



Virginia Community Action Partnership

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

December 1, 2009

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 344 A. 3 of the Appropriations Act, (year two, 2008) which appropriated \$218,500 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

The Virginia Community Action Partnership believes the significant increase in free tax preparation activity during the January 15 through April 15 2009 filing season is due to the success of the EITC grant program and expansion of coalitions working with free tax preparation throughout the Commonwealth.

- \$22 million in federal refunds
 - Over 21,300 federal returns filed
- \$3.4 million in state refunds
 - Over 19,000 state returns filed
- \$8 million in EITC refunds
 - 6,000 taxpayers claiming EITC
 - \$4.2 million saved in tax preparation fees

Compared to the 2007 tax season, this represents:

- 21% increase in the number of returns prepared
- 52% increase in the amount of federal refunds

The modest state-funded \$218,500 EITC Grant program (average grant \$8,400) resulted in 825 volunteers working with 28 coalitions to provide free tax preparation and financial education services at over 120 sites throughout Virginia. The Virginia Office on Volunteerism and Community Service estimates the value of volunteer time to be \$20.53 per hour. This means an \$808,800 value to the program and communities where these volunteers live and work.

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 the Virginia CASH Campaign include the Virginia Department of Social Services (VDSS), Department of Housing and Community Development (DHCD), the Internal Revenue Service (IRS) and the State Information Technology Consortium (SITC). 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.





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In September, 2008, VACAP co-hosted the Common Cents Conference with Maryland CASH and DC EITC. This two-day regional conference was an opportunity for free tax preparation coalitions to learn about the financial problems facing residents and innovative program models to help residents achieve success in building assets. Among the workshops were volunteer coordination, marketing and sustainability, linking benefits to economic success, working with educational institutions and linking the free tax preparation program with the Individual Development Account program. Over 150 coalition partners (50 from Virginia) also heard the inspiring keynote speech from Meizhu Lu as she spoke on her book "The Color of Wealth". The EITC grant program was also announced at the conference.

The EITC grant proposals were due at the VACAP offices on October 1, 2008. Twenty-six grant recipients were notified of successful proposals on October 17, 2008 and funds were disbursed on October 24, 2008. 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. (50%)

Advertising and printing costs for marketing, education and outreach materials totaled 14% of the total budget. Training and travel expenses for the 26 coalitions totaled 10%. Equipment and supplies totaled about 12%.

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. Coalition information, data, flyers, asset building links, news articles, PSAs and funding resource information is readily available. This key component links all coalitions and assists in communication and sharing best practices, especially during tax season. Between January and April 2009, the site averaged 3,100 visits per month.

A key component to the CASH Campaign this year was the partnership with the State Information Technology Consortium. Through a federal grant, SITC worked with VACAP to produce four webinars focusing on "Helping Virginians Build Assets". Offered between November 2008 and March 2009 the webinars proved valuable as travel budgets were limited. Guest speakers were experts on topics ranging from tax law to financial education to matched savings to public relations.





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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 28 and clients served from 2,600 to over 21,000.

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, schools, 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 maintains the EITC website and hosts a training meeting each fall. Informational seminars and meetings are presented to community groups and potential partners. Content includes EITC data and community impact, partnership development and financial education information.





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Highlights from tax year **2007** (filing season January- April 2008)

- 25 coalitions
- 17,564 federal returns prepared (4,636 approved for EITC)
- \$15,018,444 in federal refunds
- \$6,260,463 in EITC refunds (\$1,350 average EITC refund)
- \$3.5 million savings to taxpayers
- 15,392 state returns prepared
- \$1.8 million in state refunds
- \$13, 974 average adjusted gross income

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 in federal refunds
- \$3,905,244 in EITC refunds (\$1,334 average EITC refund)
- \$2.2 million savings to taxpayers
- 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 in federal 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





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2008 EITC Grant Program

As a result of the General Assembly appropriation, VACAP announced the EITC grant in October 2008. VACAP issued a Request for Proposals (RFP) and a total of 27 free tax preparation programs submitted proposals. VACAP provided 26 grants to a variety of programs working with free tax preparation and financial education. VACAP distributed the entire \$218,500 appropriation to the following coalitions: (see map p. 13)

Name of Coalition	Amount
Clinch Valley Community Action Agency	\$7,500
Community Tax Aid, Inc.	\$9,000
Eastern Shore CAA/AAA	\$7,500
Fauquier Community Action	\$9,500
Fredericksburg EITC Coalition	\$9,989
HOPE Initiative (United Way Martinsville)	\$10,000
Loudoun County DFS	\$7,500
Lynchburg Community Action Group	\$8,000
Monticello Community Action Agency	\$7,500
Mountain CAP	\$8,000
New River Community Action Agency	\$10,000
Northern Virginia CASH (Fairfax County)	\$10,000
Office of Human Affairs (FACES Coalition)	10,000
On Track Outreach (Alleghany/Covington)	\$10,000
Partnership for Down Payment Assistance	\$4,000
People Incorporated of Virginia	\$9,000
Pittsylvania Community Action Agency	\$9,206
Quin Rivers Agency	\$3,500
Rural Areas Development Association	\$7,069
Richmond EITC Coalition	\$9,517
Rooftop Community Action	\$8,219
South Hampton Roads EITC Coalition	\$9,000
STEP, Inc.	\$10,000
TAP, Roanoke	\$10,000
The Improvement Association	\$7,500
Williamsburg/James City County CAA	\$7,000
Total awards	\$218,500

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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. Many articles, releases and flyers are available at www.vaeitc.org

- Over 7,500 Head Start families learned about the EITC
- Almost 100 press releases and/or Public Service Announcements on EITC were presented across the Commonwealth
- Almost 1,200 clients learned about financial literacy and asset building programs
- Over 10,000 employers were informed about the EITC
- At least 64 newspaper articles relating to EITC and free tax preparation, with a distribution of over 1 million
- Over 20 live television and/or radio interviews reached over 3 million homes
- Five billboards in various localities
- The Virginia Office on Volunteerism and Community Service estimates the value of volunteer time to be \$20.53 per hour, translating to over \$808,800 in value to the program. Our 875 volunteers logged over 39,300 hours preparing for and providing free tax preparation and financial education services.

Free Tax Preparation Billboard in Tazewell County, Clinch Valley Community Action
February 2008





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Free Tax Preparation Results

From January 15 through April 15, 2009 almost 900 volunteers working with 28 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.

“Thank you for making this service available”

“This is a great community service”

“Volunteers went out of their way to help me and I am very grateful”

“Thanks, see you next year”

“Nice friendly people and they are very helpful”

“A single woman came in with 2 W-2s and no dependents. We did a simple tax return for her. She said she had called Liberty Tax Service and they told her that it would cost at least \$165 to do her return. We did it for free.”

“We had a couple of people come in who said that the local paid preparer had told them that the cost of the preparation of their taxes would be more than their refund, so they did not have their taxes done. We were able to file their return at no charge, and they were able to get their refund”.

“A man came in and asked if we could look over his tax return (he had his regular paid preparer do it, but had not yet mailed it). His return had him owing over \$2600 even though he had always gotten a refund. He wanted us to look over his return to try to figure out why he owed. His paid preparer had failed to put in the correct code for an IRS withdrawal (client was over 70 years of age) and was charged a 10% penalty. We found the mistake and told him to take his return back to the paid preparer to have it corrected.”

“VITA services were provided for a homeless woman in April 2009. She has been in and out of shelters for a number of years due to a variety of issues. It was a challenge to help her find all her W-2s because she had moved three times and was now homeless. The VITA volunteer worked with the client and the internet to get the phone numbers of her former employers, had the W-2s faxed to the site and was able to file the return.”

“I was very satisfied with my experience as a volunteer in your VITA program and with the level of satisfaction I observed in the people we serve. It was an experience I hope to enjoy again in 2009.”





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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 2008 tax year:

- 21,345 federal returns prepared
- \$22,832,064 in federal refunds
- \$1,070 average refund

- 6,058 returns processed with EITC
- \$8,047,270 in EITC refunds
- \$1,328 average EITC refund

- 2,735 returns processed with Child Tax Credit
- \$3,228,713 in Child Tax Credits

- \$4,269,000 savings to taxpayers
- 8,681 requested direct deposit
- \$15,798 average adjusted gross income

- 19,869 state returns prepared
- \$3,480,696 in state refunds

Compared to 2007, this represents:

- 21% increase in number of federal returns
- 52% increase in amount of federal refunds
- 29% increase in number of state returns
- 85% increase in amount of state refunds





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Plan for the 2009-2010 Season

VACAP hosted the Virginia CASH Campaign Fall Classic on September 29, 2009 in Richmond. 63 coalition partners met in Richmond to develop plans for the upcoming tax season. Highlights included a "Poverty in Virginia" presentation by Michael Cassidy of the Commonwealth Institute for Fiscal Analysis and "Volunteer Management" by Ivy Sager of Hanover County Department of Community Resources. The IRS gave a short presentation on new tax law changes. Each coalition present highlighted an accomplishment from last tax season. The Department of Housing and Community Development announced plans to once again partner with coalitions to expand the Virginia Individual Development Account (VIDA) program.

VACAP announced the continuation of the partnership with the State Information Technology Consortium (SITC) that will assist coalitions with training opportunities via webinars. The VACAP grant program (\$218,500) was announced and grant applications were due on October 29th.

Twenty nine applications for funding were received and 27 coalitions were awarded a total of \$218,500. Once again, VACAP disbursed all funds and kept none of the appropriation for administering the grant program.

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 2010. New tax law changes this year (Make Work Pay Credit) and the American Recovery and Investment Act of 2009 (ARRA) with the expanded EITC will mean more people will be eligible for certain new tax credits. The economic challenges that many people felt in 2008-2009 should increase the number of people looking for free tax preparation services. It is important for the coalitions in our communities to continue providing this valuable service.

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





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Dollar Value of Volunteer Time

According to Virginia Employment Commission Economist David R. Tysinger, the 2008 Virginia Hourly Volunteer Rate is \$20.53. It ranges from basic, simple tasks that might be valued at minimum wage, up to professional services given by doctors, lawyers, accountants, etc. that would be valued very highly. The Virginia Employment Commission (VEC), Economic Information Services Division, is using the Current Employment Statistics annualized average hourly earnings for all production and non-supervisory workers on private nonfarm payrolls in Virginia.

The Virginia Office on Volunteerism and Community Service uses the same value of volunteer time as the VEC when calculating figures for the 1.7 million Virginia volunteers. Residents of Virginia on average contributed 223.8 million hours of volunteer service totaling \$4.5 billion of service to the state. In addition to the 1.7 million adults in Virginia volunteering in 2008, an extra 150,201 individuals worked with their neighbors to fix a problem or improve a condition in their community but did not serve through an organization. (<http://www.vaservice.org/go/volunteer/statistics/>)

During the past tax filing season, there were 875 Virginia CASH Campaign volunteers contributing more than 39,300 hours to the free tax preparation efforts of 28 coalitions. Using the VEC and Virginia Office on Volunteerism dollar value of \$20.53/hour it translates to over \$808,800 of service to the free tax preparation programs.

The value of volunteers combined with the money that free tax preparation clients keep by not paying expensive tax preparation fees adds up to real money staying within the local communities. In these uncertain economic times, that value is significant.



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2008-2009
Grant
Awards

