a key role in involving Sovereign Bank with the campaign.

Boston College provides support for data collection effort and assists with strategy in the Allston Brighton community.

Suffolk University provides computer lab space for volunteer tax preparer training sessions, as well as student volunteers.

The **Annie E. Casey Foundation** is a major contributor and funder of the coalition.

The **Boston Foundation** is a major funder and the campaign's program advisor.

State Street Bank provides funds and volunteers.

The **Boston Private Bank and Trust Company** supports the efforts of the coalition with funds and resources.

The **Hispanic Office of Planning and Evaluation, Inc.**, serves as a tax site for the coalition and hosts the Spanish ambassador to assist in preparing taxes for Spanish-speaking taxpayers.

The **Black Ministerial Alliance** provides outreach support.

The **1199 Service Employees International** represents more than 11,000 health care employees and provides outreach support.

The **Boston Public Library** informs the low and moderate income families of the services provided by the EITC campaign.

The **YMCA** educates its constituents about EITC campaigns.

BJ's Wholesale Foods provides meals for the volunteers at free tax sites.

The **Boston Housing Authority (BHA)** assists in outreach to BHA residents and chairs the steering committee disability working group.

Appendix C

10 Ways Your Business Can Promote the EITC

There are many opportunities to raise awareness about EITC. Since most EITC benefits are spent locally, the credits are considered important economic development tools for low-income neighborhoods. Remember, both customers and employees may be eligible for EITC.

1. Include an envelope stuffer into bills or other notices that are mailed to customers (utility companies commonly do this).
2. Include an envelope stuffer with employee paychecks.
3. Print EITC messages on grocery bags, cash register receipts, store coupons, milk containers, restaurant menus, or placemats.
4. Put up posters in your store, waiting room, or customer service center. Don't forget employee bulletin boards.
5. Place a public service advertisement in the local newspaper or shoppers' guide.
6. Make the tax credits the topic of public service announcements or consumer affairs programs your company sponsors.
7. Help provide free help with tax forms in your community. Work with the IRS territory manager to provide space or computers for a Volunteer Income Tax Assistance (VITA) site.
8. Encourage employees and retirees to become VITA volunteers.
9. Serve in local community leadership positions such as the town council, school board, United Way, or other organizations in which you can discuss the good work of the EITC and encourage your colleagues to get involved in promoting the program.
10. Join forces with—and provide help to—community-based groups engaged in EITC outreach campaigns.

Source: Center on Budget and Policy Priorities

Appendix D

VISTA Proposal

In New Jersey, the state chamber is considering a partnership with the local office of the Corporation for National and Community Service (CNCS). CNCS is the nation's largest grant provider for service and volunteering, providing such opportunities through its Senior Corps, AmeriCorps, and Learn and Serve America programs. It also offers training and technical expertise to expanding volunteer organizations and researches different methods of community service.

Under this arrangement, the chamber and CNCS would provide shared funding for the local AmeriCorps' Volunteers In Service To America (VISTA) program, enlisting members of the program as dedicated volunteers to the Volunteers Income Tax Assistance sites during tax season. With this model, the state chamber would be able to monitor the success of the coalition in recruiting volunteers and increasing free tax preparation.

Appendix E

IRS Volunteer Income Tax Assistance (VITA) Volunteer Training

Resources that will help you train tax preparation volunteers

IRS Publication 678, Volunteer Assistor's Guide is a 129-page-plus training package that provides extensive tax law information, exercises, and examples.
<http://www.irs.gov/pub/irs-pdf/p678.pdf>

IRS Link and Learn is an online tax law training designed with VITA volunteers in mind. The course provides excellent tax law information and gives volunteers practice preparing manual tax returns. It also includes the full VITA certification test.

Go to <http://www.irs.gov> and enter “Link & Learn” in the top search engine box.

TaxWise University is developed by Universal Tax Systems (UTS)—the creator of TaxWise software—and it offers online training. TaxWise University provides instruction on tax law and TaxWise software.

<http://training.taxwise.com>

TaxWise Train the Trainer was developed by the IRS and UTS to provide special training for partners that use TaxWise software. It offers a three-day class that covers installation, setup, tax preparation, transmittal, system management, and troubleshooting. To attend a class, partners need to contact their local Stakeholder Partnerships, Educations and Communication (SPEC) staff.

Source: “Center for Economic Progress: Tools for Training Volunteers” (September 2005), http://www.tax-coalition.org/events/sept2005/Materials/Tools_for_Training_Volunteers-DelBene.doc

Appendix F

Providence Kickoff Event Speech

*Laurie White, President and CEO, Greater Providence Chamber of Commerce
Comments at EITC Kickoff Event
01/10/2007*

“Good morning Mayor Cicilline, State Senator Juan Pichardo, Anthony Maione, Burt Cooper, Joedina Powell and other guests.

“The Greater Providence Chamber of Commerce is proud to once again be here this morning. We have a long tradition of supporting the effort to raise

The collaboration of key groups gathered here today, has resulted on a more than \$3.4 million in total credits and upwards of \$5.7 million in refunds in Providence alone.

awareness surrounding the Earned Income Tax Credit as we see and feel the tremendous potential impact it can have on local families, businesses and the city’s economy.

“Year after year we hear the statistics.... Rhode Islanders are eligible for millions of dollars in

EITC benefits—upwards of \$4,300 per family—but because they do not know about it or do not know how to access this credit, they go without, and the money is returned to the federal government.

“Together, we are clearly making a difference.

“Last year the campaign reached over 1,600 households in low and moderate income neighborhoods of Providence.... and generated \$1.3 million in EITC and Child Care credits in addition to the \$2.2 million in federal tax returns. In the last five years, the collaboration of key groups gathered here today has resulted in more than \$3.4 million in total credits and upwards of \$5.7 million in refunds in Providence alone.

“This is a sign of a job well done.

“But we are not done. The goal this year is to reach more than 1,700 households. Working together, we can accomplish that goal. Once again, the Chamber has called on its member companies to educate and enroll qualified

workers in this tax credit program as well as to recruit workers and colleagues to become volunteer tax preparers. We truly believe that local businesses have a vested interest in supporting community EITC outreach.

“State lawmakers have highlighted the importance of this program by including a 5% increase in the Earned Income Tax Credit in last year’s state budget. By helping employees learn about the tax credit, employers are not only building trust and goodwill in the workplace, but they are also giving employees the ability to supplement their incomes. This credit provides additional assistance that can support the achievement of long-term family economic success.

“And that success is essential to development in the city as its residents and its workforce are the foundation of our continued economic prosperity, which directly ties into this year’s campaign theme of ‘Family Economic Success.’

“This campaign is a critical step in bringing greater awareness to what a powerful work incentive EITC can be and how it has benefited millions of workers both in Rhode Island and nationwide.

“Thank you.”

Source: Greater Providence Chamber of Commerce

Appendix G

Results from Orlando

The Orlando Regional Chamber of Commerce was able to report the following results for Tax Year 2005:

- EITC filed in the 2005 Volunteer Income Tax Assistance (VITA) sites increased by 56%, from 748 in tax year 2004 to 1,167 in tax year 2005.
- The Average VITA EITC refund increased by 9% (or \$129 dollars), from \$1,383 in Tax Year 2004 to \$1,512 in Tax Year 2005.
- The total VITA EITC dollars increased by 80%, from \$1 million in Tax Year 2004 to \$1.8 million in Tax Year 2005.
- Through April 2006, the Extra Credit VITA sites prepared more than 1,914 tax returns and contributed more than \$1,240,847 in EITC and approximately \$2.9 million refund dollars back to the community.

Source: Orlando Regional Chamber of Commerce



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