



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

December 1, 2023

TO: The Honorable Glenn Youngkin

and

The Honorable Barry D. Knight, Chair
House Appropriations Committee

and

The Honorable Janet D. Howell, Co-Chair
Senate Finance and Appropriations Committee
Joint Legislative Audit and Review Commission

Senator George L. Barker, Co-Chair
Senate Finance and Appropriations Committee

The enclosed report is submitted pursuant to Item [347 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 2022 tax season and includes plans for the upcoming tax season.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C. Spohrer", is placed over a light gray rectangular background.

Carolyn P. Spohrer
Vice President



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Executive Summary

The coalitions making up the Virginia CASH Campaign were well positioned to continue their modified and virtual tax preparation work this filing season. As a result of the pandemic, creating and 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 where many customers prefer face-to-face service delivery. Eighteen 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 2023:

- \$19 million in federal refunds
 - Over 19,500 federal returns filed
- \$5.4 million in EITC refunds
 - Almost 3,500 taxpayers claiming EITC
 - Over \$4.5 million saved in tax preparation fees
- Over \$4 million in Child Tax Credit/Additional Child Tax Credit
- \$5 million in state refunds
 - Over 16,700 state returns filed
- Almost 600 Volunteers
 - Over 22,800 hours of tax preparation time with a value of \$1.3 million in volunteer hours donated to deliver this program

The modest state-funded \$185,725 EITC Grant program (average grant to each local program is \$8,800) resulted in over 600 volunteers working with 20 coalitions (two coalitions did not apply for funding) to provide free tax preparation and financial education services at almost 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 2023 value of volunteer time nationally at \$31.80 per hour. In Virginia, the value is \$32.59/hour. The Virginia CASH Campaign volunteers contributed over 22,800 hours of tax preparation to the program. Staff hours for the VITA program exceeded 17,000 hours. Additional hours were contributed for tax training and financial education. This equates to almost \$1.3 million in value to the program and



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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. As part of the VACAP Pathways from Poverty to Prosperity Summit in November 2022, Virginia CASH Campaign hosted a pre-conference workshop focused on recruiting, training and managing volunteers and marketing and outreach for your VITA program. Over 40 site coordinators, program managers, and volunteers from across coalitions providing free tax preparation services, IRS partners, funders and strategic partners were in attendance.

The new round of funding for the EITC Initiative was announced on September 28, 2022, and grant applications were due on November 10, 2022. Recipients were notified of successful proposals on December 2, 2022, and funds were disbursed by December 8, 2022. 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 22% covers rent, equipment, supplies, training, and advertising.

The changes made to VITA because of the pandemic have made the coalitions more resilient and created thoughtful adjustments that continue to be modified to make the program stronger, more robust and more responsive to clients. Virtual services like drop off and GetYourRefund continue to be 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 everyone's 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 the October filing season end.

Monthly VITA Chats that were started in April 2020 continue to keep coalition partners engaged and current on tax law changes and other ongoing concerns related to providing services. The VITA Chats have been beneficial to keep partners learning from one another.

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 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 a high of twenty-five and clients served from 2,600 to over 33,000 (prior to the pandemic of 2020-2021).

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 **2022** (filing season January – extended October 2023)

- 20 coalitions
- Over 18,200 returns prepared (electronic)
- 1,392 (paper, prior year, and Facilitated Self-Assisted) returns filed
- Over \$19 million in federal refunds
- Over \$5.4 million in EITC refunds
- Over \$4.5 million savings in tax preparation fees
- Average adjusted gross income of clients - \$26,000

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



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Fall 2022 EITC Grant Awards

VACAP provided grants to the following 18 coalitions whose staff and volunteers provide free tax preparation and financial capability services:

Grant Award	Organization
\$10,000	Appalachian Community Action
\$10,000	Clinch Valley Community Action
\$6,500	Community Tax Aid
\$7,000	Eastern Shore CAA/AAA
\$17,225	Hampton Roads Community Action
\$7,000	Lynchburg Community Action
\$8,000	Mountain CAP
\$10,000	New River Community Action
\$7,000	People Inc. of Virginia
\$12,000	Pittsylvania Community Action
\$12,000	Rappahannock United Way
\$10,000	Rooftop of Virginia
\$8,000	STEP, Inc.
\$10,000	Total Action for Progress
\$9,000	Tri-County Community Action
\$16,000	United Way of Greater Richmond and Petersburg
\$13,000	United Way of Henry County & Martinsville
\$13,000	United Way of Staunton, Augusta and Waynesboro



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The Value of Volunteer Time

From January through July 2023 (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 2023 Virginia Hourly Volunteer Value of Volunteer Time is \$32.59. 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 almost 600 Virginia CASH Campaign volunteers who contributed over 22,800 hours to the free tax preparation efforts. If you include staff time (17000) working with the VITA programs the \$32.59/hour value per volunteer hour translates to over \$1.3 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. This year, the Virginia refund amount includes the new partially refundable EITC credit. 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 **2022** tax year:

- **18,213** federal returns prepared electronically
- **1,392** federal returns (paper/out of state, FreeFile or FSA)
- **19,530** total federal returns filed
- **Over \$19 million** in federal refunds (electronic returns)
- **\$1,047** average federal refund

- **3,478** returns processed with EITC
- **Over \$5.4 million** in EITC refunds
- **\$1,571** average EITC refund

- **2,878** returns processed with Child Tax Credit/Additional Child Tax Credit
- **Over \$4 million** in Child Tax Credit/Additional Child Tax Credit

- **Over \$4.5 million** savings to taxpayers
- **Over 10,800** requested direct deposit
- **\$26,000** average adjusted gross income

- **16,797** state returns filed electronically
- **Over \$5.3 million** in state refunds



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Plans for the 2023-2024 Season

VACAP co-hosted with CASH Campaign of Maryland and Community Tax Aid, DC the regional Common Cents Conference (CCC) held over two one-half days September 19-20, 2023. CCC was 100% virtual using the Cvent Attendee Hub platform. Over 116 attendees from the District of Columbia, Maryland and Virginia gathered remotely for three plenary sessions and six workshops on a variety of topics designed to bolster program outcomes. All sessions were recorded and were made available to attendees.

Virginia CASH Campaign was highlighted during a panel discussion at the VACAP Pathways from Poverty to Prosperity Summit held at Virginia Housing in October 2023. Over 100 attendees learned about Mountain Community Action Program's VITA program and its importance in the community.

Eighteen grant applications were received by the November 1 deadline and grant awards will be announced by December 6, 2023.

VITA coordinators are looking forward to a successful tax filing season. 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 2024. We await any late tax law changes and coalitions are very alert to those changes that will impact the tax season and their clients.

Tax preparation assistance now offer Facilitated Self-Assistance (FSA), IRS Free File, 100% Virtual VITA, and Drop off and traditional one on one sessions. These models give clients and volunteers flexibility during tax filing season. The coalition leaders see the need to serve more clients than last year. With volunteer challenges, new income limits, and anticipated tax law changes, 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.

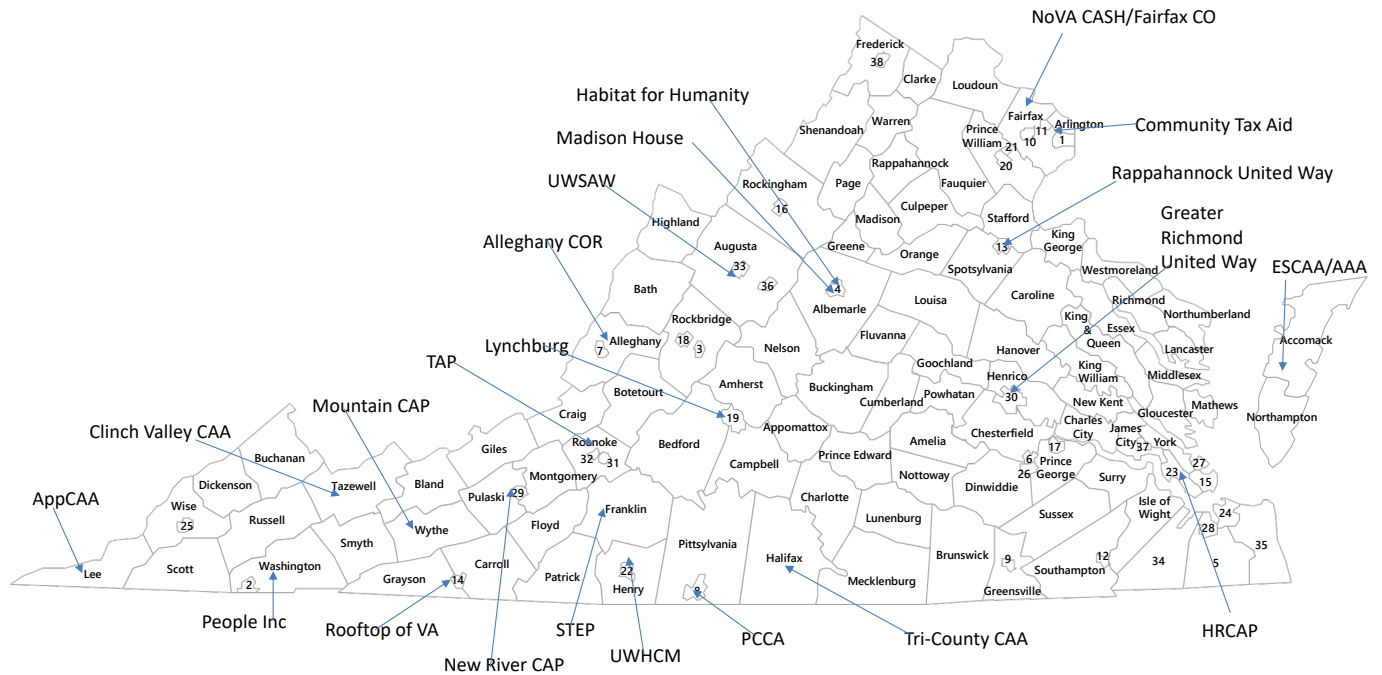
Due to inflation and the static appropriation level, current sites are consistently struggling to maintain the same level of service as grant funds have not kept up with the level of need. Despite these challenges, Virginia CASH Campaign has continued to demonstrate local and regional leadership in making 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.



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County map courtesy: www.coopercenter.org