



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

December 1, 2011

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 333 A. 3 of the Appropriations Act, which appropriated \$185,725 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 2011 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 \$31 million in federal refunds
 - Over 21,000 federal returns filed
- Almost \$10.5 million in EITC refunds
 - 7,000 taxpayers claiming EITC
 - \$4.2 million saved in tax preparation fees
- Over \$3.6 million in state refunds
 - Over 18,000 state returns filed

Compared to the 2009 tax season, this represents:

- 19% increase in the amount of federal refunds
- 8.5% increase in the number of EITC returns prepared

The modest state-funded \$185,725 EITC Grant program (average grant \$6,600) resulted in 1,027 volunteers working with 29 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 \$22.03 per hour. This means an \$889,800 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 August 2010, VACAP co-hosted the second Common Cents Conference with Maryland CASH, West Virginia CASH and DC EITC. Tax preparation coalitions across the region meet to learn about innovative program models for free tax preparation services and help residents achieve success in building assets. Sixty-five Virginia coalition partners were in attendance at workshops and networking with 140 other regional colleagues.

The EITC grant proposals were due at the VACAP offices on October 7, 2010. Twenty-eight grant recipients were notified of successful proposals on October 22, 2010 and funds were disbursed on October 29, 2010. 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 (58%).

Advertising, website and printing costs for marketing, education and outreach materials totaled 19% of the total budget. Financial education and travel expenses for the 28 coalitions totaled about 5%. Equipment, rent 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 2011, the site averaged 8900 visits per month. Virginia CASH Campaign again partnered with the State Information Technology Consortium to produce three webinars on topics ranging from tax law changes to savings at tax time.

As a result of Virginia becoming a Free File state, more than 2 million eligible Virginia taxpayers have the opportunity to prepare and file their federal and state returns online for free thanks to a new public private partnership between the Virginia Dept. of Taxation and several private software companies. Intuit Financial Freedom Foundation began working with six coalitions to pilot a new program, Assisted Self Tax Preparation (ASTP). ASTP allows one volunteer to work with more than one taxpayer at a time and empowers taxpayers to prepare their own returns with help from a certified volunteer. ASTP will expand in 2011.





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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 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 concentrating on topics suggested by the coalitions. Informational seminars and meetings are presented to community groups and potential partners.





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Highlights from tax year 2009 (filing season January- April 2010)

- 28 coalitions
- 19,404 federal returns prepared (electronically and paper)
- \$25, 901,558 in federal refunds
- \$9,164,155 in EITC refunds (\$1,418 average EITC refund)
- \$3,702,200 savings to taxpayers
- 17,493 state returns prepared
- \$16,941 average adjusted gross income

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





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2010 EITC Grant Program

As a result of the General Assembly appropriation, VACAP announced the EITC grant in August 2010. VACAP issued a Request for Proposals (RFP) and a total of 28 free tax preparation programs submitted proposals. VACAP provided 28 grants to a variety of programs working with free tax preparation and financial education. VACAP distributed the entire \$185,725 appropriation to the following coalitions: (see map p. 13)

Name of Coalition	Amount
Appalachian Community Action	\$6,000
Bay Aging	\$5,500
Community Action of Staunton, Augusta and Waynesboro (CAP SAW)	\$4,500
Clinch Valley Community Action Agency	\$9,000
Community Tax Aid, Inc.	\$5,000
Eastern Shore CAA/AAA	\$7,000
Enterprise Development Group	\$9,000
Fauquier Community Action	\$5,000
Rappahannock Region EITC (Fredericksburg United Way)	\$7,500
HOPE Initiative (United Way Martinsville)	\$9,000
Loudoun County DFS	\$3,500
Lynchburg Community Action Group	\$7,000
Mountain CAP	\$5,000
New River Community Action Agency	\$10,000
Northern Virginia CASH (Fairfax County)	\$8,000
Office of Human Affairs (FACES Coalition)	\$7,000
People Incorporated of Virginia	\$7,775
Pittsylvania County Community Action Agency	\$8,000
Richmond MetroCASH	\$9,000
Rooftop Community Action	\$5,000
South Hampton Roads EITC Coalition	\$7,150
STEP, Inc.	\$9,000
Total Action Against Poverty, Roanoke	\$9,000
The Improvement Association	\$5,000
Tri-County Community Action	\$5,500
Williamsburg/James City County CAA	\$7,000
Total awards	\$185,725

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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. Many coalitions now use Facebook and 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 traveling to homebound clients who cannot get to the free tax prep site.

- Over 4000 employers informed their employees about free tax preparation and EITC
- 50 press releases were published across the Commonwealth
- 35 Public Service Announcements were made on television or radio on EITC
- Over 200 free financial education programs
- Over 80 took advantage of the matched savings program (VIDA)
- Over 120 newspaper articles relating to EITC and free tax preparation
- Over 200 live television and/or radio interviews reached over 3 million homes
- Five billboards in various localities advertised free tax preparation and EITC
- Over 180,000 flyers distributed
- The Virginia Office on Volunteerism and Community Service estimates the value of volunteer time to be \$22.03 per hour, translating to over \$889,800 in value to the program. Our 1027 volunteers logged over 40,389 hours preparing for and providing free tax preparation and financial education services.



Longtime VITA volunteer, Steve Garrett (standing) and site coordinator Teffany Henderson help a taxpayer at Total Action Against Poverty's free tax preparation site in Roanoke.



Fairfax County's Northern Virginia CASH recognizes its VITA volunteers for their hard work and dedication during tax season.

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Free Tax Preparation Results

From January 15 through April 15, 2011 over 1,000 volunteers working with 29 free tax preparation coalitions provided free tax preparation services to those eligible. Stories emerged from coalitions and clients alike with success stories of gratitude and thanks.

“I wish I had known about this last year”

“I could not have done this on my own”

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

“It is very nice of you to donate your time”

“I just want to give you a hug”

“Inspired by the potential for change in the lives of our residents in need”

“Bus coordinator noted that we had more returns prepared in three hours than the last two VITA stops the bus had” (BB&T Bank Bus at Clinch Valley Community Action)

“The smiles and relief were great to see and we thank VITA for the opportunity to be part of helping families in poverty”

“Because of the overall effectiveness and efficiency of our partners’ outreach efforts, our loyal client base, and positive word of mouth, we have made very limited marketing expenditures and generally concentrate our resources on serving client demand for services, ensuring the quality of our service”.

“It has been a wonderful experience to work with the VITA program as an AmeriCorps volunteer. I was given the opportunity to both learn new things and serve the New River Valley community by performing a much-needed service. Many of our clients were lower income families or unemployed persons who were really struggling, and it made me feel so good to see the smile on their faces when they got a much bigger refund than expected. I really enjoyed meeting so many people and I look forward to working with the VITA program in the future.”



ECDC Enterprise Development Group piloted the Assisted Self Tax Preparation Program at its VITA site in Arlington, VA



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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 29 coalitions working with VACAP and the Virginia CASH Campaign posted results for the 2010 tax year:

- 21,274 federal returns prepared electronically
- 920 federal returns (paper)
- 22,194 total federal returns filed
- \$30,881,418 in federal refunds
- \$1,452 average federal refund

- 7,015 returns processed with EITC
- \$10,483,135 in EITC refunds
- \$1,494 average EITC refund

- 4,339 returns processed with Child Tax Credit
- \$3,623,485 in Child Tax Credits

- \$4,254,800 savings to taxpayers
- 9,947 requested direct deposit
- \$17,927 average adjusted gross income

- 18,378 state returns prepared
- \$3,642,607 in state refunds

Compared to 2009, this represents:

- 15% increase in federal returns
- 19% increase in amount of federal refunds
- 14% increase in EITC refund amount





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Plan for the 2011-2012 Season

VACAP hosted the Fall Classic meeting in Richmond at Lewis Ginter Botanical Garden on October 13, 2011. The meeting, sponsored by Intuit Financial Freedom Foundation, was held in October to coincide with National Disability Month. 65 participants gathered to learn about challenges facing an often overlooked segment of the population and how coalitions can assist during tax season and beyond. Several resources partners were in attendance (Virginia Department of Rehabilitative Services, Purple Language Services, ClearPoint Financial Solutions, FDIC Money Smart, Virginia Community Capital and Virginia SAVES). Among the panelists were representatives from Resources for Independent Living, National Disability Institute, and VCU Partnership for People with Disabilities sharing their expertise. The pilot program of Assisted Self Tax Preparation will continue with the partnership of several coalitions and the IRS.

The VACAP grant program (\$185,725) was announced and grant applications were due on November 8, 2011.

Twenty seven applications for funding were received and 27 coalitions were awarded a total of \$185,725. Grant funds will be distributed by November 30, 2011. 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 2012. The expanded EITC change continues and means more people will be eligible for certain tax credits. The economic challenges that many people continue to face 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 2010 Virginia Hourly Volunteer Value of Volunteer Time is \$22.03. 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.

Visit <http://www.vaservice.org/go/volunteer/statistics/> for more volunteer information.

During the past tax filing season, there were 1027 Virginia CASH Campaign volunteers contributing more than 40,300 hours to the free tax preparation efforts of 28 coalitions. Using the 2010 VEC and Virginia Office on Volunteerism dollar value of \$22.03/hour it translates to over \$889,800 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; economic development at the local level.



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2010-2011
Coalition
Partners

