

SUCCESSFUL EITC CAMPAIGNS IN CITIES

What Experience Has Shown



For many years The U.S. Conference of Mayors has helped cities establish campaigns to encourage low and moderate income working families to take advantage of the Earned Income Tax Credit. Throughout the nation, cities which have undertaken such campaigns are seeing increased numbers of eligible residents receive the Earned Income Tax Credit, and are sharing in the benefits produced. A look at EITC efforts underway in some of these cities provides insights into these benefits, and into the elements of successful campaigns. For mayors who are planning to expand or improve existing EITC campaigns, and for those who are contemplating the launch of a new campaign, the experience of colleagues in other cities may be of value. Here are 10 things that have been learned.

1. The Earned Income Tax Credit pumps a significant amount of money into local economies. It is currently the federal government's largest anti-poverty program.

- For the 2004 tax year, eligible families with one child receive up to \$2,604; eligible families with two or more children receive up to \$4,300. Eligible workers without children are eligible for a credit of up to \$382.
- Each year the EITC lifts 4.9 million people – including 2.7 million children – above the poverty line. In FY 2004, the EITC was projected to return more than \$30 billion to families nationwide.
- The IRS estimates that every EITC dollar received puts up to \$3 back into local economies.
- In the 2002 tax year, Chicago families received \$517.9 million through the EITC; Philadelphia families, \$277.7 million; Detroit families, \$217.5 million; Wichita families, \$44.9 million; Kalamazoo families, \$15.9 million; and Arvada families, \$7.4 million.

2. Successful campaigns involve diverse partnerships. Community- and faith-based organizations, utility companies, local businesses, chambers of commerce, financial institutions, foundations, colleges and universities, the United Way, the Internal Revenue Service, and many others have partnered with cities on EITC campaigns.

- The Phoenix EITC Campaign is carried out by a coalition of more than 50 public and private organizations which promote and provide tax preparation services for low and moderate income residents. The coalition includes partnerships with the Internal Revenue Service, the Governor's Office, all major utility companies, and nearly 200 IRS volunteers trained to assist in tax preparation services. For the 2003 tax filing season, 6,353 low income families filed tax returns at the Campaign's nine core sites; this resulted in \$6.2 million in tax refunds and an estimated savings of \$2 million in transaction costs. The IRS reported that, for 2003, utilization of the EITC by Phoenix residents increased by seven percent and totaled nearly 100,000 families.
- The Baltimore CASH Campaign involves community-based organizations, government agencies, private workforce development agencies, nonprofits, foundations, employers, the IRS, and hundreds of volunteers, and it continually solicits additional partners and volunteers. For the 2003 tax season, the Campaign prepared 3,785 tax returns, claiming more than \$6.5 million in state and federal tax refunds, and saving families an estimated \$581,000 in tax preparation costs. Since 2001, the Campaign has helped City residents claim over \$4 million in EITC payments.
- The Los Angeles Earned Income Tax Credit Campaign Partnership includes the City and County of Los Angeles and many of their individual agencies, the United Way, the IRS, the Federal Deposit Insurance Corporation, Goodwill Industries, U.S. Bank, Bank of America, the Fannie Mae

Foundation, the Children's Defense Fund, the State Employment Development Department, the Social Security Administration, and many other agencies. For the 2003 tax season, 268,063 returns were filed through the Campaign, and more than \$120 million were returned to filers.

- Each member of the Boston EITC Campaign – City, State, and federal government organizations, regulators, foundations, community-based organizations, and members of the local business community – represents a key constituency and is a critical component of the Campaign. The IRS provides free software and training materials to the sites. Together, the Campaign and the IRS train site staff and volunteers. The Annie E. Casey Foundation, Boston Foundation, Citizens Bank, Sovereign Bank, One United, and the law firm of Nixon Peabody provide financial support. For the 2003 tax season, 4,860 tax returns were filed through the Boston Campaign, returning \$2.5 million to the filers.

3. The Mayor's leadership is essential. Mayors bring visibility to an EITC campaign by holding press conferences to announce it, recording EITC public service announcements, and highlighting it in public meetings and at other events. The mayor is often in a unique position to bring together the various segments of the community that are considered essential to a successful campaign.

- In a February 2004 letter to Fort Collins residents posted on the City's website, Mayor Ray Martinez explained what the EITC is and why it is important to the community. He indicated that more than 2,700 city residents eligible for the EITC had failed to claim the credit in 2002, depriving themselves of average additional income of \$1,530 and the community of additional income of \$4 million. As a result of the efforts of the local EITC coalition, 977 tax returns claiming the EITC were e-filed for the 2003 tax year, returning \$762,000 to Fort Collins residents.
- Chicago Mayor Richard M. Daley initiated his City's campaign in 1999. Every year the Mayor kicks off the campaign with a press conference; City staff report that media coverage of this annual press announcement generates a significant number of requests for information.
- San Francisco Mayor Gavin Newsom made increasing the number of eligible San Franciscans who file for the EITC and the Child Tax Credit a key issue in his campaign for Mayor. He pledged to work with the Local EITC Working Group, recipients of the Working Families Tax Credit, and other community stakeholders in a community planning process that would ensure that the Credit is accessible and linked to asset-building, and that it would incur minimum administrative costs. He also pledged to establish a local EITC and, after becoming Mayor, followed through on that pledge. He also established a pilot program designed to provide eligible workers with several hundred dollars in additional annual income. Funded through a public-private partnership, the pilot program is expected to cost \$6 million, with half coming from the City and half from the philanthropic community.

4. City governments contribute in various ways. Whether city governments or local agencies take the lead in conducting EITC campaigns, city government resources contribute to the size and the success of the overall effort in a variety of ways.

- The Phoenix Human Services Department redirects existing resources to the EITC Campaign to ensure that all tax preparation sites receive sufficient levels of volunteer assistance and technological support.
- In Fort Collins, the Recreation Department makes space for tax preparation assistance available in the City's community centers.
- The City of Chicago provides funding to two nonprofit organizations which provide free tax preparation assistance to residents earning less than \$35,000 per year. Chicago's non-emergency 311 phone number serves as the central point of contact for residents seeking information on the EITC and the tax preparation services available.

5. The IRS is a valuable partner. IRS personnel participate in many local EITC coalitions. The agency provides informational materials to both local campaigns and to individual filers, and software and

training – including an on-line course – to volunteer tax preparers. The IRS sponsors the Volunteer Income Tax Assistance (VITA) Program and the Tax Counseling for the Elderly (TCE) Program, both of which offer free tax help to eligible filers.

- 6. Campaigns depend on volunteers.** Businesses and other local organizations volunteer to be part of campaigns; major employers notify their workers of the availability of the EITC; utility companies distribute information with their bills; individual volunteers are trained to provide tax preparation and other services to eligible clients. EITC campaigns solicit volunteers through a variety of mechanisms, including their websites.

 - In Boston, volunteers from the community who will work with clients at neighborhood tax preparation sites receive free basic tax law and software training. Volunteers also engage in neighborhood outreach activities and plan events that will attract residents to the sites. They greet community members at the sites and provide basic financial literacy information.
 - In Baltimore, volunteers participate in a free eight-hour training session that equips them to prepare tax returns for working families who are eligible for tax credits but cannot afford to pay a commercial tax preparer. Some volunteers are assigned to coordinate tax filer information in preparation for the filing service. Others are trained to provide asset development information designed to help families use their financial resources more wisely.
 - Rochester's C.A.S.H. (Creating Assets, Savings & Hope) Coalition of 30 organizations has identified six different jobs for volunteers at their tax preparation sites. They may serve as tax preparers, advisors who discuss clients' financial needs and challenges and provide information about other services that can help expand family resources and self sufficiency, front desk managers, translators, outreach workers, or administrative assistants. Each volunteer works a minimum of four hours per week during the first five weeks that sites are open. Most continue volunteering through the entire 11-week tax season.

- 7. Free tax preparation means working families keep more money.** Nationally, more than two out of three EITC recipients go to a commercial preparer at tax time; each pays an average of \$100 to have a basic return prepared and filed. In addition, many low income filers pay exorbitant fees for "rapid refunds," which are actually short-term loans with very high interest rates.

 - In Hattiesburg, the Mayor's Financial Education Initiative volunteers prepared 913 free tax returns at AARP and VITA sites for the 2003 tax year, returning nearly \$400,000 in tax credits to filers. Officials estimate that these filers saved an average of at least \$100 – a total of approximately \$100,000 community-wide – by having their taxes prepared by volunteers at no cost.
 - In San Francisco, free tax help is available to anyone with a family income below \$36,000. For the 2003 tax year, 760 volunteers at 23 sites contributed more than 5,000 hours to assist 3,451 filers with their returns. These filers received more than \$1.5 million through the EITC.
 - Chicago residents earning less than \$35,000 can get free tax preparation assistance, which includes filing for their EITC, from professionally trained volunteers. With funding from the City, the Tax Counseling Project and Tax Assistance Program – both Chicago-area non-profit programs – offer the assistance at 28 sites in Chicago and 19 sites outside the City. Many of the tax preparation sites also offer clients the opportunity to apply for savings or checking accounts.
 - For the 2003 tax year, 350 volunteers in Rochester provided free tax return assistance that helped 5,445 Monroe County households receive \$7.4 million in refunds and credit. These filers avoided \$1.3 million in paid preparer fees and refund loan expenses.

- 8. Successful campaigns depend on successful marketing.** A strong public information and outreach effort is one of the keys to increasing the number of eligible families filing for the EITC. Outreach materials must be published in the various languages spoken in the city.

 - In Chicago, in addition to Mayor Daley's press conference which kicks off the EITC campaign, the City distributes five million pieces of literature on the campaign, arranging for them to be included in

utility bills, public school report cards, grocery bags, and other distribution vehicles. Eighteen hundred placards are displayed on trains and buses. Information is posted and available in public facilities such as libraries, City colleges, and park district field houses. The Mayor sends letters to the City's Chambers of Commerce, encouraging them to request fliers, and to members of the clergy, asking them to inform their congregants about the campaign.

- In Louisville, continuous television spots, billboards, newsletters, and brochures taped to Kentucky Fried Chicken boxes are part of the marketing and outreach strategy for the EITC campaign. The Louisville Asset Building Coalition operates nine tax preparation sites. To market the sites during a recent campaign, 35,000 English language flyers were distributed along with 5,000 flyers in six other languages, including Russian, Serbo-Croatian, and Arabic. Three hundred signs advertising the EITC and the free tax help available were posted inside and outside buses and in bus shelters. Housing authority case managers went door-to-door to talk to residents about the EITC and the tax preparation sites.
- The Phoenix EITC Coalition conducts a comprehensive outreach effort, providing information on the EITC to over two million Phoenix area residents. For the 2003 tax year, calls to the City's EITC Hotline increased by 330 percent over the previous year.

9. Campaigns serve as gateways to other benefits. Low income individuals and families reached through the EITC campaign can be helped to learn about other tax credits and benefits for which they are eligible.

- In addition to providing information on the EITC, the Los Angeles EITC Campaign Partnership distributes detailed information on how to apply for work opportunity and welfare-to-work tax credits and state enterprise zone tax credits.
- Omaha's EITC campaign also provides information on the federal Child Tax Credit, Hope Scholarship Tax Credit, Lifetime Learning Credit for adult tuition, and federal and state child care credits.

10. Campaigns serve as gateways to financial security. EITC campaigns can link the low and moderate income clients served to other services which increase financial literacy and help build assets.

- In addition to helping eligible clients take advantage of the EITC, Rochester's C.A.S.H. Coalition helps minimize financial erosion by offering alternatives to predatory lending practices, and helps maximize financial assets through financial literacy, credit repair, matched savings accounts, and home ownership. Filers improve their financial health by, among other things, attending budgeting workshops and learning about first-time homeownership programs.
- In Omaha, several banks participating at tax preparation sites help filers arrange for direct deposit accounts and consumer credit counseling. Mass Mutual writes free life insurance policies for families earning under \$40,000.
- San Francisco's Earn It! Keep It! Save It! Campaign links filers to assistance in establishing Individual Development Accounts, which match family savings to help make investments in assets that appreciate – education, housing, and small business start-up, among them. It also provides them with information on financial management training, banking, and credit and debt counseling.
- The Louisville Asset Building Coalition, a broad-based collaborative dedicated to promoting financial stability for individuals and families, provides both direct services and linkages to other community resources. The Coalition connects low income individuals to financial and tax preparation services, housing, IDAs, and financial literacy and credit counseling that will help them leverage the Earned Income Tax Credit for debt recovery and asset development.

This is a product of the partnership of The Annie E. Casey Foundation and The U.S. Conference of Mayors. It was prepared by City Policy Associates, Washington, D.C. Additional copies are available from The U.S. Conference of Mayors, 1620 Eye Street, N.W., Washington, D.C. 20006, (202) 293-7330, or at www.usmayors.org.