



Virginia Community Action Partnership

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

December 1, 2010

TO: The Honorable Robert F. McDonnell

and

The Honorable Lacey E. Putney, Chairman
House Appropriations Committee

and

The Honorable Charles J. Colgan, Chairman
Senate Finance Committee
Joint Legislative Audit and Review Commission

The enclosed report is submitted pursuant to Item 344 A. 3 of the Appropriations Act, 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 (EITC).

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 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 free tax preparation activity during the 2010 filing season (January 15 through April 15) is due to the success of the EITC grant program and expansion of coalitions working with free tax preparation throughout the Commonwealth.

- Almost \$26 million in federal refunds
 - Over 19,000 federal returns filed
- Over \$9.1 million in EITC refunds
 - 6,400 taxpayers claiming EITC
 - \$3.7 million saved in tax preparation fees
- Over \$3.5 million in state refunds
 - Over 17,400 state returns filed

Compared to the 2008 tax season, this represents:

- 13% increase in the amount of federal refunds
- 7% increase in the number of EITC returns prepared

The modest state-funded \$218,500 EITC Grant program (average grant \$8,000) resulted in 879 volunteers working with 28 coalitions to provide free tax preparation and financial education services at over 100 sites throughout Virginia. The Virginia Office on Volunteerism and Community Service estimates the value of volunteer time to be \$20.93 per hour. This means an \$894,400 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, 2009, VACAP hosted the VACAP Fall Classic EITC meeting in Richmond, Virginia. This one day conference was an opportunity for free tax preparation coalitions across the state to learn about the financial problems facing residents and innovative program models to help residents achieve success in building assets. Sixty-five coalition partners were in attendance to learn about volunteer management and coordination and poverty in Virginia. The 2009 EITC grant program was also announced.

The EITC grant proposals were due at the VACAP offices on October 29, 2009. Twenty-seven grant recipients were notified of successful proposals on November 6, 2009 and funds were disbursed on November 12, 2009. Each coalition submitted a budget and plan as to how the grant funds were to be used throughout the year. The largest funding allocation is for personnel and training costs: site and volunteer coordinators, AmeriCorps positions or already established positions within an organization taking on additional tax season responsibilities (60%).

Advertising, website and printing costs for marketing, education and outreach materials totaled 12% of the total budget. Financial education and travel expenses for the 27 coalitions totaled about 9%. Equipment and supplies totaled about 12%. Other funds were for volunteer recognition, postage and administrative costs.

VACAP maintains a website dedicated to the CASH Campaign. www.vaeitc.org provides timely information to EITC partners, clients and funders 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 2010, the site averaged 6800 visits per month.

A key component to the CASH Campaign again 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 2009 and March 2010 the webinars proved valuable as travel budgets were limited. Guest speakers were experts on topics ranging from tax law to financial education and marketing strategies to partnering with financial institutions.



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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. The EITC was expanded in 2010 to include a larger maximum refund for families with three or more children.

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 19,000.

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 2008 (filing season January-April 2009)

- 28 coalitions
- 21,345 federal returns prepared (6,058 approved for EITC)
- \$22,832,064 in federal refunds
- \$8,047,270 in EITC refunds (\$1,328 average EITC refund)
- \$4.2 million savings to taxpayers
- 19,869 state returns prepared
- \$3.4 million in state refunds
- \$15,798 in average adjusted gross income

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





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2009 EITC Grant Program

As a result of the General Assembly appropriation, VACAP announced the EITC grant in October 2009. VACAP issued a Request for Proposals (RFP) and a total of 27 free tax preparation programs submitted proposals. VACAP provided 27 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
Appalachian Community Action	\$10,000
Bay Aging	\$7,500
Community Action of Staunton, Augusta and Waynesboro (CAP SAW)	\$2,500
Clinch Valley Community Action Agency	\$9,000
Community Tax Aid, Inc.	\$8,000
Eastern Shore CAA/AAA	\$10,000
Enterprise Development Group	\$8,000
Fauquier Community Action	\$7,000
Rappahannock Region EITC (Fredericksburg United Way)	\$8,000
HOPE Initiative (United Way Martinsville)	\$6,000
Loudoun County DFS	\$6,500
Lynchburg Community Action Group	\$5,000
Mountain CAP	\$8,000
New River Community Action Agency	\$11,000
Northern Virginia CASH (Fairfax County)	\$10,000
Office of Human Affairs (FACES Coalition)	\$7,000
People Incorporated of Virginia	\$10,000
Pittsylvania Community Action Agency	\$10,000
Richmond EITC Coalition	\$10,000
Rooftop Community Action	\$9,000
South Hampton Roads EITC Coalition	\$9,000
STEP, Inc.	\$9,000
TAP, Roanoke	\$10,000
The Improvement Association	\$6,500
Tri-County Community Action	\$7,500
Western Highlands (Alleghany/Covington)	\$7,000
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. Multiple marketing techniques are used, including billboards, articles, press releases and flyers which may be viewed at www.vaeitc.org. Some coalitions are experimenting with newer social media (Facebook, Twitter) and will be using them in the upcoming tax season both to recruit volunteers and advertise the program. Some coalitions are offering mobile services and going to homebound clients who cannot get to the free tax prep site.

- Over 2,600 employers informed their employees about free tax preparation and EITC
- Over 50 press releases were published across the Commonwealth
- 89 Public Service Announcements were made on television or radio on EITC
- Over 600 customers took advantage of free financial education programs
- Over 100 customers took advantage of the matched savings program (VIDA)
- 151 newspaper articles relating to EITC and free tax preparation
- Over 20 live television and/or radio interviews reached over 3 million homes
- Three billboards in various localities advertised free tax preparation and EITC
- The Virginia Office on Volunteerism and Community Service estimates the value of volunteer time to be \$20.93 per hour, translating to over \$894,400 in value to the program. Our 879 volunteers logged over 42,736 hours preparing for and providing free tax preparation and financial education services.



People Incorporated of Virginia put up a billboard on Abingdon's Main Street during tax season to advertise free tax preparation services.



Enterprise Development Group in Arlington helps many Latino clients with their taxes and in applying for Individual Tax ID Numbers (ITIN)



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Free Tax Preparation Results

From January 15 through April 15, 2010 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.

“We are very fortunate to have these tax preparers as fellow citizens in our community.”

“Appreciate all this for free....it is very nice of you to donate your time.”

“Your grant is critical to our ability to leverage federal dollars”

“Funding provided by this initiative has been vital to our coalition”

“One of the paid preparers referred to our site a couple of filers who owed taxes, rather than charge them.”

Initiative called “Financial literacy starts with the 1040” really works with our education classes.

“I am thankful for the opportunity to help my community”

“The most rewarding part of this program was receiving the hundreds of appreciative comments from our residents. Many individuals were amazed that an agency would provide a free service that had been so unaffordable to them.”

“Our preparer was very patient in answering any of my questions and concerns. I was very comfortable with explanations on how to amend after purchasing my home, also elaborating on which income credits will benefit me the most...and all with a smile.”

“Clients who are served through the free tax preparation program are also referred to other services that are available in the county. These services included referrals for housing, employment, legal services, credit reports, in-home senior services and much more. Referrals by the local Commissioner of the Revenue office to our program also reflect well on the ability of our volunteers to serve the citizens of our county.”

“Our area is lacking in job opportunities and we have had many major layoffs in recent years. Residents are low on household funds and struggle to maintain throughout the year. Saving them money and assisting them in getting their refunds help them support their households.”

“This week I stopped at McDonald’s for a senior coffee. I was met by a smiling young man behind the counter. I didn’t recognize him, but he knew me. ‘Thank you, he said, I got my tax refund back in a week that really worked good.’ He was beaming. I told him to come back next year and bring a friend.”

“This year we were successful in securing additional grant funds from several different sources, due in large part to the successful track record we have been able to establish as a VACAP grantee.”

“The service we are providing is about much more than filing a tax return for someone for free.”





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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 2009 tax year:

- 18,511 federal returns prepared electronically
- 893 federal returns (paper)
- 19,404 total federal returns filed
- \$25,901,558 in federal refunds
- \$1,399 average federal refund

- 6,463 returns processed with EITC
- \$9,164,155 in EITC refunds
- \$1,418 average EITC refund

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

- \$3,702,200 savings to taxpayers
- 7,770 requested direct deposit
- \$16,941 average adjusted gross income

- 17,493 state returns prepared
- \$3,556,731 in state refunds

Compared to 2008, this represents:

- 13% decrease in federal returns (no AARP returns/weather)
- 13% increase in amount of federal refunds
- 14% increase in EITC refund amount





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Plan for the 2010-2011 Season

VACAP co-hosted the second Common Cents Conference in August 2010. Over 200 participants met in Bethesda, Maryland with coalitions from Virginia, Maryland, West Virginia and Washington DC to attend workshops and share best practices in all areas of free tax preparation and financial education. Twelve workshops on a variety of topics with experts from the tax preparation field were on hand. A new partnership with Intuit Financial Freedom Foundation was announced and a pilot program in Virginia for Assisted Self Tax Preparation will be started in five coalitions. The State Information Technology Consortium will continue the webinar series. Several potential new partnerships were announced and many coalitions will take advantage of new partnerships and opportunities.

The VACAP grant program (\$185,725) was announced and grant applications were due on October 7, 2010.

Twenty eight applications for funding were received and 28 coalitions were awarded a total of \$185,725. Grant funds were distributed on October 29, 2010. 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 2011. New tax law changes this year will be a highlight of one of the SITC webinar in December so that coalitions are up to date on any late changes. The expanded EITC change continues and means more people will be eligible for certain tax credits. The economic challenges that many people continue to feel 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.

We are 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, the 2009 Virginia Hourly Volunteer Value of Volunteer Time is \$20.93. 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 non-farm 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 between 2007 and 2009. Residents of Virginia on average contributed 225.3 million hours of volunteer service totaling \$4.7 billion of service to the state. <http://www.vaservice.org/go/volunteer/statistics/>

During the past tax filing season, there were 879 Virginia CASH Campaign volunteers contributing more than 42,736 hours to the free tax preparation efforts of 28 coalitions. Using the VEC and Virginia Office on Volunteerism dollar value of \$20.93/hour it translates to over \$894,400 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. That value is certainly economic development at its best.



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2009-2010
Coalition
Partners

