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Volunteer Income Tax Assistance: A Community Coalition for Financial Education and Asset Building

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Volunteer Income Tax Assistance: A Community Coalition for Financial Education and Asset Building

Abstract

Free tax programs, such as Volunteer Income Tax Assistance (VITA), allow recipients of the earned income tax credit (EITC) to have their returns filed for free. VITA and other free tax programs are nationwide. However, each program is distinct, and the services provided by these programs differ. This article discusses a successful and unique community collaboration that can be used by Cooperative Extension professionals nationwide to assist consumers with tax preparation, introduce new paths for providing consumers with financial education, and open the door to involving consumers in additional financial management programming.

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Overview of the Volunteer Income Tax Assistance Program

Volunteer Income Tax Assistance (VITA) is a volunteer program administered by the Internal Revenue Service (IRS) and partnering organizations (i.e., numerous community and neighborhood centers and businesses) and designed to provide free tax preparation and filing services to people with low or moderate incomes (Price & Smith, 2008; Strupeck & Whitten, 2004). EITC Central (www.eitc.irs.gov/), a website developed by the IRS, provides resources for VITA partnering organizations and volunteer tax preparers, promotes awareness of the earned income tax credit (EITC), and markets VITA sites to the public. Other excellent resources for organizations seeking to learn more about VITA and the EITC are the National Community Tax Coalition (<http://www.tax-coalition.org/>) and the Center on Budget and Policy Priorities (www.eitcoutreach.org).

EITC Program

It is widely understood that the EITC program was implemented to address the financial stability of eligible working individuals and families with low to moderate incomes. According to Linnenbrink, Koonce, Mauldin, Rupured, and Schlanger (2008), 13% of taxpayers who received the EITC planned to save their tax refunds, and 21% planned to use their tax refunds for accumulation of assets,

such as a house, an education, and so forth. However, national estimates indicate that 20% to 25% of taxpayers eligible for the EITC do not claim it. Community outreach is the best way for eligible taxpayers to learn about and claim the credit (Center on Budget and Policy Priorities, 2015). Taxpayers who qualify to claim the credit have the potential for a federal refund but have added costs from tax preparer fees if using a paid tax preparer.

Free tax programs, such as VITA, allow EITC recipients to get their returns filed for free. VITA and other free tax programs are nationwide. Each has a distinct design, and some are more successful than others. The purpose of this article is to discuss a successful and unique community collaboration that can be used by Cooperative Extension professionals nationwide to educate the public about free tax programs.

Community Collaboration and Coalition

Colquitt County is a rural county in Southwestern Georgia. The 2007 Colquitt County Poverty Task Force Report indicated that poverty rates for all racial and ethnic groups in the county were higher than state and national levels and that the county's poverty rate was 6 percentage points higher than that of the state as a whole. This report also found that non-Hispanic Blacks and Hispanics represented a disproportionate percentage of the county's people living in poverty. Low credit scores and limited financial skills contribute to the vicious cycles of poverty in the county. There is a great need for financial education among the working population; 70% of the county's traditional working age population has an educational attainment of high school or less, compared to 50% in the state. In 1999, almost 36% of the county's households reported incomes of less than \$20,000. Dependence on high-cost/high-risk finance companies, title pawn loans, rent-to-own purchases, and tax refund anticipation loans is prevalent among the poor in the county.

To help families overcome poverty, the first VITA site in Colquitt County was established in 2010. The county Extension agent collaborated with Family Connection, a local technical college, the YMCA, city and county government, local banks, the IRS, The University of Georgia College of Family and Consumer Sciences, and University of Georgia Cooperative Extension to implement a bilingual (English and Spanish) VITA site in the county. Through the above-mentioned collaborations, the Coalition for Financial Asset Building (CFAB) was created in 2011 to sustain the VITA program and address issues of poverty through initiatives that increase financial education and assets of local consumers. CFAB meets quarterly to provide sustainability and collaboration for the VITA program. CFAB also promotes new venues for bilingual financial education programs throughout the community, and tax filing season is an optimal time to provide financial education (Bobbitt, Bowen, Kuleck, & Taverno, 2012; Collins, 2010).

Each member of the coalition serves a specific role in implementing the VITA program each year. Faculty members train students to obtain the necessary IRS certifications and prepare returns, and the students obtain the certifications necessary to prepare the returns under the supervision of Cooperative Extension staff, faculty members, and other site supervisors. In addition, Cooperative Extension provides a variety of financial planning educational materials. The financial institutions are available to answer questions and provide information about bank and other financial products and services.

Accomplishments/Benefits

Table 1 shows the amount of tax credit and refund dollars received through VITA from 2010 through 2014 (for tax years 2009 through 2013). Over these tax years, 634 returns were filed. The total amount in refunds totaled \$1,092,518. EITCs received totaled \$433,960, and child tax credits received totaled \$130,706.

In 2010, taxpayers also received first-time home buyer credits in the amount of \$10,751. Twenty-five households served reported saving an average of \$118 in tax preparation fees in comparison to the previous year. A large number of clients did not have a savings account (53%) or a checking account (18%), so local bank representatives provided information to clients about how to open bank accounts as well as how to manage personal finances and improve credit. Educational exhibits and materials were provided through Cooperative Extension to help clients think about critical needs, such as insurance, savings, and investments. Based on the mean scores on a five-question exit survey (with 1 representing *strongly disagree* and 5 representing *strongly agree* for each question), the majority of taxpayers believed that their tax preparer had the skills needed to assist them (4.655), trusted the advice of their tax preparer (4.629), felt their tax preparer understood their current financial situation (4.548), believed their tax preparer explained information in an understandable manner (4.645), and would recommend their tax preparer to others (4.693). Most indicated that they were likely to implement suggestions made by their tax preparer (4.5). In 2011, 110 adults pledged to begin savings programs totaling \$8,535 monthly. Fifteen families prepared to buy their first home, and 400 taxpayers participated in financial management workshops after using VITA.

Table 1.
Tax Credit and Refund Dollars

| Year | Earned income tax credit dollars | Child tax credit dollars | Total federal refunds | Total state refunds | Total refunds received | Total returns filed |
|-------------------------|----------------------------------|--------------------------|-----------------------|---------------------|------------------------|---------------------|
| 2010 (2009 tax year) | \$37,007 | \$8,313 | \$97,466 | \$8,801 | \$106,267 | 58 |
| 2011 (2010 tax year) | \$92,137 | \$34,529 | \$177,736 | \$22,288 | \$200,024 | 130 |
| 2012 (2011 tax year) | \$67,520 | \$28,690 | \$152,459 | \$13,377 | \$165,836 | 97 |
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|-------------------------------|-----------|---------------|-----------------|--------------|-----------------|-----|
| 2013 (2012 tax year) | \$107,576 | \$39,300 | \$248,207 | \$23,57 3 | \$271,780 | 141 |
| 2014 (2013 tax year) | \$129,720 | \$19,874 | \$325,285 | \$23,32 6 | \$348,611 | 208 |
| Total | \$433,960 | \$130,70 6 | \$1,001,15 3 | \$91,36 5 | \$1,092,51 8 | 634 |

Conclusions

The tax dollars returned to residents had a positive effect on the economy while providing a financial boost to the working poor. The financial education component was well received by VITA participants. CFAB provides both a practical, immediate monetary impact for low- to moderate-income families through VITA as well as a long-term behavioral impact as the community focuses on creating a culture of savings and financial security through research-based educational programs. CFAB continues to be the catalyst for creating new venues for Cooperative Extension programming and for promoting new education initiatives by Cooperative Extension. CFAB is committed to providing practical, sustainable solutions to reduce poverty and build financial security for individuals and families.

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