More Than Just Taxes

Evaluating the Role and Impact of the VITA Program in Helping Low-Income Taxpayers Access Financial Capability Services at Tax Time
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Introduction

According to the IRS, millions of low-income individuals are eligible for low- or no-cost community tax preparation services every year. To meet this need, well over 4,000 community tax preparation programs engage more than 85,000 volunteers to prepare more than 3.5 million tax returns, annually. To ensure that quality, affordable tax preparation services are available to all who seek them and to transform the tax code so that it supports low- and moderate-income taxpayers, Prosperity Now launched the Taxpayer Opportunity Network (TON) in 2015 to provide community tax preparation programs with long-term, high-quality tools and solutions to serve more taxpayers. In addition to helping community tax programs reach more low- to moderate-income taxpayers, Prosperity Now also wanted to further explore the role and impact of Volunteer Income Tax Assistance (VITA) programs on helping taxpayers apply for the Earned Income Tax Credit (EITC) and access financial capability services during the tax filing process. With support from the W.K. Kellogg Foundation, TON explored their impact by conducting a multi-year process evaluation to answer two key sets of questions. Specifically, we sought to shed light on the following:

1. What are the facilitating factors and barriers to overcome for Volunteer Income Tax Assistance (VITA) programs offering asset-building and financial capability services? To what extent is technical assistance and information that we provide via our activities in this grant leading to an increase in the number of VITA programs offering asset-building and financial capability services, and an increase in taxpayer take-up of those services?

2. Based on real-world experience, what opportunities do targeted outreach, tailored messages, and policy improvements present to move the needle on Earned Income Tax Credit (EITC) take-up rates over a comparatively short time frame?

We used a non-experimental, process evaluation model to respond to these questions, because this model is useful for understanding how program impact and outcome are achieved and for program replication. This paper summarizes the key findings and lessons learned through this process evaluation by providing technical assistance and advancing scalable strategies via program and policy towards strengthening VITA sites operating as gateways to a range of relevant, effective financial capability tools and services. The results of our research on the role of VITA and other strategies in increasing overall uptake of EITC are summarized in a separate paper: Maximizing Partnerships: Collaborations that Strengthen the Impact of the EITC and VITA.

Background

Tax time financial capability services offered at VITA sites range from encouraging taxpayers to save a portion of their refund to inviting participation in incentivized refund savings programs to free credit reviews, making direct referrals to financial coaching, and all points in between.

VITA programs, whose services are generally targeted towards serving low-to-moderate income households, particularly those who earn $54,000 or less, and may be eligible for the EITC, are uniquely poised to help their clients by not only filing their tax return for free, but also by connecting them with information and resources to help them achieve their financial goals. For families who receive a significant tax refund, the tax time moment represents the largest infusion of cash into their household in a year. Still, according to the FDIC Report on the Economic Well-Being of U.S. Households in 2017, four in 10 adults in 2017 would either borrow, sell something, or not be able pay
if faced with a $400 emergency expense.\textsuperscript{1} And almost 40% of American households are liquid asset poor, not having enough savings to replace income at the poverty level for three months.\textsuperscript{2}

Research and experience over the last several years has demonstrated that tax time is one of the most critical moments in the financial lives of low- and moderate-income households. With refundable tax credits, such as the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC), 84% of households earning $50,000 or less receive a tax refund every year. VITA programs are significant to low-income taxpayers' ability to maximize their tax refunds and capitalize on the tax-time moment to manage income volatility and achieve their financial goals.

There are some aspects of the VITA program and community tax field that are known based on established, credible data. For example:

**VITA programs provide a fundamental direct service to a clientele in need.** A substantial portion of available assistance to lower-income families is accessible only by filing a tax return (principally the EITC, but also the Child Tax Credit, the Health Premium Tax Credit, and the American Opportunity Tax Credit that offsets higher education expenses). The average cost among large national tax preparers is close to $200, and there is evidence that some EITC filers pay $300 to $500. For lower-income taxpayers who want assistance preparing and filing their tax returns, the free service available from VITA represents a significant cost savings. Although VITA programs are usually open to taxpayers with annual incomes up to $54,000 or more, the average income of those obtaining services is around $25,000. Among all taxpayers served, the average refund claimed is over $1,400. For a sizeable number of VITA filers, the tax credits and refunds claimed are significantly larger and represent a large share of annual available household resources.

**VITA program return preparation services are high-quality.** Statistically valid reviews of returns prepared at VITA sites consistently find accuracy rates above 90%. Other IRS reviews have found that the rate of corrections to VITA-prepared returns during processing is similar to that of paid preparers (and below that of self-prepared returns), and that both a) the percentage of mismatches between returns and taxpayer information known to the IRS, and b) the rate of selection of returns selected for audit, are lower than for paid preparers or those who prepare their own returns.

There are other aspects of the VITA program that are hypothesized. For example:

**VITA programs – through direct service and community outreach – increase EITC take-up.** Although a high percentage (75% to 85%) of all eligible taxpayers claim the EITC, this can vary by community (geographic and otherwise), and the eligible population changes by about one-third from year to year. Community tax programs are a uniquely situated and trusted resource for connecting taxpayers to the credits they are due.

**VITA programs are a superior vehicle for improving compliance among lower-income taxpayers.** Community tax programs have several attributes making them effective facilitators of tax compliance: 1) they have the trust of the local population; 2) they prepare returns accurately to preclude non-compliance; 3) unlike paid preparers, they have no financial or other incentive to encourage improper claiming or reporting; 4) by providing a free service, they can assist taxpayers with balances due, unfiled prior year returns, and tax arrearages for whom return preparation fees


\textsuperscript{2} Source: Survey of Income and Program Participation.
are a barrier to coming into compliance; and 5) they can connect taxpayers with Low-Income Taxpayer Clinics (LITCs) for help with resolution of tax law challenges.

**VITA programs are a good platform for improving access to financial services.** The service orientation and beneficial partnerships of community tax programs, in combination with the positive incentives available at tax time, facilitate provision and take-up of needed financial services.

**VITA programs can successfully help their clients build assets.** As trusted service providers with no conflicts of interest or competing motivations, community tax programs are best equipped to take advantage of tax-time, refund-based liquidity to open savings accounts (of various types), fund existing accounts, and develop longer-range plans for asset acquisition and development.

**Methodology**

Armed with the knowledge that tax time is an opportune time to help increase financial capability, and that VITA programs represent a scalable solution for doing so, we sought to answer two overarching questions through our research:

1. What are the facilitating factors and barriers to overcome for VITA programs offering asset-building and financial capability services?

2. To what extent is the technical assistance and information that we provide via our activities in this grant leading to an increase in the number of VITA programs offering asset-building and financial capability services, and an increase in taxpayer take-up of those services?

The answers to these questions, and the emerging solutions for eliminating barriers and providing effective technical assistance have the potential to result in positive financial outcomes for thousands of families.

To answer these questions, we outlined an evaluation plan and activities that included:

- Reviewing literature and tools on financial capability services at VITA sites.
- Engaging stakeholders from the TON Tax Time Financial Capability Working Group.
- Evaluating results from a technical assistance cohort focused on integrating financial capability services into tax preparation services.
- Surveying general TON members.
- Conducting interviews with city and state governments currently involved in community tax preparation and financial capability service delivery, directly or through partners.
- Engaging in discussions with a small group of national partners and prominent VITA programs.
- Conducting an in-depth analysis of three select VITA programs offering various financial capability services in conjunction with their provision of free tax preparation services.
Literature Review

Over the last several years, various organizations, groups, and individuals have conducted research and documented case studies underscoring the benefits of integrating financial capability services into the tax-time moment. There have been some studies conducted to test the hypotheses around VITA as a platform for improving access and/or take-up of financial services and building assets, specifically programs geared at building savings. Here are a few of the studies conducted:


Commonwealth’s (formerly D2D) SaveYourRefund campaign has worked with VITA programs to encourage return preparers to make taxpayers aware of the ability to split refunds for direct deposit among multiple accounts using Form 8888 (whose development was spearheaded by D2D).

*Savings at Tax Time: The Effect of $aveNYC on Savings in Low-Income Households*, Clinton C. Key et al., UNC Center for Community Capital (2012)

http://ccc.sites.unc.edu/files/2013/08/SaveNYC_ImpactonSavings.pdf

During the 2009 tax season, $aveNYC involved 1,063 tax filers across 12 VITA sites in New York City. Participants could deposit a portion of their tax refund in a special savings account; if the funds remained on deposit for a year, the participant received a 50% match (up to $250). The study found a significant effect on savings, the ratio of savings to expenses, and the building of sufficient savings to cover one month’s expenses. The effects were significantly stronger for participants without children.

*Encouraging Low- and Moderate-Income Tax Filers to Save: Implementation and Interim Impact Findings from the SaveUSA Evaluation*, Gilda Azurdia et al., MDRC (2014)

http://www.mdrc.org/sites/default/files/SaveUSA_report_1.pdf

SaveUSA – based on the $aveNYC model – launched in 2011 in partnership with VITA programs in New York City, Tulsa, San Antonio, and Newark. In the first year, participants deposited an average of $506 of their tax refunds into the special savings account. About two-thirds saved for the year and received a match averaging $291. Follow-up 18 months later found that the program had increased by 7 percentage points the share of participants with short-term savings and increased the total amount of savings by an average of $512.

*When a Nudge Isn’t Enough: Defaults and Saving Among Low-Income Tax Filers*, Erin Todd Bronchetti, et al, National Tax Journal (September 2013)


A field experiment at eight Philadelphia-area VITA sites in 2010 tested an opt-out strategy for purchase of U.S. Savings Bonds by filers claiming a refund and utilizing direct deposit. The study found the intervention had no effect on whether bonds were purchased or on the amount purchased. Based on associated surveying, the authors posit that the opt-out default conflicted significantly with filers’ pre-preparation expectations of how they would use their refunds.
In 2016, we conducted a literature review and compiled a thorough examination of the research around tax-time financial capability. In addition, many of the research reports and case studies are highlighted in the Tax-Time Financial Capability Resource Library. The resources in the directory provide insight for VITA programs and stakeholders to understand the value of financial capability integration at the tax-time moment, and access helpful implementation support tools.

**Meetings with Tax Time Financial Capability Working Group**

The TON Tax Time Financial Capability (TTFC) Working Group first came together in 2015. The group was comprised of 12 to 15 leaders from the community tax preparation field who represented a diversity of experience and roles in the community tax preparation field, including prominent VITA program directors, national partners like Commonwealth (then D2D) and CFPB, and funders. The group met regularly to discuss a variety of topics and to develop a tool that would help VITA programs understand the life cycle of financial capability service integration work.

The groups findings and tool were presented during a 2016 webinar: *Leveraging the Tax Time Moment to create Financial Capability.*

We also took time during our meetings to ask the members of our Tax Time Financial Capability Working Group about their experiences, and to identify some of the barriers to successfully integrating financial capability services at tax time. Specifically, we asked:

- What does the successful integration of financial capability services at tax time look like?
- What are some of the barriers to success?

During 2017, the TTFC Working Group took specific aim at addressing one of the challenges to promoting savings at tax time by supporting the development of *Start the Savings Conversation: A Toolkit for VITA Volunteers.* This toolkit was designed specifically to help VITA volunteers overcome feelings of apprehension and uneasiness with encouraging taxpayers to save a portion of their refund. The toolkit demonstrates ways in which encouraging savings can be seamlessly incorporated into the tax preparation conversation and provides tools and resources for volunteers to reference when having trouble starting a conversation about savings, and when taxpayers respond with objections.

**Preliminary Findings:**

The Tax Time Financial Capability Working Group identified several key factors for the successful integration of financial capability services:

1. **Prioritization of financial capability activities** – both the field, and individual programs must decide which financial capability products or services are best suited for the tax time moment, present the greatest value to taxpayers, and for which programs have the capacity and capability to implement during tax time.

2. The **organizational culture** will support or hinder financial capability integration efforts. Programs must work to build a culture that supports leveraging the tax time moment to build financial capability, and those that do so, beginning with the organization’s leadership, experience the greatest success in adoption throughout all roles within the organization.
3. **Investments in a Financial Capability culture**: Programs must invest in creating and maintaining the financial capability culture. This means providing adequate staffing (coupled with goals and accountability) for implementation, ensuring all related staff and volunteers are adequately trained and have a clear understanding of how their individual role fits into the larger picture.

4. **Communication is Key**: Programs must also communicate, at all levels, including communicating with taxpayers in advance of the filing season to raise awareness of the taxtime financial capability services and opportunities.

5. **Measure, Adjust, Repeat**: Finally, collecting and using data to make program improvements and adjustments to better meet the needs and maximize the value of staff, volunteers and clients.

**Key Insights:**

In response to our questions about measuring success, and the barriers to success, our partners noted that:

- **It is difficult to know what success looks like, because it varies by program.** Defining success at the programmatic level is a challenge in and of itself. Responses to the TON End of Season Survey indicate varying degrees of “success” with clients who take advantage of additional financial capability service offerings at tax time. However, through further conversation, we noted that some programs consider themselves successful when a client sets goals and/or asks questions about financial stability services, while others measure outputs (the number of taxpayers who get a financial checkup or who save), and still others track credit scores over time.

- **There are numerous, other, un-quantifiable barriers to success.** During the height of the filing season, when volunteers are working to prepare returns for as many clients as possible, capacity becomes a significant barrier to promoting additional financial capability services. Volunteers are also limited in their capacity to learn and become proficient in a variety of ancillary financial capability service offerings in addition to learning and becoming experts in the tax law and software.

Other barriers include the taxpayer’s need to secure buy-in from the family (or spouse) about how the tax refund should be appropriated. If saving or other investments in improving the household financial capability have not been discussed prior to having the return prepared, it is unlikely that a taxpayer will take advantage of additional services being offered.

Volunteers also experience challenges with holding the client’s attention beyond the tax return, as they are viewed as experts in tax preparation, not necessarily other financial capability services.

Finally, volunteers may experience feelings of discouragement and rejection when taxpayers aren’t interested in taking advantage of the additional financial capability services when offered. These feelings of rejection are particularly magnified when volunteers are not confident in their proficiency to convey the value of the additional services.
Technical Assistance Support for Integration of Financial Capability Cohort

Between August 2016 and May 2017, under contract to the Office of Community Services in the Administration for Children and Families, a division of the United States Department of Health and Human Services, Prosperity Now provided technical assistance and gathered data from three VITA programs working to integrate financial capability services into their respective VITA programs. Each of the organizations that received technical assistance worked on and achieved different goals. Brief summaries of their work are provided below.

a. **Accounting Aid Society (AAS)** provides individual tax preparation, financial education, financial coaching, and small-business financial services to individuals and families in the Detroit metropolitan area. AAS linked clients to split-refund savings, emergency utility assistance programs, and in-house financial education and financial coaching services, using greeters, site coordinators, and tax preparers to offer services at multiple points in their VITA program work flow.

b. **Building Skills Partnership (BSP)** provides services to union and community members in and around San Jose and Los Angeles, California. BSP offered financial coaching and promoted savings to VITA clients from their arrival at the site through their departure. BSP used volunteers and staff in many roles to offer these services and deliver consistent messages to clients.

c. **CA$H Maine** is a statewide collaboration of ten coalitions, comprised of 50 nonprofit and for-profit partners, that piloted financial capability integration at five VITA sites. CA$H Maine trained and supported Asset Organizer volunteers to serve as financial capability guides from beginning to end of the tax client journey. Through intake and personalized conversations, Asset Organizers and Opportunity Guides connected clients to split-refund savings, matched Rainy Day Savings accounts, Family Development Accounts, energy assistance, food pantries, financial education, and financial coaching. Additionally, volunteer tax preparers directed clients back to Opportunity Guides for follow-up questions or additional services after tax preparation. New Ventures Maine is the coordinating/lead organization for CA$H Maine’s financial capability work.

The lessons learned from three Volunteer Income Tax Assistance (VITA) programs integrating financial capability services into their tax season efforts are summarized in a brief: [Financial Capability Integration in VITA Programs](#), which is a companion resource to Prosperity Now’s previously published guide: [Building Financial Capability: A Planning Guide for Integrated Services](#), intended to provide real-world examples of financial capability integration efforts.

**Preliminary Findings:**

Our technical assistance with these three organizations yielded varied results:

- **Building Skills Partnership (BSP) in Northern California,** was successful in their financial capability integration efforts, and the technical assistance provided by Prosperity Now staff. They had a robust plan for integrating services at tax time, with buy-in from organizational leadership. It was noted that securing leadership buy-in and support was driven by staff. This organization also leveraged the resources provided by Prosperity Now: Financial Capability Integration Planning Guide, to conduct significant studies to identify the needs of their clients. Following recommendations and in keeping with the CFPB’s Promising Practices for Tax Time Savings, they employed a dedicated staff person for financial coaching, making an investment in onboarding
& training staff for the specific role of financial coach. In addition, BSP was consistent in reinforcing messages about savings multiple times, and at various stages throughout the tax preparation process. Finally, BSP was able to build upon years of experience, personal relationships and trust with their clients, encouraging them to take progressive steps towards improving their financial security.

As a result of the technical assistance and integration efforts, BSP observed that 24% of their VITA clients met with a financial coach & created an action plan. In addition, 28% of clients receiving a tax refund saved part of their refund using Form 8888 and entered the Save Your Refund contest.

- Conversely, the BSP office in Southern California offered more services in general through their programs. These services were not necessarily associated with VITA or financial services, the office was simply engaged in providing a wider variety of social services and support. It was a much larger operation than BSP in Northern California. They also didn’t make the investment to dedicated staff to the integration of financial capability services at tax time. As a result, our technical assistance yielded moderate results.

Key Insights:

- **Timing is Key.** The technical assistance interactions occurred in early 2017, not long after the 2016 presidential election. The political climate was still tenuous and given the nature of the population served through BSP, predominately an immigrant population, there was a general distrust pervasive throughout the client base which likely led to lower take up rates and less than optimal outcomes.

- **Less is More.** As was the experience in BSP, Southern California, and is referenced in the CFPB's report: *Promising Practices for Encouraging Savings at Tax Time*, offering too much, or too many options becomes confusing to both clients and staff, and decreases the likelihood that the clients will take advantage of any of the additional services offered.

Coordination of Taxpayer Opportunity Network Member Surveys

Since its inception, TON has conducted an annual survey of its membership. The membership survey is distributed shortly after the end of the filing season and is designed to gain insights about the types of financial capability services offered, client interest, and participation rates for integrated financial capability services, and other information about the characteristics of the members’ VITA program. A complete list of the questions asked during the 2018 End of Season Survey are included as Appendix A.

Respondents to the 2018 End of Season Survey represented 168 VITA programs from 40 states, with the total number of returns reported 545,217, representing 40% of the total returns prepared by VITA sites in 2018.

Preliminary Findings:

The responses to our End of Season Survey exemplify that overwhelmingly, VITA programs recognize the need to provide or connect taxpayers with additional financial capability building products and services at tax time and have made significant strides in doing so.

In assessing the viability of the VITA program as an on-ramp for financial capability for low-to-moderate income households, through the various services, the types of services being offered, and the perceived client interest in
those services, we learned that the most common additional service being offered was financial counseling, seconded by healthcare enrollment and access to credit reports and bank accounts.

**Table 1. Additional Program Service Offerings**

83 out of 112 (74%) respondents to the 2018 TON End of Season Survey indicated that they offer some type of additional program service offering beyond free tax preparation:

- Financial counseling 35 (42%)
- Enrolling in health insurance 23 (28%)
- Pulling credit score/report 22 (27%)
- Opening checking/savings accounts 22 (27%)
- Opening myRAs 21 (25%)
- Obtaining prepaid debit card 20 (24%)
- Screening for benefits eligibility 18 (22%)

However, it is clear from the share of taxpayers taking advantage of the additional program service offerings that additional work is needed to help programs and clients to link tax preparation to other financial capability building products and services.

**Table 2. Share of Taxpayers Taking Advantage of Additional Program Services**

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<th>Participation Rate</th>
<th>Number of Programs</th>
<th>% of Respondents</th>
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<td>More than 35%</td>
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<td>8%</td>
</tr>
<tr>
<td>Not sure / Don’t know</td>
<td>21</td>
<td>19%</td>
</tr>
</tbody>
</table>

**Key Insights:**
The successful integration of financial capability services into the tax time moment has been an undertaking for many VITA programs for several years. Some programs, who are highlighted later, have been successful in their efforts while it is clear, from responses to our Member surveys, that the successful integration of financial capability services at the tax time moment remains a challenge.

The programs who experience the greatest success, the twelve respondent programs with greater than 20% of taxpayers who took advantage of additional services, have all implemented, to some degree, the key factors for successful integration that were identified by the Tax Time Financial Capability Working Group, and some of the Promising Practices for Encouraging Saving at Tax Time identified by the Bureau of Consumer Financial Protection.

**Interviews with City and State Governments**

To better understand how VITA programs work with their local governments to strengthen the EITC, promote EITC uptake, and provide financial stability services for low-income communities, Prosperity Now conducted interviews with VITA practitioners from four high-performing tax preparation programs across the nation.

- **Cuyahoga EITC Coalition (Cleveland, OH)**

The Cuyahoga EITC Coalition started in 2005 as part of the IRS Volunteer Income Tax Assistance program to help low-wage workers increase their income with refundable tax credits. The Coalition serves families, individuals, and seniors from across the County at 25 tax preparation locations.

Cuyahoga County has been a strong partner to the Coalition from the onset. Cuyahoga County is one of the original founders and the first funder for the EITC Coalition and has remained incredibly supportive and engaged. The County sends mailings about filing for the EITC to households that receive TANF. At the onset of each tax season, the County sends out a press release promoting the Coalition’s Super Saturday events and the program overall. The County is also a great source for volunteer recruitment. The City of Cleveland lends its support in less direct ways than the County. Mainly, the City issues proclamations about the Coalition’s services, adds the Coalition’s logo to fliers and provides free marketing in their newsletters.

- **Campaign for Working Families (Philadelphia, PA)**

The Campaign for Working Families, Inc. (CWF) was organized in 2003 to help working families achieve economic empowerment by providing free tax preparation, access to savings products, help with credit counseling, financial education, information about public benefits, and referrals to other community services. The City of Philadelphia provides about half of the overall funding for CWF’s VITA program. The United Way provides approximately a quarter of the program's funding, and the remaining funds come from banks, the IRS and a state government agency. CWF attributes much of their success to the City of Philadelphia's support. Fortunately, the city council recognizes the value of VITA and EITC, and they contribute funding for marketing as well as general funding. The city lists all the CWF tax sites on their website and funds street teams and bus advertisements. They hope to continue to work with the city in aligning branding so that consumers more readily associate the city’s advertising with their services.

- **Foundation Communities (Dallas, TX)**

The Dallas Community Tax Centers, part of Foundation Communities, offer free tax preparation services to assist low- and moderate-income families in North Texas reach financial stability. Since 2010, Foundation Communities has prepared over 78,000 tax returns and continues to operate the majority of the VITA sites in Dallas. The Dallas Community Tax Centers receive approximately 34% of their funding from the City of Dallas, with the remaining funds coming from the IRS and other private foundations. The City initially
prioritized increasing EITC uptake, but more recently, they have been focused on increasing savings for their clients by helping them save portions of their refunds and avoid payday and high interest loans.

- **Accounting Aid Society (Detroit, MI)**
  Accounting Aid Society has been offering tax and financial services to taxpayers and small businesses in Detroit and Southeast Michigan for the past 45 years. In 2017, Accounting Aid Society provided 42,000 services totaling $28 million back to the community. They maintain a diversified portfolio in terms of funding, with funding coming from local corporations, the IRS, the United Way, and occasionally from the City of Detroit. The organization’s activities span more than just tax preparation; they also provide legal assistance to low-income individuals who are facing issues with the IRS, provide financial counseling based on clients’ goals and help small businesses become more financially stable. They also participated in state-level advocacy to protect the state EITC from further cuts.

Accounting Aid Society is fortunate to have champions at the municipal level who understand and value their services. The City of Detroit has helped promote their services by holding press conferences, creating an advertising video, hosting a tax site at a municipal office, and having an EITC outreach campaign. The City also works with a larger working group that includes the United Way for Southeastern Michigan, Bloomberg Associates and the Community Economic Development Association of Michigan (CEDAM). The Oakland County Treasurer also hosts a tax site and distributes fliers about VITA.

The municipal and state governments recognize the importance of VITA, the EITC and connecting low- to moderate-income households with access to free services that can help to improve their household financial well-being on improving the overall financial health and well-being of the community or state. The results from our interviews are shared in our brief: [VITA Practitioner Perspectives: Collaborations that Strengthen the Impact of the EITC and VITA](#).

### Preliminary Findings:

- Philanthropy and public sector partners can play similar and complementary roles – providing financial support, creating neutral spaces where non-profit partners can convene, providing strategic guidance and leadership, creating connections to other sectors.

### Key Insights:

- **Investing in VITA reaps significant returns on investment by stimulating local economies.**
  To reap the state and local economic development benefits VITA can make possible, state and municipal leaders should invest in EITC outreach and support VITA sites in their efforts to ensure that families receive the full amount of the credits. Doing so would be a win-win because it would create cost savings for municipalities.

- **VITA Helps Advance a Vision of Financial Stability for Low-Income Communities**
  VITA sites provide a range of benefits not just for city and/or county residents, but for government leaders as well because more money in the pockets of taxpayers translates into more money spent in local communities and more state and local revenue. Investing in VITA can increase tax compliance, provide supports for refugee and immigrant communities, improve financial stability and spark economic development in hard-to-reach areas. Some local government leaders have recognized these benefits and support funding for VITA programs accordingly, while others have yet to fully take advantage of VITA’s potential.
• **VITA Sites Benefit When Government & Philanthropy Exchange Lessons**
  There are numerous municipal governments and funders working on EITC and VITA nationwide, hence multiple opportunities for leaders in these areas to share best practices and educate one another about effective strategies. Funders should facilitate learning between programs by supporting networking and learning events for VITA programs, which can play an important role in improving services for individual VITA programs while magnifying the impact of their own advocacy goals.

• **Healthy Partnerships Require Aligning Resources & Needs**
  Strong, healthy partnerships between municipal governments, funders, and VITA programs require a transparent understanding of all the resources required to provide the many services requested of VITA sites. To align resources with the needs of VITA programs, funders, and municipal leaders should support the development of marketing and promotional materials that city and county officials can distribute, thereby contributing to the perceived legitimacy of VITA programs. Municipal leaders and funders should also coordinate with VITA programs on branding and logos so taxpayers recognize that the VITA program is engaged in a partnership with the local government.

### Case Studies of Local VITA Programs

We conducted site visits, and produced case studies of three VITA programs who indicated a high, medium, and low levels of satisfaction with their financial capability integration work. The programs who participated in these site visits were selected based on several criteria including their responses to the TON End of Season Survey, their participation in other TON activities, the size and location of their program. Candidate organizations for this study were those that: 1) had reported in TON surveys the offering of multiple financial capability services at tax time; 2) were not participating in the CFPB Tax Time Savings Initiative; and 3) had capacity to participate (including being able to host a site visit).

The site visits were conducted post-filing season and included tours of the spaces where tax preparation services are offered, interviews with program staff and volunteers. The organizations participating in the site visits included:

• **Urban Upbound (formerly East River Development Alliance)** is dedicated to breaking cycles of poverty in New York City public housing and other low-income neighborhoods. The main offices are located in Long Island City adjacent to Queensbridge Houses. It provides five integrated programs: Urban Upbound Federal Credit Union, financial counseling, employment services, youth development and college access, and community revitalization. Urban Upbound, a VITA grantee, has one year-round tax site and operates several seasonal tax sites across New York City.

• **Community Action Partnership of Utah (CAP Utah)** is the statewide association for Utah’s nine Community Action Agencies providing direct services to low-income families and individuals. CAP’s work falls under three broad categories: advocacy and policy research, training and technical assistance, and “Earn It. Keep It. Save It”, which works to strengthen family financial stability through EITC outreach, free tax preparation, and asset formation programs. CAP Utah is a VITA grantee, and through its partner agencies operates return preparation sites across the state.

• **PathWays PA** helps women, teens, children, and families achieve economic independence and family well-being. It has two main areas of focus: child and family programs and services (including residential facilities for homeless mothers, teen girls, and children), and self-sufficiency and advocacy programs and services (including adult education and workforce development). PathWays PA (a VITA grantee) has offices and operates seasonal tax sites throughout Philadelphia and surrounding suburbs – including one in the main
downtown commuter rail station – and offers year-round return preparation at its main offices in Delaware County.

Preliminary Findings:

The site visits yielded interesting results and provided insight into the varied ways in which tax programs approach the integration of financial capability services. The programs participating in the site visits all provide other financial capability and wealth-building services in addition to free tax preparation, and view tax preparation services as a natural extension of the other services already being provided through their organization.

Key Insights:

• **The Tax Time Moment Provides Viable Opportunities for Financial Capability Work**
  Rather than savings, the case study programs evidenced more interest in the financial difficulties underlying “it’s already spent” and how those challenges surface at tax time. The use of return preparation as a moment of financial self-reckoning – often by happenstance as stories are being shared – presents an opportunity. Although typically not leading to the kind of immediate and concrete action-taking represented by refund splitting, it nonetheless represents a meaningful tax time moment.

• **Taxpayer Trust is Crucial Variable**
  Trust figures into a key question of program design: who at the tax site is best suited to transforming a taxpayer opening into a meaningful conversation about financial capability? From the perspective of trust, the return preparer – with whom the taxpayer usually has the most in-depth interaction – is the obvious choice. However, from both practical and site management perspectives, this can be problematic. Preparers generally have their hands full getting through returns; they are often uncomfortable with conversations that stray from the specifics of the tax return (with their involvement as volunteers even predicated on sticking to the basics); their knowledge may be inadequate to engage financial capability questions. There are positives and negatives to involving other site personnel (from greeters to quality reviewers or dedicated financial specialists), with the most critical downside being the inability to achieve the requisite level of trust.

• **Service Delivery Integration is Key to an Integrated Financial Capability Focus**
  One potential lesson is that the tax time moment is just that: a moment in time of connection and motivation that will prove ephemeral once the taxpayer has departed.

• **Tax Time Savings May Be a Distinct Program Model**
  Seeing tax time savings as a distinct model can facilitate appropriate program design and realistic expectations. Tax sites that lack access to appropriate in-house financial capability services can take advantage of a built-in tax time infrastructure to help taxpayers save a portion of their refund during return preparation. Being able to be clear in this focus can clarify training, messaging (such as a stress on bringing savings account information to the site and anchoring strategies), and role assignment.

• **Significant Barriers Complicate Achieving Integration at Scale**
  One of biggest pressures tax programs face is demand for increasing production; that is, preparing more returns each year. The production perspective – pushing as many taxpayers through the process as quickly as possible – works at cross-purposes with deeper engagement.
Discussions with other National Organizations

We convened a small group of national partners and programs for a discussion around the facilitating factors and barriers to overcome for VITA programs offering financial capability services. Participants in the discussion included representatives from: City of Boston, Mayor’s Office of Empowerment; Consumer Financial Protection Bureau (CFPB); Washington University Center for Social Development; CA$H Campaign of Maryland; United Way of King County; Metro Community Tax Coalition (St. Louis); and Prosperity Now.

During the discussion, we asked the program representatives to share their experiences and perspectives on integrating financial capability services into the tax-time moment. We also posed several anchoring questions for the discussion:

Regarding VITA programs offering asset-building and financial capability services...

- What does success look like? From a programmatic perspective, from a field-wide perspective?
- What are the facilitating factors for success?
- What barriers must be overcome to be successful?
- What technical assistance has been provided (or have you received)?
- How impactful was the technical assistance?
- What additional technical assistance is needed?

One of the over-arching themes that emerged from the discussion was that the provision of free tax preparation services is a financial capability service. In other words, similar to connecting the unbanked with mainstream financial institutions, or checking credit reports, free tax preparation is one component in the suite of available service delivery options for organizations working to help individuals and families become financially stable and achieve their financial goals.

Preliminary Findings:

- VITA Programs could do a better job of communicating their true purpose to volunteers
  When VITA programs recruit and orient volunteers, it is important to share how providing free tax preparation services helps to fulfill the organization’s overall mission. Doing so will broaden the perspective of VITA volunteers and increase the likelihood that they will encourage clients to take advantage of the additional financial capability services being offered at tax time.
- Funders can exercise significant influence over VITA program service offerings to maximize their investment and community impact

As more funders take an interest in building and strengthening the financial capability of the families they serve, VITA programs need to assess the true influence of funders, with respect to the demand for services in their communities, and find the intersection where communities are strengthened to maximize the impact of funder investments.

- VITA volunteers are uniquely positioned to facilitate taxpayer transactions
Most taxpayers have already decided how to allocate their refund when they enter a VITA site. The key role for VITA practitioners and volunteers is to facilitate the decisions that tax filers have already made. There are opportunities to influence the decision-making process in advance of the filing season.

- The relationship between a VITA program and its clients doesn’t have to be transactional

Having strong relationships with taxpayers helps VITA programs with follow-up and facilitates connections to other financial capability services they can benefit from. Recognizing that connecting clients to financial capability services doesn’t always have to occur at tax time, but conversely, that a “warm hand-off” to a partnering organization can happen at any time during the year.

- VITA programs face competing pressures: preparing more returns versus spending more time in-depth with fewer clients

Many programs face competing interests, particularly for volunteer recruitment and staffing. While many funders (including IRS) encourage programs to integrate financial capability services into the tax time moment, the adage holds true: “what gets measured gets done”. Programs are challenged in recruiting the right balance of volunteer tax preparers, needed to meet IRS grant minimum return requirements and volunteer financial coaches, to provide or refer taxpayers to other financial capability services. The most successful programs have a separate volunteer position to provide “other financial capability” services in addition to tax preparation.

**Key Insights:**

- VITA is a financial capability service

While it is important to strengthen the value of the tax time moment for LMI families by providing additional financial capability services, programs, partners, staff, volunteers, and stakeholders should realize that providing free tax preparation and filing through VITA is a part of providing financial capability services.

- Debt reduction is a part of building financial capability

VITA clients who choose to use a part of their refund to pay down debt, rather than save a portion, are still leveraging the tax time moment to build their financial capability. However, there is not presently a mechanism in place to measure how VITA clients’ financial capability is improved when the tax refund is used to pay down debt.

- Success in this arena takes time

Many programs have been working to integrate other financial capability services during tax time. It is important for those just starting out, as well as those who have been at it for a long time to be patient when analyzing results and impact

- Scale and standardization remain a challenge
  Because VITA programs are unique as are their respective communities and the needs contained therein, it is difficult to bring standardized financial capability integrated services to scale.
Summary of Findings

Several themes emerged throughout our research to help us better understand what is needed for successful financial capability integration at tax time:

1. While a lot of attention has been given to integrating financial capability services into the tax time moment, we shouldn’t lose sight of the fact that providing free tax preparation services to low- and moderate-income households through VITA is a financial capability service. VITA is often a part of a suite of financial capability services being offered through a local partner organization.

2. Even so, the tax time moment is indeed a viable opportunity for layering other beneficial services that go to build the financial capability and improve the financial well-being of thousands of households.

3. However, there are several barriers preventing local VITA programs from successfully integrating financial capability services into the tax time moment. Programs struggle with and lack the capacity to address the barriers to success due to competing interests, and the need to prepare more returns often overshadows their desires and intentions to connect clients with other services that could contribute to improved financial well-being outcomes.

4. While we found that the majority of VITA programs are integrating some type of financial capability services into their programs but are experiencing “marginal” success with taxpayer take-up; however, it is difficult to know because there doesn’t exist a specific standard of measure for successful integration of tax time financial capability services.

Next Steps

There is an inherent disconnect between how those working in this arena perceive and measure tax time savings and how VITA clients perceive savings. For example, VITA programs measure savings rates based on the use of IRS Form 8888, Allocation of Refund. When clients either elect to deposit all of their tax refund into a savings account, or when clients electronically transfer some of their refund from their checking account into a savings account after it has been deposited, neither is captured or measured as savings behavior by VITA programs. Volunteer programs acknowledge that the current mechanism for measuring savings behavior, based on the number of people who elect to split their tax refund, is inadequate, and are working to establish new field-wide data collection methods to better assess the savings behaviors and financial well-being of VITA clients.

A study is currently underway in several VITA programs across the country to more effectively capture taxpayer savings behaviors and overall financial well-being. The results of the study will be shared later in the year during the Tax Time Financial Capability Research Symposium, with an eye towards leveraging the study results to identify next steps for more adequately framing conversations around savings that resonate with VITA clients and consistent with client perceptions, improving products and processes, and identifying any additional technical assistance that may be needed in VITA programs to improve client financial well-being outcomes.

In addition to measuring savings behaviors, more emphasis is needed on measuring how VITA clients are increasing their financial capability at tax time. Admittedly, our data collection and measurement efforts have been limited to the number of VITA clients who take advantage of the additional service offerings provided by VITA sites, however, there is additional information and research needed to identify and measure other ways in which VITA clients experience increased financial capability at tax time. These may include paying down debt, connecting to public benefits, increases in knowledge about their tax return, tax reform, and how their household benefits from, or is
harmed by the tax code. Self-employed taxpayers learn about the implications of entrepreneurship on their tax return. There are also human and direct capital investments such as using a tax refund to finance car repairs that will enable the taxpayer to get to and from work more efficiently.

There are also opportunities for substantial improvements to the policies and products around tax time. Recent efforts to expand the EITC at the state level can and should be measured for impact and those policies which have demonstrated significant improvements in the financial well-being of those who have been previously locked out of the EITC should be established as model practices and opportunities to replicate both at the state and federal level should be sought out.

The Taxpayer Opportunity Network will continue to provide critical backbone support to the VITA field by providing tools, resources, and capacity-building support, and engaging in administrative advocacy on behalf of the programs and the taxpayers they serve. In addition, we continue to engage our stakeholders to identify challenges and barriers to increasing the financial capability of taxpayers, develop effective, scalable solutions, and lift up successful practices and innovations from the field.