



**Report on the Virginia Community Action Partnership
Earned Income Tax Credit Initiative
Virginia CASH Campaign**

December 1, 2008

TO: The Honorable Timothy M. Kaine

and

The Honorable Lacey E. Putney, Chairman
House Appropriations Committee

and

The Honorable Charles J. Colgan, 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 for 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 those 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).

VACAP is pleased to present this report on the Virginia CASH Campaign. It outlines the many activities and highlights grantee programs during the past tax filing season and includes plans for the upcoming tax season.

Respectfully submitted,

Jim Schuyler
Executive Director





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Executive Summary

From January 15 through April 15 2008, 900 volunteers working with 25 coalitions provided free tax preparation services at over 100 sites throughout Virginia. Over 17,500 federal returns were filed with refunds in excess of \$15 million. In addition to the federal returns, over 15,300 state returns were filed resulting in \$1.8 million in Virginia refunds. Six million dollars in Earned Income Tax Credits (EITC) was refunded to more than 4600 taxpayers. This year the new Economic Stimulus Payment presented a challenge to all coalitions providing the valuable free tax preparation services. The Virginia Employment Commission estimates the value of volunteer time to be more than \$19 per hour, translating to about \$780,000 in value to the program and to the communities where these valuable volunteers live and work.

Compared to the 2006 tax year, this represents:

- 56% increase in the number of returns prepared
- 40% increase in the amount of federal refunds
- More than 58% increase in the number of EITC returns
- \$3.5 million saved in tax preparation fees

The Virginia Community Action Partnership (VACAP) EITC Initiative supports community groups and coalitions throughout Virginia that provide free tax preparation services and promote financial literacy, savings and asset building to low income working individuals and families. The Virginia CASH Campaign (Creating Assets, Savings and Hope) gives the program an identity that can be used by the coalitions to engage community partners in their work. State wide partners in Virginia CASH include the Virginia Department of Social Services (VDSS), Department of Housing and Community Development (DHCD) and the Internal Revenue Service (IRS). Collectively the mission is to raise awareness of the EITC, especially among eligible recipients and to provide free tax preparation services by certified volunteers. We encourage financial literacy and education, savings and asset building programs to enable clients to work toward self-sufficiency.

VACAP believes that the significant increase in activity is due largely to the success of the EITC grant program.





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In September, 2007, VACAP hosted an EITC Seminar in Richmond with workshops featuring speakers on free tax preparation. 67 coalition partners learned about programs including Virginia Individual Development Accounts (VIDA), helpful hints on Public Relations, and Center on Budget and Policy Priorities' focus on the earned income tax credit. The EITC grant program was announced.

The EITC grant proposals were due at the VACAP offices on October 5, 2007. Twenty-four grant recipients were notified of successful proposals on October 22, 2007 and funds were disbursed on October 29, 2007. Each coalition submitted a budget and plan as to how the grant funds were to be used throughout the year. The largest allocation is for personnel costs: site and volunteer coordinators, AmeriCorps positions or already established positions within an organization taking on additional tax season responsibilities. (52%)

Advertising and printing costs for marketing, education and outreach materials totaled 17% of the total budget. Training and travel expenses for the 24 coalitions totaled 11%. Equipment and supplies totaled about 9%.

VACAP maintains a website dedicated to the CASH Campaign. www.vaeitc.org provides timely information to EITC partners and clients throughout the year, but especially during tax filing season. Information, data, flyers, asset building links, news articles are all available for download. This key component links all coalitions and assists in communication and sharing best practices. From January to April 2008, the site had more than 5700 visits with over 2000 unique visitors.

A key component to the CASH Campaign is asset building. The VIDA program is one important partnership linking VIDA intermediaries with free tax preparation coalitions. VACAP works closely with VDSS and DHCD as well as the Virginia Housing Development Authority (VHDA) to insure that free tax preparation clients learn about the matched savings program. A joint conference call with all intermediaries and coalitions was held in October 2007.





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History of the EITC Initiative

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, supplement wages and 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 credit. 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 return.

In order to capture a larger percentage of the federal EITC dollars in Virginia, VACAP, with funding from VDSS, designated a full time staff position in March 2004. Since then, the number of coalitions providing free tax preparation has risen from eight to 25 and clients served from 2,600 to over 17,000.

Local outreach efforts are crucial to increasing the number of people who file EITC tax returns. These efforts are most effective when the information comes from a trusted local source where clients have an existing relationship. The community network often includes partners from Community Action Agencies, local Departments of Social/Human Services, United Way, Head Start, banks and credit unions, places of worship, school, employers and elected officials interested in the financial health of the community.

Coalition goals include:

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

The EITC Project Manager developed and compiled material for the education and outreach program. Informational seminars and meetings are presented to community groups and potential partners. Content includes EITC data and community impact, IRS flyers, financial literacy information, PowerPoint and films introducing the EITC.





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Highlights from tax year **2006** (filing season January- April 2007)

- 24 coalitions
- 11,223 federal returns prepared (2,927 approved for EITC)
- \$10,652,075 total refunds
- \$3,905,244 in EITC refunds (\$1,334 average EITC refund)
- \$2.2 million savings to taxpayer
- 9,633 state returns prepared
- \$1.6 million in state refunds
- \$14,591 average adjusted gross income

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

- 18 coalitions
- Over 5,600 federal returns (2,081 approved for EITC)
- \$6,599,000 total refunds
- \$3,103,000 in EITC refunds
- \$14,802 average adjusted gross income

Highlights from tax year **2004** (filing season January- April 2005)

- 17 coalitions
- Over 600 volunteers
- 5,151 federal returns (2,006 approved for EITC)
- \$3,028,661 in EITC refunds
- \$772,650 savings to taxpayers

Highlights from tax year **2003** (filing season January- April 2004)

- 8 coalitions
- 2,600 federal returns (854 approved for EITC)
- \$1,363,154 in EITC refunds
- \$390,000 savings to the taxpayer





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2007 EITC Grant Program

As a result of the General Assembly appropriation, VACAP announced the EITC grant in October 2007. VACAP issued a Request for Proposals (RFP) and a total of 25 free tax preparation programs submitted proposals. VACAP provided 24 grants to a variety of programs working with free tax preparation and financial education. VACAP distributed the entire \$230,000 appropriation to the following coalitions: (see map p. 14)

Name of Coalition	Amount
Clinch Valley Community Action Agency	\$7,500
Community Tax Aid, Inc.	\$10,000
Eastern Shore CAA/AAA	\$10,000
Enterprise Development Group (ECDC)	\$7,500
Fauquier Community Action	\$7,500
Fredericksburg EITC Coalition	\$9,273
HOPE Initiative (United Way Martinsville)	\$10,635
Lynchburg Community Action Group	\$10,000
Monticello Community Action Agency	\$7,500
New River Community Action Agency	\$7,500
Northern Virginia CASH (Fairfax County)	\$13,200
Office of Human Affairs (FACES Coalition)	10,000
On Track Outreach (Alleghany/Covington)	\$13,025
People, Inc.	10,000
Pittsylvania Community Action Agency	\$10,000
Quin Rivers Agency	\$7,500
Rural Areas Development Association	\$7,500
Richmond EITC Coalition	\$10,000
Rooftop Community Action	\$7,500
South Hampton Roads EITC Coalition	\$10,000
STEP, Inc.	\$10,000
TAP, Roanoke	\$10,000
Tri-County Community Action	\$7,500
Total awards	\$230,000

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Marketing and Outreach

Each coalition undertakes an outreach program alerting potential customers to the Earned Income Tax Credit and free tax preparation services.

- Over 3,800 Head Start families learned about the EITC
- Over 140 press releases and/or Public Service Announcements on EITC were presented across the Commonwealth
- Over 2,600 clients learned about financial literacy and asset building programs
- Over 3,700 employers were informed about the EITC
- At least 14 newspapers carried articles relating to EITC and free tax preparation, with a distribution of at least 800,000
- Live television and/or radio interviews reached over 1.5 million homes
- Three EITC related proclamations from local government were issued
- The Virginia Employment Commission has estimated the value of our volunteer time to be \$19.72 per hour (p.13). Over 900 volunteers logged almost 40,000 hours preparing for and providing free tax preparation services. Those hours translate into an almost \$780,000 value to the Commonwealth.

Community outreach on EITC Day, Rocky Mount, February 2008



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Economic Stimulus Payment

In addition to the normal tax filings, the coalitions had the added challenge this year of providing service to the many people applying for the federal Economic Stimulus Payment (ESP) that was enacted by Congress at the beginning of 2008. People who normally would not file a federal tax return began arriving at free tax preparation sites in order to file for the ESP.

Sites that did not normally advertise were busy from the moment the doors opened until closing. Almost 5,200 ESP returns were filed by paper and many more were done electronically and thereby included in coalition totals. In Martinsville, a local paid preparer had offered to come to a nursing home and for a \$3,000 fee they would be happy to file for the ESP for all residents. The local coalition offered to do it for free, assembled a group of volunteers and saved the nursing home and its resident's time and money. Volunteers helping many senior citizens also ended up making referrals to other services (heating assistance, food stamps).

Coalitions got very creative and many volunteers were able to teach consumers to file for their own ESP, since the form was fairly easy to follow. If more assistance was needed, there was someone always available to assist.

New River Community Action Pulaski Area Office VITA



People, Inc.
VISSTA Training Center, Abingdon



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Free Tax Preparation Results

From January 15 through April 15, 2008 over 900 volunteers working with 25 free tax preparation coalitions provided free tax preparation services to those eligible. Compelling stories emerged from coalitions and clients alike with stories of gratitude, thanks and hope.

“Busiest but most rewarding tax season yet”

“Our volunteers were great”

“One lady sat and talked with us about her problems, and then we did her taxes”

“Over this tax season existing partnerships have been strengthened through the EITC Coalition and new ones have been formed”

“Every tax season, we see clients who are grateful to have access to free, high quality tax preparation services and they let us know about the great impact that our services has had in their lives. During the 2008 tax season we had a client who was memorable because she was planning to use her refund check to do something many of us take for granted- she was going to be able to buy a new mattress. Her excitement at being able to do something that seems so mundane really touched the volunteer who assisted her this year.”

“A single mother of three had not worked since her children were born. Her husband abandoned them last year and she had to get a job. She had no idea how to complete a tax return and couldn’t afford to pay someone to help her. She heard about us on the radio and made an appointment. She received over \$3,300 and actually cried. She plans to start fixing her credit and will soon enroll in our VIDA program in hopes of becoming a homeowner.”

“I must tell you that my work with VITA was one of the most rewarding experiences I have ever had. Thanks for providing the service and opportunity.”

“One client happened to be in a crisis situation and facing homelessness. She needed every penny of her refund and went to a paid preparer to apply for a refund anticipation loan. She could not afford the fee and decided to come to our free VITA site. During intake she made it clear that she wanted to file single status as she had been advised by the paid preparer. We were able to explain and show her that by filing head of household and claiming her daughter she would get a refund of almost \$3,000 and get it directly deposited. She was most grateful and will be back next year.”

“All of the volunteers said that in working with us, the clients made a big impression on them. They did not realize the extent of the impoverished conditions in which some of our neighbors were living. People did not have cars, clothing, enough to eat. These conditions were often due to accidents, illness, old age and loss of jobs.”





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In addition to the federal returns prepared, many coalitions prepared Commonwealth of Virginia returns. Several coalitions partnered with the local Commissioner of the Revenue (COR) office and processed the federal return, then sent the taxpayer to the local COR for state filing. As more coalitions come on board, using the same (or similar) software, we will be able to capture more data regarding the clients and customer using the free tax services.

The coalitions working with VACAP and the Virginia CASH Campaign posted results for the 2007 tax year:

- 17,564 federal returns prepared
- \$15,018,444 in total refunds
- \$855 average refund

- 4,636 returns processed with EITC
- \$6,260,463 in EITC refunds
- \$1,350 average EITC refund

- 1,826 returns processed with Child Tax Credit
- \$2,115,552 in Child Tax Credits

- \$3,512,800 savings to taxpayers
- 5,333 requested direct deposit
- \$13,974 average adjusted gross income

- 15,392 state returns prepared
- \$1,875,635 total state refunds

Compared to 2006, this represents:

- 56.5% increase in number of federal returns
- 41% increase in amount of federal refunds
- 60% increase in number of state returns
- 15% increase in amount of state refunds

VACAP believes that the significant increase in activity is due largely to the success of the ETIC grant program.





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Plan for the 2008-2009 Season

VACAP, along with Maryland CASH, Baltimore CASH and DC EITC hosted the inaugural Common Cents Conference: Free Tax Preparation and Beyond in Bethesda, Maryland September 4-5, 2008. This regional conference was an opportunity to learn about the financial problems facing residents and presented innovative program models to help coalition leaders learn about expanding their free tax preparation programs. Over 150 attendees (over 50 from Virginia) participated in workshops representing community tax coalitions, government agencies, financial institutions and academic scholars and researchers discussed best practices to help families become more financially stable.

VACAP announced the new partnership between the State Information Technology Consortium (SITC) that will assist coalitions with training opportunities via webinars. The VACAP grant program (\$218,500) was announced as was the continued partnership with the Virginia Individual Development Account (VIDA) program.

VACAP EITC grant applications were due October 1, 2008. Twenty seven applications for funding were received and 26 coalitions were awarded a total of \$218,500. Once again, VACAP disbursed all funds and kept none of the appropriation for administering the grant.

In preparation for tax filing season, coalitions start their outreach for volunteers in the fall. They also start their marketing campaigns to alert potential customers of the new income limits and opportunities for free tax preparation services that will start in January 2009. Partnerships are developing with banks and credit unions to deliver financial education programs and several coalitions are exploring alternatives to refund anticipation loans.

I am looking forward to a successful tax preparation season and looking forward to presenting the results next year.





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COMMONWEALTH of VIRGINIA

Virginia Employment Commission

703 East Main Street

Post Office Box 1358
Richmond, Virginia 23218-1358

Dolores A. Esser
Commissioner

May 23, 2008

Average dollar value of Volunteer Time

The national dollar value of volunteer time is released each year by Independent Sector (IS). IS calculates the value by using the average hourly earning of all production and non-supervisory workers on private non-farm payrolls (as released by the Bureau of Labor Statistics) and increasing it by 12 percent to account for fringe benefits.

The 2006 national average hourly value of volunteer time is \$18.77/hr. The estimate, which is updated annually, is based on the average hourly wage (plus 12 percent, to allow for fringe benefits) for all non-management, non-agriculture workers as determined by the Bureau of Labor Statistics.

Virginia has comparable data, which is usually higher than the national average. The Virginia Employment Commission (VEC), Economic Information Services Division, uses the Current Employment Statistics annualized average hourly earnings for all production and non-supervisory workers on private non-farm payrolls in Virginia. The Current Employment Statistics makes the Virginia data comparable to the national.

The 2007 average figure, \$17.61 per hour is increased 12 percent to allow for benefits, making the Virginia average hourly value of volunteer time is \$19.72/hr. Please note that this is an estimated value, effective April 2008 through April 2009.

Sincerely,

Susan B. McIver
Economist Supervisor



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2008 Coalition Partners

