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Earned Income
Tax Credit

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The Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a federal anti-poverty tax credit that supplements the earnings of low-income working individuals and families by reducing or eliminating their taxes. Millions of American families who are eligible for the EITC do not receive it, leaving billions of additional tax credit dollars unclaimed.

Congress originally approved the tax credit legislation in 1975, in part to offset the burden of Social Security taxes and to provide an incentive to work. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit. To qualify, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a tax return. The EITC is administered by the Internal Revenue Service (IRS).

FOR MORE INFORMATION on the Earned Income Tax Credit, please refer to the IRS Web site at www.irs.gov.

Rochester, New York

"Be Dollar Wi\$e with C.A.S.H." Campaign

The City of Rochester has been an active participant in the community's "Creating Assets, Savings and Hope" (C.A.S.H.) initiative since its inception in 2002. C.A.S.H. is a community coalition led by the United Way of Greater Rochester. In 2004, Rochester introduced the C.A.S.H. coalition to the Dollar Wi\$e Campaign, and "Be Dollar Wi\$e with C.A.S.H." was born.

The mission of C.A.S.H. is to improve the financial wellbeing of low-income working families in Monroe County. C.A.S.H. provides opportunities for working families to get, keep, and grow their money by increasing their incomes through greater use of the EITC; minimizing unnecessary financial erosion by offering alternatives to predatory practices; and maximizing financial assets through financial education, credit repair, matched savings, and homeownership. C.A.S.H. brings together diverse sectors of the Greater Rochester community, including the City of Rochester, Monroe County, leaders of banks and credit unions, credit counseling agencies,

Durham, North Carolina

MAYOR WILLIAM V. "BILL" BELL

MoneyWi\$e Durham Coalition

The Earned Income Tax Credit is one of the five major components of the MoneyWi\$e Durham Coalition, sponsored by the City of Durham and Durham County. The Coalition is successful because of its committed members, which include more than 20 community-based organizations (CBOs) such as the Greater Durham Chamber of Commerce and the Durham Department of Social Services.

Area businesses promote the EITC and in 2003-2004 more than 18,000 filers claimed \$3,273,530—an average refund of \$1,832. The number of EITC claims continues to rise, averaging a 4% increase annually through the efforts of the MoneyWi\$e Durham Coalition.

The Coalition also uses a helpline as a one-stop, central point of contact to receive inquiries from the community. Callers are directed to the appropriate Coalition service provider. As a result of the establishment of the MoneyWi\$e Durham Coalition and helpline, more Durham citizens are informed about personal financial services offered by local nonprofits, financial institutions, and government entities.

The General Accounting Office and the IRS estimate that 15-25% of the families who are entitled to the EITC do not claim their credit. That's between 3.5 and 7 million households.

MAYOR ROBERT DUFFY

academic institutions, and a variety of human service agencies.

During income tax season, C.A.S.H. operates sites providing free income tax preparation to households with incomes of less than \$40,000 (the income range eligible for the EITC). In 2005, C.A.S.H. helped more than 8,000 families claim \$10.5 million in tax refunds and credits; of this, \$6 million was through the EITC.

In addition to assistance with their tax returns, families who come to C.A.S.H. sites have the opportunity to connect with many other community resources and services designed to help them make the most of their money. Area financial institutions offer fee-free, no-minimum-deposit bank accounts for families without an account, as well as affordable alternatives to expensive "instant money" and "rapid refund" schemes. Trained volunteers offer one-on-one conversations on savings programs, affordable health care, financial education programs, food stamps, affordable refurbished computers, free credit reports, job counseling services, and more.

San Francisco, California

MAYOR GAVIN NEWSOM

Working Families Credit

San Francisco is committed to helping low-income residents enter the financial mainstream. In 2005, Mayor Gavin Newsom and City Treasurer Jose Cisneros launched the Working Families Credit (WFC), a local 10% match to the federal Earned Income Tax Credit. The program helps more San Francisco families learn about and apply for the EITC. As much as \$12 million per year is left unclaimed by city residents who are eligible but do not apply for the EITC.

In 2005 the city received over 10,000 applications for the WFC. These families received over \$20 million in federal EITC benefits, matched by an additional \$2 million from the city.

To accomplish this task, city officials met the residents where they lived, worked, and did their taxes. The city conducted an extensive, culturally-competent advertising campaign in English, Spanish, and Cantonese in low-income neighborhoods. H&R Block, which prepares over one-third of low-income residents' tax returns, came on as a partner. Information was distributed through the school district, housing authority, local unions, public libraries, health clinics, the Post Office, a grocery store chain, banks, and numerous CBOs. And the high-profile, public support of two citywide elected officials—the mayor and the city treasurer—attracted private partnerships and media opportunities as well as secure the trust of program recipients.

In addition to cash benefits, these families have the opportunity to open free bank accounts at 14 local banks and credit unions, and access to free financial counseling. They are also given information on how to sign up for an array of benefits, such as financial literacy training, low-cost health insurance, food stamps, utility assistance, and child care.

Savannah, Georgia

MAYOR OTIS S. JOHNSON

The EITC Coalition

Savannah launched its Dollar Wi\$e campaign in September 2004. This campaign serves to strengthen and continue the work of several existing programs to help community residents become more financially literate. Among these is the EITC Coalition, an effort by local nonprofit, government, and private-sector organizations to help low-income residents file their income tax returns and apply for the federal Earned Income Tax Credit. In addition to educating the public about the EITC, activities cover topics such as the federal Child Tax Credit (CTC), financial education, individual development accounts (IDAs), and homeownership.

The EITC campaign has been a major success. In 2005 alone, the coalition sponsored eight Volunteer Income Tax Assistance (VITA) sites for free income tax preparation, serving over 1,500 individuals and families. Approximately \$1.2 million in EITC was claimed—an average of \$782 per tax filer and a 300% increase over 2004.

Building on these successes, the coalition works hard to increase its service to the community. As a result, the coalition has established three key improvement goals for this year. First, it is seeking to improve its reach to the communities it serves through the use of census and IRS data to define geographic areas with the highest concentrations of low-income, EITC-eligible families and individuals. Second, the coalition is seeking to identify ways to strengthen the link between the EITC and financial education, particularly by linking participants with financial education services to be provided after the tax season. Finally, it is seeking to serve Savannah's growing Hispanic population by offering bilingual tax services.

St. Petersburg, Florida

MAYOR RICHARD M. BAKER

Wealth Building Coalition

In July 2002, the Wealth Building Coalition (WBC) formed to help eligible residents in Midtown and other areas of St. Petersburg claim the EITC and to increase economic opportunities for those residents. The city's partners in this effort include the Pinellas County Juvenile Welfare Board, St. Petersburg Neighborhood Housing Services, James B. Sanderlin Neighborhood Family Center, Pinellas Opportunity Council, IRS, FDIC, Federal Reserve Bank, local banks, and others.

Together, these partners focus on outreach and public awareness to increase the number of families who know about and claim the EITC, the Child Tax Credit (CTC), and other credits. Additionally, they offer free tax preparation sites to increase participation and reduce fees related to commercial filing, as well as programs that help families build assets through financial education and savings and investment of tax refunds.

In December 2005, WBC received national recognition as a "Point of Light." That same month, NeighborWorks

America and the IRS selected St. Petersburg Neighborhood Housing Services/WBC as one of 10 coalitions in the country to participate in a financial education/Volunteer Income Tax Assistance (VITA) pilot project during the tax filing season.

The results from the tax filing season reflect the success of the Campaign. The two centers located in Midtown prepared a combined 1,500 tax returns, bringing almost \$1 million in EITC money and over \$2 million in total refunds to the community. The city's third and newest VITA site prepared 225 returns, with over \$110,000 EITC dollars and over \$325,000 in total refunds to an area with a large number of immigrants.

Taxpayers at all three of the city's VITA sites were offered information about financial education opportunities and many of them will be contacted in the future to learn more about economic opportunities.

Through these efforts, a growing number of St. Petersburg residents are learning about EITC eligibility, free tax preparation, and asset building.

Trenton, New Jersey

MAYOR DOUGLAS H. PALMER

Greater Trenton Earned Income Tax Credit Asset Building Coalition

Under the mayor's leadership, the City of Trenton's Department of Health and Human Services (HHS) created the Greater Trenton Earned Income Tax Credit Assets Building Coalition in 2005. The Coalition is an ever-growing set of partnerships devoted to financial literacy.

The Coalition provides financial counseling primarily targeted toward low- and moderate-income residents. It melds the capabilities and resources of twelve federal, state, county,

and city agencies, including the IRS; State Divisions of Taxation, Youth and Family Services, and Labor; County Human Services; City HHS, Recreation, Housing and Economic Development; and Trenton Housing Authority.

In addition to government agencies, the coalition now includes 19 CBOs and churches, 5 banks, and a utility company, all contributing to an integrated suite of financial literacy education programs. Over the past year alone, hundreds of residents were served through community-based counseling in applying for the Earned Income Tax Credit.

Yonkers, New York

MAYOR PHILIP A. AMICONE

"NY Saves" Earned Income Tax Credit Program

In 2002, the mayor introduced the Earned Income Tax Credit Initiative to ensure that Yonkers residents earning low or moderate incomes take advantage of this credit that reduces the tax burden on low-income workers, supplements wages, and makes work more attractive than welfare. The mayor recognized that millions of dollars in tax credits were not being utilized by a segment of the population that needed them.

The City of Yonkers created this initiative by partnering with the IRS and five CBOs. The IRS introduced a new program called "NY Saves" designed to encourage residents to save for their future, for a new home, and for retirement. The IRS provided training and technical expertise to several volunteers to conduct free tax preparation during the evening hours weekdays and all day Saturday.

In 2003, under the mayors' direction, the VITA site including the EITC program was launched at Riverfront Library, a new state-of-the-art facility that was opened just a few months earlier on the Yonkers waterfront. This location is accessible by several forms of transportation and enabled the city to centralize and accommodate residents from various areas of the city. The city will be working with the Riverfront Library to hold financial literacy seminars at least one evening a month.

Yonkers recognized the importance and impact of educating and empowering low-income residents with the tools, information, and resources to succeed financially and become self-sufficient. The city will be coordinating a variety of financial literacy programs with several new partners. The city's goal is to offer financial literacy programs yearround.

What is the National Dollar Wi\$e Campaign?

The Mayors' National Dollar Wi\$e Campaign is a campaign designed to improve the financial literacy and education of our nation's citizens. Through the development of a national campaign strategy and partnerships with the members of the U.S. Conference of Mayors' Council for the New American City, cities are invited to join this ongoing campaign to promote financial literacy education. The campaign emphasizes basic money management and planning skills around the core components of education, savings, credit management, and homeownership. Mayors are urged to form a community coalition to develop and promote their local campaigns. Additionally, mayors should feel free to build on existing financial literacy programs and projects in their communities. The campaign is designed to be adaptable to the needs of each community.

The goal of the Mayors' National Dollar Wi\$e Campaign is to encourage the development of ongoing local financial literacy strategies to educate citizens about financial issues. With improved personal income, money management, and planning skills, citizens are in a better position to accumulate and retain wealth, own homes, raise healthy families, educate their children, and invest in small businesses.

Since 1969, Countrywide has helped millions of American families realize the dream of homeownership. The Countrywide Financial Corporation meets the needs of consumers and business clients through mortgage banking while also offering products and services from their growing synergistic business segments, which include Banking, Insurance, Capital Markets, Loan Closing Services and Global Operations.

For additional information about the campaign, please visit www.dollarwiseonline.org, call Dustin Tyler Joyce at 202.861.6759, or e-mail dollarwise@usmayors.org.

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The United States Conference of Mayors

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