



Virginia
Community Action
Partnership

December 1, 2006

TO: The Honorable Timothy M. Kaine
and
The Honorable Vincent F. Callahan, Chairman
House Appropriations Committee
and
The Honorable John H. Chichester, Chairman
Senate Finance Committee
and
The Honorable Thomas K. Norment, Jr., Chairman
Joint Legislative Audit and Review Commission

The enclosed report is submitted pursuant to Item 340 A. 3. of the Appropriations Act, which appropriated \$230,000 the first year (fiscal 2006-2007) and \$230,000 the second year (2007-2008) to the Virginia Community Action Partnership to provide grants to local organizations that provide outreach, education, and free income tax preparation services to citizens who may be eligible for the federal Earned Income Tax Credit.

The Virginia Community Action Partnership (VACAP) is charged with reporting to the Governor and the General Assembly on its efforts to expand the number of eligible Virginians who claim the federal Earned Income Tax Credit (EITC). The report is to include the number of individuals identified who could benefit from the credit, the number of individuals counseled on the availability of the federal EITC, and the number of individuals assisted with tax preparation in order to claim the federal EITC.

This report outlines VACAP's EITC Initiative. It provides a brief history, outlines activities in prior years and highlights grantee plans for the upcoming year.

Respectfully submitted,

Jim Schuyler
Executive Director

**REPORT ON THE VIRGINIA COMMUNITY ACTION PARTNERSHIP
EARNED INCOME TAX CREDIT INITIATIVE**

TABLE OF CONTENTS

Executive Summary	i
History of the EITC Initiative	1
Overview of prior tax seasons	3
Plans for 2006-2007	4
2006-2007 Coalitions	5
EITC Coalition Map	6
Sample data results chart	7-8

REPORT ON THE VIRGINIA COMMUNITY ACTION PARTNERSHIP EARNED INCOME TAX CREDIT INITIATIVE

Executive Summary

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low-income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to reduce the income tax burden on low-income workers, to supplement wages, and to provide an incentive to work. The credit reduces the amount of federal tax owed and in most cases results in a refund check. The EITC is the single largest federal program designed to lift people out of poverty. To qualify for the EITC, taxpayers must work full or part time and have earned income of at least \$1. Income and family size determine the amount of the EITC. To qualify, taxpayers must meet certain requirements and file a tax return even if they did not earn enough money to be required to file a tax return.

The Virginia Community Action Partnership (VACAP) EITC Initiative supports community groups and coalitions throughout the commonwealth as they provide free tax preparation services to low income working individuals and families. A team headed by VACAP, along with the Virginia Department of Social Services and the Internal Revenue Service, is working to promote the EITC through the Virginia CASH Campaign (CASH stands for Creating Assets, Savings and Hope). Collectively, the mission is to raise awareness of EITC among all taxpayers and to educate workers, employees, clients, and customers of the importance of obtaining all credits to which they are entitled. We encourage financial literacy, savings, and asset building as coalitions develop an outreach program to link EITC with other asset building programs. All programs enable clients to work toward self-sufficiency.

Approximately 22 percent of eligible Virginians do not take advantage of the EITC. It is estimated that millions of dollars go unclaimed annually. Unfortunately, many do not know the credit exists or how to obtain it. They may be eligible, but they do not file taxes. There may be a language barrier. To maximize recovery of all federal tax credits, community-based efforts are focused on outreach and education within each community. Trained volunteer tax preparers assist customers in filing electronic returns to maximize the value of the credit.

Between January 24 through April 17, 2006, over 600 volunteers working with 18 coalitions provided free tax preparation services to those eligible. Over 5,300 federal returns were electronically filed with refunds totaling over \$6.3 million. Of those, over 1,900 claimed the federal Earned Income Tax Credit (EITC) with refunds of over \$3 million. The value of the credit is preserved when those clients do not have to pay professional tax preparer fees. With at least 80 percent of the refunds remaining in the local community, a significant economic impact is felt.

For the 2006 tax year, 16 existing coalitions and nine new coalitions will be providing free tax preparation services to eligible individuals and families in Virginia. With the support of the General Assembly, we look forward to their success and eagerly anticipate the results.

REPORT ON THE VIRGINIA COMMUNITY ACTION PARTNERSHIP EARNED INCOME TAX CREDIT INITIATIVE

History of the EITC Initiative

In order to capture a larger percentage of federal EITC dollars in Virginia, the Virginia Community Action Partnership, with funding from the Department of Social Services, designated a full-time staff position to head this effort. An outreach program was instituted by the EITC Project Manager in March 2004 to reach both public and private entities, and by extension low-income working individuals and families who will benefit from the EITC.

Local outreach efforts are crucial to increasing EITC claims. These efforts are most effective when information comes from trusted sources where clients have existing relationships. Partnerships develop between local organizations and the Internal Revenue Service (IRS) to develop Volunteer Income Tax Assistance (VITA) programs. The community network often consists of Community Action Agencies, Head Start programs, local Departments of Social Services, places of worship, financial institutions, schools, employers, and community leaders interested in the financial health of the community.

Goals for building the coalitions are:

- Promoting the EITC through education, outreach and awareness
- Providing free tax preparation to avoid the high cost of professional preparers and to avoid refund anticipation loans (RALs)
- Promoting financial literacy opportunities and asset building

The EITC Project Manager developed and compiled material for the education and outreach program. Informational seminars and meetings were presented to community groups and potential partners throughout Virginia. Content included EITC data and community impact figures, IRS flyers, financial literacy information, PowerPoint and films introducing EITC and the Center on Budget and Policy Priorities “Make Tax Time Pay” Kit.

Major presentations have included:

- 2005 Governor’s Housing Conference
- DHCD Rehabilitation Housing Partners
- Virginia Council of Churches
- Virginia Credit Union League
- Virginia Department for the Aging
- Virginia Coalition of the Homeless
- VHDA Family Self Sufficiency Program Directors
- HUD Neighborhood Network Centers Consortium
- Local Departments of Social Services
- Community Action Agencies
- Prisoner Reentry Pilot Project
- VACAP annual conferences
- Faith Based and Community Initiatives Roundtable

In July 2005, VACAP and the Virginia Department of Social Services sponsored Building Assets for Virginia, Using Tax Credits to Support Families. The two-day meeting, held in Charlottesville, was a collaborative effort between VACAP and the U.S. Department of Health and Human Services Administration for Children and Families Peer Technical Assistance Network. Over 40 participants from across the commonwealth met in workshops and seminars with speakers and experts in the free tax preparation field.

Recently, the VACAP Project Manager was asked to represent Virginia in the National Advocacy Program for EITC at the National Community Tax Coalition Conference (NCTC). The NCTC is working to promote federal funding of free tax preparation programs and to ensure long-term viability of the EITC. Programs from other states, including Idaho and Connecticut, have asked permission to use some of the resources that have been developed by VACAP for Virginia's EITC Initiative. We are very pleased to be able to assist. VACAP is also a member of the Virginia Jump\$tart Coalition for Financial Literacy and participates on its education committee.

REPORT ON THE VIRGINIA COMMUNITY ACTION PARTNERSHIP EARNED INCOME TAX CREDIT INITIATIVE

Overview of prior tax seasons

Listed are the highlights from prior tax seasons. The number of coalitions has increased as have the number of customers accessing free tax preparation services. As more coalitions rely on electronic filing and use the same software, we are able to capture more data and comprehensively track results.

Highlights for tax year 2003 (filing season January-April 2004) included:

- 8 coalitions
- 2,600 returns, 854 of which were approved for EITC (33 percent)
- \$1,363,154 EITC refunds
- \$390,000 savings to the taxpayers (not having to pay professional preparers)

Highlights for tax year 2004 (filing season January- April 2005) included:

- 17 coalitions, over 600 volunteers
- 5,151 returns, 2,006 approved for EITC (39 percent)
- \$3,028,661 EITC refunds
- \$772,650 savings to the taxpayers

Highlights for tax year 2005 (filing season January- April 2006)

- 18 coalitions
- Over 5,600 returns, 2,081 approved for EITC (37 percent)
- \$6,599,000 total refunds
- \$3,103,000 EITC refunds
- \$1,132,000 savings to the taxpayers

REPORT ON THE VIRGINIA COMMUNITY ACTION PARTNERSHIP EARNED INCOME TAX CREDIT INITIATIVE

Plans for 2006-2007

The 2006 General Assembly appropriated general funds to VACAP to provide EITC mini-grants. In October, a meeting was held in Richmond at which both existing and new partners gathered to learn about the grant opportunity and to hear other speakers on related topics, including predatory lending and linking EITC with the Virginia Individual Development Account program (VIDA). A total of 24 grant applications were received and funds will be disbursed to the coalitions the second week of December 2006.

Existing coalitions submitting grant applications propose to continue and expand their work with free tax preparation. Most are projecting increases in the number of clients they will be able to assist. Many are working with established community programs to link with financial literacy and asset building within their communities. A number of the programs are working on credit repair and credit reporting issues. Many are linking Head Start programs and free tax preparation for the parents of Head Start students. Some are providing transportation to free tax preparation sites. Most are linking obtaining EITC with building assets and working with the VIDA program, since many of the coalitions are also VIDA intermediaries. Some are targeting non-English speaking customers and providing interpreters. Collaboration and partnerships are the key words used in every application.

Most of the coalitions will use the online web-based program TaxWise to file returns and capture data. Volunteers will be trained and certified by the IRS.

Programs will report results to the VACAP EITC Project Manager at the conclusion of tax filing season in April 2007. The data collected during tax season will be compiled at that time and reported next year.

The programs launching for the upcoming tax season reflect a genuine appreciation of the funding made available and an eager willingness to make a difference and a positive impact on the lives of working Virginians.

**REPORT ON THE VIRGINIA COMMUNITY ACTION PARTNERSHIP
EARNED INCOME TAX CREDIT INITIATIVE**

2006-2007 Coalitions

The following list represents the coalitions and locations of the free tax preparation and linked financial literacy programs that are planned for the upcoming tax season and year.

Name of Coalition	Location
Community Tax Aid Inc.	City of Alexandria, Arlington County
Eastern Shore AAA/CAA	Accomack and Northampton Counties
Enterprise Development Group	Cities of Alexandria, Falls Church and Arlington County
Fairfax County Office of Partnerships	Customers who live or work in Northern Virginia
Fauquier Community Action	Fauquier County
Fredericksburg Region EITC Coalition, c/o Rappahannock United Way	City of Fredericksburg, Counties of Caroline, King George, Spotsylvania, Stafford
Greater Richmond EITC Coalition	Richmond city, Counties of Henrico, Goochland, Charles City, Chesterfield, Hanover, Powhatan
Lynchburg Community Action Group	Lynchburg, Amherst, Bedford
Monticello Area Community Action	City of Charlottesville and Albemarle County
Mountain CAP	Counties of Bland, Smyth and Wythe
New River Community Action	City of Radford, Counties of Floyd, Giles, Pulaski and Montgomery
Office of Human Affairs- FACES Coalition	Cities of Hampton and Newport News and York County
On Track Outreach Ministry, Inc.	Alleghany County, towns of Iron Gate and Clifton Forge and City of Covington
Partnership for Down Payment Assistance	Richmond City and Chesterfield County
People, Inc.	City of Bristol, Counties of Buchanan, Dickenson, Russell and Washington
Pittsylvania County CAA	Martinsville/Henry County and Danville/Pittsylvania County
Quin Rivers Agency	Counties of Caroline, Charles City, King and Queen, King William and New Kent
Rural Area Development Association	Scott County
Rooftop of Virginia	City of Galax, Counties of Carroll and Grayson
South Hampton Roads EITC Coalition	Chesapeake, Norfolk, Portsmouth and Virginia Beach
Support to Eliminate Poverty, Inc.	Franklin and Patrick Counties
TAP Roanoke	City of Roanoke, Counties of Roanoke, Vinton, Salem and Botetourt
Tri-County Community Action	Halifax, Mecklenburg and Charlotte Counties
United Way of Henry County/HOPE Initiative	City of Martinsville and Henry County
Williamsburg James City County CAA	City of Williamsburg, James City County and upper York County

**REPORT ON THE VIRGINIA COMMUNITY ACTION PARTNERSHIP
EARNED INCOME TAX CREDIT INITIATIVE**

Sample Data Results to be compiled at the conclusion of tax filing season, April 2007

Data	Results	Increase from TY 2005	Goal met
Volunteers			
Volunteer hours			
Federal returns prepared			
Total refunds			
Average refund amount			
Tax Prep savings			
Eligible for EITC			
Percent EITC eligible			
Average EITC refund			
Total EITC refunds			
Eligible Child Tax Credit			
Percent Eligible for CTC			
Average CTC			
Total CTC			
Requesting Direct Deposit			
Requesting Split Refund			
Average AGI			
State returns prepared			
Total state refunds			

**REPORT ON THE VIRGINIA COMMUNITY ACTION PARTNERSHIP
EARNED INCOME TAX CREDIT INITIATIVE**

Sample Data Results to be compiled at the conclusion of tax filing season, April 2007

Data	Outcome	Participants	Goal Met
Local Employers			
Head Start			
Press Releases			
Public Service Announcements			
Financial Literacy Programs			
IDA program participants			
Advanced EITC			
Media			