



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

**December 1, 2022**

TO: The Honorable Glenn Youngkin

and

The Honorable Barry D. Knight, Chair  
House Appropriations Committee

and

The Honorable Janet D. Howell, Chair  
Senate Finance and Appropriations Committee  
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 and the number of individuals assisted with tax preparation.

VACAP is pleased to present this report on the Virginia CASH Campaign. It outlines activities throughout the Commonwealth and highlights grantee programs during the 2021 tax season and includes plans for the upcoming tax season.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C. Spohrer".

Carolyn P. Spohrer  
Vice President



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**Executive Summary**

Because of their experience with the extraordinary tax filing seasons of 2020 and 2021 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 while trying to get back to a normal filing season. 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 2022:

- \$26 million in federal refunds
  - Over 17,000 federal returns filed
- \$7.7 million in EITC refunds
  - Over 5,400 taxpayers claiming EITC
  - Over \$4 million saved in tax preparation fees
- \$3 million in state refunds
  - Over 14,500 state returns filed
- Over 650 Volunteers
  - Over 26,000 hours of tax preparation time

The modest state-funded \$185,725 EITC Grant program (average grant \$8,800) resulted in over 650 volunteers working with 23 coalitions (two coalitions did not apply for funding) to provide free tax preparation and financial education services at over 80 Volunteer Income Tax Assistance sites throughout Virginia. Due to inflation and the static appropriation level, sites are consistently struggling to maintain the same level of service as grant funds have not kept up with the level of need. Many sites have experienced significant turnover in their staff who manage the program, which includes coordinating volunteers and marketing the program. The sites have continued to demonstrate local and regional leadership in making these programs national models and see the need for this service growing exponentially.

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 2022 value of volunteer time nationally at \$29.95 per hour. In Virginia, the value is \$29.14/hour. The Virginia CASH Campaign volunteers contributed over 26,000 hours of tax preparation to the program. Staff hours for the VITA program exceeded 15,000 hours. Additional hours were contributed for tax training and financial education. This equates to more than \$1.2 million in value to the program and communities where staff and volunteers live and work.



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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.

VACAP co-hosted with Maryland CASH Campaign and Community Tax Aid, D.C., the 8<sup>th</sup> Common Cents Conference on September 14-15, 2021, held virtually because of ongoing pandemic concerns. The theme this year, Virtual Challenges and Opportunities included sessions on the racial wealth gap, free tax preparation models, FinTech, mental health, advocacy, collective self-care and more. All sessions addressed the challenges and opportunities of providing programming in a virtual setting. Most sessions were recorded for those unable to attend.

The new round of funding for the EITC Initiative was announced on September 15, 2021, and grant applications were due on October 21. Recipients were notified of successful proposals on November 21 and funds were disbursed by December 6, 2021.

Each coalition submits 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 (62%). Approximately 23% covers rent, equipment, supplies, training, and advertising.

The changes made to VITA because of the pandemic continued to impact the filing season. Coalitions continued to provide VITA services using models and lessons learned during the pandemic. Virtual services like drop off and GetYourRefund continue to be models used. Customers hoping to be back sitting face to face with their volunteer, found other models would work for them, resulting in more efficient use of their time. Many clients in more rural areas 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 with many sites providing services until October.



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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 now continue monthly.

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.



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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.

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.



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Highlights from tax year **2021** (filing season January – extended October 2022)

- 23 coalitions
- Over 16,000 returns prepared (electronic)
- 1,173 (paper, prior year, and Facilitated Self-Assisted) returns filed
- Over \$26 million in federal refunds
- Over \$7.7 million in EITC refunds
- Over \$4 million savings in tax preparation fees
- Average adjusted gross income of clients - \$22,500

Highlights from tax year **2020** (filing season January – extended October 2022, 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



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**Fall 2021 EITC Grant Awards**

VACAP provided grants to the following 20 coalitions whose staff and volunteers provide free tax preparation and financial capability services:

<b>Grant Award</b>	<b>Organization</b>
\$10,000	Appalachian Community Action
\$10,000	Clinch Valley Community Action
\$6,500	Community Tax Aid
\$5,000	Eastern Shore CAA/AAA
\$5,000	Habitat for Humanity Charlottesville
\$12,000	Hampton Roads Community Action
\$9,000	Lynchburg Community Action
\$8,000	Mountain CAP
\$10,000	New River Community Action
\$6,225	People Inc. of Virginia
\$10,000	Pittsylvania Community Action
\$10,000	Rappahannock United Way
\$10,000	Rooftop of Virginia
\$8,000	STEP, Inc.
\$10,000	Total Action for Progress
\$9,000	Tri-County Community Action
\$8,000	United Way of Greater Charlottesville
\$15,000	United Way of Greater Richmond and Petersburg
\$12,000	United Way of Henry County & Martinsville
\$12,000	United Way of Staunton, Augusta and Waynesboro





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**The Value of Volunteer Time**

From January through July 2022 (and continuing through October in some cases), volunteers and staff working with free tax preparation coalitions provided free tax preparation services. The data shows 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 also tell a meaningful story.

According to [Independent Sector](#), the 2022 Virginia Hourly Volunteer Value of Volunteer Time is \$29.95. 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 650 Virginia CASH Campaign volunteers who contributed over 26,000 hours to the free tax preparation efforts. If you include staff time working with the VITA programs the \$29.95/hour value per volunteer hour translates to over \$1.2 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.



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**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 **2021** tax year:

- **16,062** federal returns prepared electronically
- **1,173** federal returns (paper/out of state, FreeFile or FSA)
- **17,235** total federal returns filed
- **Over \$26 million** in federal refunds (electronic returns)
- **\$1,624** average federal refund
  
- **5,470** returns processed with EITC
- **Over \$7.7 million** in EITC refunds
- **\$1,418** average EITC refund
  
- **2,321** returns processed with Child Tax Credit/Additional Child Tax Credit
- **Over \$5.5 million** in Child Tax Credit/Additional Child Tax Credit
  
- **Over \$4 million** savings to taxpayers
- **Over 10,800** requested direct deposit
- **\$22,524** average adjusted gross income
  
- **14,513** state returns filed electronically
- **Over \$3 million** in state refunds

Due to some continuing COVID-19 pandemic related restrictions, the 2022 filing season results cannot fully be compared with prior filing seasons.



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**Plans for the 2022-2023 Season**

Virginia CASH Campaign's Fall Classic was held as a pre-conference event on November 1, 2022, as part of the first annual Pathways from Poverty to Prosperity Summit held at the Virginia Housing Center in Richmond, VA. The morning working session included presentations by experienced VITA providers with roundtable workgroups exchanging information and learning about new program models, volunteer recruitment, management and marketing and training solutions and resources. Presentations were made available to those unable to attend along with notes from the work groups. The new round of funding for the Virginia CASH Campaign EITC Initiative grant was announced on September 28, 2022, and the grant application was posted on the VACAP EITC website. A Zoom grant review was held on October 7 to answer application questions. Grant applications were due on November 10 and successful applicants will be notified in late November.

As a result of Commonwealth of Virginia 2022 tax law changes, a new partially refundable Virginia Earned Income Tax Credit will be available beginning with the 2022 Virginia income tax return. For the first time, a taxpayer qualifying for the EITC on their federal return, an income tax credit equal to 15% of the federal EITC will be refunded to the taxpayer on their state return. This new credit will put money back into the pockets of eligible families who need it the most and will boost its effectiveness. Making the state credit partially refundable will enhance the difference the credit makes to families with low incomes. Coalitions that make up the Virginia CASH Campaign are using the new state credit in their talking points and advertising so that consumers and clients know about it, ensure that they receive it, as with all tax credits to which they are entitled. The new partially refundable EITC is an additional reason to encourage clients to use a VITA preparer to file their state and federal tax returns.

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 2023. 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. These models give clients and volunteers flexibility during tax filing season.



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The coalition leaders see the need to serve more clients than last year. With volunteer challenges, new income limits, and tax law changes such as the new Virginia partially refundable EITC, the need for VITA services continues to grow stronger. Additional sites are needed to achieve full statewide coverage. With additional sites comes the need for additional staffing and volunteers. Due to inflation and the static appropriation level, current sites are consistently struggling to maintain the same level of service as grant funds have not kept up with the level of need. Despite these challenges, Virginia CASH Campaign has continued to demonstrate local and regional leadership in making VITA programs national models. The need for this service is growing exponentially and requires ramped up efforts in the years ahead to ensure more Virginians receive access to the important tax reforms enacted at the federal level and by the Governor and General Assembly.

2021-2022 Virginia CASH Campaign

