



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

December 1, 2021

TO: The Honorable Ralph S. Northam

and

The Honorable Luke E. Torian, Chair
House Appropriations Committee

and

The Honorable Janet D. Howell, Chair
Senate Finance and Appropriations Committee

and

The Honorable Kenneth R. Plum, Chair
Joint Legislative Audit and Review Commission

The enclosed report is submitted pursuant to Item [356 A.2](#) from the Temporary Assistance for Needy Families (TANF) Block Grant that appropriated \$185,725 to the Virginia Community Action Partnership through the Virginia Department of Social Services (VDSS) to provide grants to community non-profit 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 on its efforts to expand the number of eligible Virginians who can claim the federal EITC, the number of individuals assisted with tax preparation to claim the credit and who actually claim the federal EITC.

VACAP is pleased to present this report on the Virginia CASH Campaign. It outlines activities throughout the Commonwealth and highlights grantee programs during the 2020 tax-filing season and includes plans for the upcoming tax season.

Respectfully submitted,

A handwritten signature in black ink that reads "Jim Schuyler".

Jim Schuyler
President and CEO





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Earned Income Tax Credit Initiative
Virginia CASH Campaign**

Table of Contents

Executive Summary	3
History of the EITC Initiative	5
2020-2021 EITC Grant Awards	7
Value of Volunteer Time	8
2020 Tax Year Free Tax Preparation Results	9
Plans for 2021 Tax Year Filing Season	10
Coalition Map	11



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

Executive Summary

Because of their experience with the extraordinary tax filing season of 2020 due to COVID complications, the coalitions making up the Virginia CASH Campaign were well positioned to continue their modified and virtual tax preparation work into this filing season. Managing multiple service delivery models became the norm with program managers and site coordinators discovering new ways to engage new and existing volunteers, communicate with sometimes reluctant clients and continue to provide service during the ongoing public health emergency. Twenty-one coalitions working with community volunteers received funding from the Earned Income Tax Credit grant. VACAP supports this program with its own funds and receives none of the appropriation for administering the grant program.

The Virginia CASH Campaign highlights from January-July 2021:

- \$24.5 million in federal refunds
 - Over 18,000 federal returns filed
- \$5.5 million in EITC refunds
 - Over 3,700 taxpayers claiming EITC
 - Over \$4.3 million saved in tax preparation fees
- \$3.2 million in state refunds
 - Over 15,500 state returns filed
- Over 600 Volunteers
 - Over 20,000 hours of tax preparation time

The modest state-funded \$185,725 EITC Grant program (average grant \$8,800) resulted in over 600 volunteers working with 23 coalitions (two coalitions did not apply for funding) to provide free tax preparation and financial education services at over 77 sites throughout Virginia. More coalitions are offering Facilitated Self-Assistance which allows clients to file their own taxes where help is available if needed. [Independent Sector](#) estimates the 2021 value of volunteer time nationally at \$28.54 per hour. In Virginia, the value is \$29.14/hour (a 2.4% increase over last year). The Virginia CASH Campaign volunteers contributed over 20,000 hours of tax preparation to the program. Staff hours for the VITA program exceeded 21,000 hours. Additional hours were contributed for tax training and financial education. This equates to more than \$1.1 million in value to the program and communities where staff and 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 stability, 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 is used by the coalitions to engage community partners in their work.





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Earned Income Tax Credit Initiative
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VACAP hosted its Fall Classic on September 17, 2020, held virtually because of ongoing pandemic concerns. The agenda included a video welcome message from Delegate Schuyler VanValkenburg, Paula Bazemore (Virginia Center for Inclusive Communities) presenting on Unconscious Bias, and Code for America/Get Your Refund on a 100% Virtual VITA program that may become the norm if face to face meetings are not safe or of concern. The new round of funding for the EITC Initiative was announced. Grant applications were due on October 20. Twenty-one grant recipients were notified of successful proposals on November 17 and funds were disbursed by December 2, 2020.

Each coalition submitted a budget and plan as to how the grant funds will be used throughout the year. The largest funding allocation is personnel costs relating to VITA site and volunteer management (65%). Approximately 29% covers rent, equipment, supplies, training, and advertising.

The changes begun in mid-March 2020 continued to impact the 2021 filing season. Some volunteers decided to sit out another tax season. Customers were hoping to be back sitting face to face with their volunteer. Many found that virtual options requiring high speed internet were not going to work for them because of technological limitations. Filing season continued past its normal deadline of April 15. The expansion of the Child Tax Credit resulted in many new clients contacting VITA sites for information and assistance. The Advanced Child Tax Credit created new opportunities for client outreach and engagement.

The weekly VITA Chats that were started in April 2020 continue to keep coalition partners engaged and current on any changes to tax law and other ongoing concerns related to providing service in a virtual environment. The VITA Chats have been beneficial to keep partners learning from one another and continue now on a monthly basis.

Linking the tax time moment with other opportunities for financial engagement and empowerment is a goal when providing VITA services. Because a tax refund with EITC and CTC credits may be the most money a client sees all year in one lump sum, it is important to connect the client with financial empowerment opportunities. Keeping taxpayers compliant is one of Virginia CASH's most important functions. If a taxpayer has a problem with the IRS or Virginia Department of Taxation, all other efforts to help improve their financial situation are destined to fail.



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

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.

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 twenty-five and clients served from 2,600 to over 33,000.

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, United Way, Head Start, banks and credit unions, places of worship, schools, colleges and universities, 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
- Promoting financial opportunities to the unbanked, building financial well-being for clients coming into the free tax sites

VACAP works closely with SPEC (Stakeholders, Partnerships, Education and Communication), the arm of the Internal Revenue Service that oversees the VITA program. VACAP maintains an [EITC page on its website](#) and hosts or co-hosts a monthly VITA chat emphasizing timely topics and expanding learning opportunities. VACAP's distribution list serve for news and topics related to the VITA program reaches over 100 providers of VITA and financial capability and keeps coalitions current and informed of new and changing practices.



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

Highlights from tax year **2020** (filing season January – extended to July 2021 and then October 2021, with limited client face to face interaction)

- 23 coalitions
- 17,291 returns prepared (electronic)
- 1,111 (paper, prior year, and Facilitated Self-Assisted) returns filed
- Over \$24.5 million in federal refunds
- Over \$5.5 million in EITC refunds
- Over \$4.3 million savings in tax preparation fees
- Average adjusted gross income of clients - \$20,973

Highlights from tax year **2019** (filing season January – July 2020, extended filing season with limited client face to face interaction)

- 22 coalitions
- 20,777 returns prepared (electronic)
- 3304 (paper, prior year, and Facilitated Self-Assisted) returns filed
- Over \$24.2 million in federal refunds
- Over \$8.7 million in EITC refunds
- Over \$5 million savings in tax preparation fees
- Average adjusted gross income of clients - \$23,612

Highlights from tax year **2018** (filing season January – April 2019)

- 22 coalitions
- 28,279 returns prepared (electronic)
- 5,032 (paper, prior year, and Facilitated Self-Assisted) returns filed
- Over \$32.4 million in federal refunds
- Over \$10.5 million in EITC refunds
- Over \$7 million savings in tax preparation fees
- Average adjusted gross income of clients - \$29,418

Highlights from tax year **2017** (filing season January – April 2018)

- 24 coalitions
- 28,720 returns prepared (electronic)
- 4,836 (paper, prior year, and Facilitated Self-Assisted) returns filed
- Over \$34.8 million in federal refunds
- Over \$11.9 million in EITC refunds
- Over \$6.7 million savings in tax preparation fees
- Average adjusted gross income of clients - \$21,556



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Fall 2020 EITC Grant Awards

VACAP provided grants to the following 21 coalitions whose staff and volunteers provide free tax preparation and financial capability services:

Grant Award	Organization
\$9,000	Appalachian Community Action
\$10,000	Clinch Valley Community Action
\$6,500	Community Tax Aid
\$5,000	Eastern Shore CAA/AAA
\$8,000	Enterprise Development Group
\$6,000	Habitat for Humanity Charlottesville
\$15,225	Hampton Roads Community Action
\$8,000	Lynchburg Community Action
\$8,000	Mountain CAP
\$13,000	New River Community Action
\$9,000	People Inc. of Virginia
\$10,000	Pittsylvania Community Action
\$10,000	Rappahannock United Way
\$9,000	Rooftop of Virginia
\$8,000	STEP, Inc.
\$10,000	Total Action for Progress
\$8,000	Tri-County Community Action
\$8,000	United Way of Greater Charlottesville
\$15,000	United Way of Greater Richmond and Petersburg
\$14,000	United Way of Henry County & Martinsville
\$9,000	United Way of Staunton, Augusta and Waynesboro



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Earned Income Tax Credit Initiative
Virginia CASH Campaign**

The Value of Volunteer Time

From January through July 2021 (and continuing through October in some cases), volunteers working with free tax preparation coalitions provided free tax preparation services and Advanced Child Tax Credit information. The data show one important aspect of the success of the program. Individuals and families who benefit from the program and volunteers providing the free tax preparation services tell a meaningful story.

According to [Independent Sector](#), the 2021 Virginia Hourly Volunteer Value of Volunteer Time is \$29.14. It ranges from basic, simple tasks that might be valued at minimum wage, up to professional services given by doctors, lawyers, or accountants that would be valued very highly. Visit [Virginia Service](#) for additional volunteer information.

During the past tax-filing season, there were more than 600 Virginia CASH Campaign volunteers who contributed over 20,000 hours to the free tax preparation efforts. The \$29.14/hour value per volunteer hour translates to an over \$1 million contribution to the free tax preparation programs in communities across Virginia.

The VITA program is proud of the dedication of volunteers giving back to their communities. The value of volunteer time combined with the savings by not paying expensive tax preparation fees continues to have a positive economic impact in the local communities.



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

Free Tax Preparation Results

In addition to the federal returns electronically filed, coalitions filed Commonwealth of Virginia returns. Several coalitions partner with the local Commissioner of the Revenue (COR) office. The local VITA processes the federal return and then sends the taxpayer to the local COR for state filing. Many coalitions collect their own data which helps them refine their messaging to target clients in need of assistance.

The coalitions working with VACAP and the Virginia CASH Campaign posted results for the extended **2020** tax year:

- **17,291** federal returns prepared electronically
- **1,111** federal returns (paper/out of state, FreeFile or FSA)
- **18,402** total federal returns filed
- **\$24,541,201** in federal refunds (electronic returns)
- **\$1,419** average federal refund

- **3,736** returns processed with EITC
- **\$5,589,083** in EITC refunds
- **\$1,496** average EITC refund

- **2,333** returns processed with Child Tax Credit/Additional Child Tax Credit
- **\$3,091,156** in Child Tax Credit/Additional Child Tax Credit

- **Over \$4.3 million** savings to taxpayers
- **11,651** requested direct deposit
- **\$20,973** average adjusted gross income

- **15,597** state returns filed electronically
- **\$3,245,380** in state refunds

Because of continuing COVID-19 pandemic related restrictions, the 2021 results cannot fully be compared with prior filing seasons.



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Earned Income Tax Credit Initiative
Virginia CASH Campaign**

Plans for the 2021-2022 Season

VACAP co-hosted the Common Cents Conference with CASH Maryland on September 14-15, 2021. Two one-half-days of virtual programming brought together like-minded VITA colleagues to learn from each other and explore pathways for continuing to provide free tax preparation and financial empowerment assistance to clients in Virginia, Maryland, and the District of Columbia. Sessions included topics and discussions on VITA models, financial technology, legislative and advocacy updates, racial wealth gap, mental health and finances, volunteer recruitment and management, and collective self-care.

Members of the Virginia CASH Campaign opened the Common Cents Conference with a [short video](#) explaining who we are and what we do across Virginia. The new round of funding for the EITC Initiative was announced. Grant applications were due on October 21, 2021. Grants will be announced and awarded in late November for the upcoming tax filing season.

Throughout the year, coalition leaders continue their outreach looking for volunteers. The challenge of recruitment and retention of volunteers because of COVID-19 continues. Older volunteers are still wary of volunteering. College students were slow to return to campus. VITA coordinators remain hopeful for a return to face-to-face assistance; a face-to-face taxpayer encounter takes less time than processing a virtual return. The coalitions focus their marketing campaigns to alert customers of the new income limits and opportunities for free tax preparation services that will start in January 2022. We await any late tax law changes and coalitions are very alert to those changes that will impact the tax season and their clients.

New ways of tax preparation assistance are being modeled for coalitions, clients, and volunteers. Facilitated Self-Assistance (FSA), IRS Free File, 100% Virtual VITA, and Drop off as compared with traditional one on one meetings continue to grow. This gives clients and volunteers flexibility during tax filing season.

The coalition leaders ambitiously expect to serve more clients than last year. With volunteer challenges, dealing with new income limits, and tax law changes such as the Advanced Child Tax Credit, the need for VITA services continues to grow stronger.

