



Virginia Community Action Partnership

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

December 1, 2013

TO: The Honorable Robert F. McDonnell

and

The Honorable Lacey E. Putney, Chairman
House Appropriations Committee

and

The Honorable Harry R. Purkey, Chairman
Senate Finance Committee

and

The Honorable John M. O'Bannon III, Chairman
Joint Legislative Audit and Review Commission

The enclosed report is submitted pursuant to Item 343 A. 2. of the Appropriations Act, which appropriated \$185,725 to the Virginia Community Action Partnership through the Virginia Department of Social Services 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 2013 tax filing season and includes plans for the upcoming tax season.

Respectfully submitted,



Jim Schuyler
Executive Director





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Executive Summary

The delay in the start of the tax filing season did not stop our coalitions from providing excellent free tax preparation services to over 26,000 clients. This year, 25 coalitions working with free tax preparation programs throughout the Commonwealth received funding from the Earned Income Tax Credit grant. VACAP distributes 100% of the funding to the coalitions. The Virginia CASH Campaign highlights include:

- Over \$34.7 million in federal refunds
 - Over 26,000 federal returns filed
- Almost \$13 million in EITC refunds
 - Over 8,100 taxpayers claiming EITC
 - \$5.2 million saved in tax preparation fees
- Over \$4.6 million in state refunds
 - Over 24,000 state returns filed

Compared to 2011, this represents:

- 9.1% increase in the amount of federal refunds
- 16% increase in the number of EITC returns prepared

The modest state-funded \$185,725 EITC Grant program (average grant \$7,400) resulted in 1,274 volunteers working with 26 coalitions to provide free tax preparation and financial education services at 135 sites throughout Virginia. The Virginia Office on Volunteerism and Community Service estimates the 2012 value of volunteer time to be \$24.64 per hour. The Virginia CASH Campaign volunteers contributed over 57,000 hours of tax preparation to the program. An additional 12,000 hours were contributed for tax training. This equates to over \$1.7 million value to the program and communities where these volunteers live and work. Grant funds leverage over five times the amount in volunteer time.

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 modest 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 and federal partners in the Virginia CASH Campaign 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.





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In August 2012, VACAP hosted Common Cents Conference in Bethesda Maryland, a two-day workshop conference in partnership with Maryland CASH and DC ETIC that brought over 150 free tax program practitioners together to learn about innovative program models for free tax preparation services and how to help residents achieve success in building assets.

The EITC grant was announced at Common Cents and completed proposals were due at the VACAP office on October 4, 2012. Twenty-five grant recipients were notified of successful proposals on October 25, 2012 and funds were disbursed on October 29, 2012. 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 costs (60%).

Coalition advertising and printing costs for marketing, education and outreach materials totaled 13% of the total budget. Supplies and equipment was about 8% of the total. Travel to meetings and conferences totaled about 4%. Other smaller amounts were used for rent, telephone, training, volunteer recognition 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 for viewing and download. This key component links all coalitions and assists in communication and sharing best practices. Between January and April 2013, the site averaged over 2,300 page views per month with an average of 1,600 visits per month. During the rest of the year the site averages almost 1,800 page views per month. VACAP co-hosts monthly conference calls and along with the IRS provides an opportunity for partners to learn and share throughout the year.

The coalitions provided customers important information regarding the new direct deposit option for Virginia refunds. Most coalitions reported very few problems or complaints about the change in refund options.

VACAP is an affiliate of the National Community Tax Coalition which provides valuable training and technical assistance to affiliate and coalition members.





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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. 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. Congress last year renewed expansion of the EITC.

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. The number of coalitions providing free tax preparation has risen from eight to twenty-six and clients served from 2,600 to over 26,000.

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 includes partners from Community Action Agencies, local Departments of Social/Human Services, Virginia Department of Housing and Community Development's Individual Development Account Program, 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.

VACAP 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 **2012** (filing season January – April 2013)

- 26 coalitions
- 25,435 federal returns prepared (electronic and paper)
- 957 Facilitated Self-Assisted returns filed
- Over \$34.7 million in federal refunds
- Almost \$13 million in EITC refunds
- Over \$4.8 million savings in tax preparation fees

Highlights from tax year **2011** (filing season January – April 2012)

- 27 coalitions
- 22,778 federal returns prepared (electronic and paper)
- 458 Facilitated Self-Assisted returns filed
- 24,177 total federal returns filed
- Almost \$32 million in federal refunds
- Almost \$11.5 million refunds

Highlights from tax year **2010** (filing season January- April 2011)

- 29 coalitions
- 22,194 federal returns prepared (electronic and paper)
- Almost \$31 million in federal refunds
- Over \$4.2 million savings to taxpayers

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

- 28 coalitions
- 19,404 federal returns prepared (electronic and paper)

Highlights from tax year **2008** (filing season January – April 2009)

- 28 coalitions
- 21,345 federal returns prepared



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2012 EITC Grant Program

VACAP announced the EITC grant in October 2012. VACAP issued a Request for Proposals (RFP) and a total of 25 free tax preparation programs submitted proposals. VACAP provided 25 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:

Name of Coalition	Amount
Appalachian Community Action	\$4,500
Bay Aging	\$5,000
Community Action of Staunton, Augusta and Waynesboro (CAP SAW)	\$7,000
Clinch Valley Community Action Agency	\$4,500
Community Tax Aid, Inc.	\$6,500
Eastern Shore CAA/AAA	\$5,000
Enterprise Development Group	\$9,000
Northern Virginia CASH (Fairfax County)	\$10,000
Loudoun County DFS	\$4,300
Lynchburg Community Action Group	\$5,000
MetroCASH Richmond	\$10,000
Mountain CAP	\$5,000
New River Community Action Agency	\$12,000
Office of Human Affairs (FACES Coalition)	\$10,000
People Incorporated of Virginia	\$10,000
Pittsylvania County Community Action Agency	\$10,000
Rappahannock Region EITC Coalition	\$10,000
South Hampton Roads EITC Coalition	\$8,250
STEP, Inc.	\$6,200
Total Action for Progress, Roanoke	\$7,000
Tri-County Community Action	\$4,500
United Way of Henry County/Martinsville- HOPE Initiative	\$12,000
United Way- Thomas Jefferson Area	\$5,475
Western Highlands Coalition	\$10,000
Williamsburg/James City County CAA	\$4,500

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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. Social media campaigns using Facebook and Twitter are used to recruit volunteers and advertise the program. Some coalitions offer mobile services and transportation to homebound clients who cannot get to the free tax prep site.

- Over 3,200 employers informed their employees about free tax preparation and EITC
- Expanded education about the Direct Deposit option for all Virginia refunds
- Almost 100 press releases were published across the Commonwealth
- 65 Public Service Announcements were made on television or radio on EITC
- Over 1,000 participants in free financial education programs
- Over 600 learned about the matched savings program (VIDA)
- Over 80 newspaper articles relating to EITC and free tax preparation
- Live television and radio interviews reached almost 2 million homes
- Six billboards in various localities advertised free tax preparation and EITC
- Over 500,000 flyers distributed
- Over 1,200 volunteers logged over 69,000 hours preparing for and providing free tax preparation and financial education services.



A hearing impaired client tries to do his own taxes through the FSA program at **EDG** in Arlington. Volunteer Suzanne Grubb assists with sign language.



Tax returns are completed on the BB&T Bank Bus during **Clinch Valley Community Action's** free tax event in Bluefield.

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Free Tax Preparation Results

From January 25 through April 15, 2013 over 1,200 volunteers working with free tax preparation coalitions provided free tax preparation services. The data tells only one important piece of the success of the program. Individuals and families who benefit from the program and volunteers helping say in their own words:

“I have been treated with the best of respect. I dearly appreciate this service.”

“My wife and I are on a fixed income and the fact that this is a free program is very valuable to us. The staff is friendly and helpful.”

“I am living paycheck to paycheck and this helps tremendously.”

“The last return I did was a client’s prior year return which was done incorrectly by a paid preparer. We amended the return and the client will receive a \$900 refund.”

“A client needed to file for three years – received over \$24,000 in refunds- a life altering event.”

“Tax Super Saturday and the free file options are great alternatives for many taxpayers.”

“My office mates think I am a bit peculiar, that I enjoy doing taxes for fun. But I see it as a way I can contribute to the community, especially to those who are most in need. Thank you for the opportunity to be of service.”



New River Community Action volunteers were recognized for their Volunteer Income Tax Assistance services in Floyd, Montgomery, and Pulaski Counties and Radford City April 2013



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In addition to the federal returns electronically filed, many coalitions filed Commonwealth of Virginia returns. Several coalitions partner with the local Commissioner of the Revenue (COR) office, process the federal return, then send the taxpayer to the local COR for state filing. The software being used continues to develop and we hope that all client data will be captured, including those whose returns that are filed by paper and Facilitated Self-Assistance program through Free File.

The coalitions working with VACAP and the Virginia CASH Campaign posted results for the 2012 tax year:

- 24,137 federal returns prepared electronically
- 1,298 federal returns (paper)
- 957 filed through Free File/Assisted Self Tax Preparation
- 26,392 total federal returns filed
- \$34,700,274 in federal refunds
- \$1,438 average federal refund

- 8,164 returns processed with EITC
- \$12,917,505 in EITC refunds
- \$1,582 average EITC refund

- 5,059 returns processed with Child Tax Credit
- \$4,122,912 in Child Tax Credits

- \$4,827,400 savings to taxpayers
- 14,905 requested direct deposit
- \$18,841 average adjusted gross income

- 24,371 state returns prepared
- \$4,608,810 in state refunds

Compared to 2011, this represents:

- 9.1% increase in federal returns
- 9% increase in amount of federal refunds
- 16% increase in number of EITC returns



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Plans for the 2013-2014 Season

VACAP hosted a one day workshop conference called the Fall Classic in Richmond in October 2013. The focus of the conference was to learn more about the Affordable Care Act (ACA) and how the coalitions would be able to incorporate assisting tax filers with the information they need to make informed decisions about new health care options. Over 60 participants from across Virginia listened to presentations from Center on Budget and Policy Priorities and Commonwealth Institute for Fiscal Analysis. Attendees had opportunities to ask questions and share pertinent information as they determined the best approach for assisting their clients. Coalitions also know where to obtain timely information about ACA. Because of the federal government shut down, the IRS was unable to attend. Their new tax season information will be shared on an upcoming coalition conference call.

The VACAP grant program was announced at the Fall Classic on October 10, 2013.

Twenty four applications for funding were received and 24 coalitions were awarded a total of \$185,725. Grant funds will be distributed in November 2013. VACAP disburses all funds and keeps none of the appropriation for administering the grant program.

Throughout the year coalition leaders continue their outreach for volunteers. They also focus their marketing campaigns to alert potential customers of the new income limits and opportunities for free tax preparation services that will start in January 2014. We await any late tax law changes and have recently learned that the start of the federal filing season will be delayed. Although ACA will not impact the 2013 tax year returns, it may have an impact on clients having many questions at the tax sites. We anticipate an increase in the number of clients served and we look forward to being able to assist those with questions. It is important for the coalitions in our communities to continue providing this valuable service.

Facilitated Self-Assistance (FSA) will be expanded for the upcoming filing season to allow clients the opportunity to prepare their own tax return with some assistance at a free tax preparation site.

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 2012 Virginia Hourly Volunteer Value of Volunteer Time is \$24.64. 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, uses 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 1.76 million Virginia volunteers in 2011. Residents of Virginia on average contributed 231.6 million hours of volunteer service totaling \$5 billion of service to the Commonwealth.

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

During the past tax filing season, there were 1,277 Virginia CASH Campaign volunteers who contributed more than 69,000 hours to the free tax preparation efforts. The 2011 VEC and Virginia Office on Volunteerism dollar value of \$24.64 per volunteer hour translates to over \$1.7 million to the free tax preparation programs. Grant funds leverage over five times the amount in volunteer time.

The value of volunteers combined with the money that free tax preparation clients keep by not paying expensive tax preparation fees continues to have a positive economic impact in the local communities.





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