

EITC eNewsletter Funders Network

Issue 11 | June 2011

IN THIS ISSUE

- EITC Funder Spotlight
- Upcoming Webinars
- State Policy Update
- 3-Part Series on Links between EITC and Other Programs

About the Network

The EITC Funders Network brings together funders interested in the Earned Income Tax Credit, free- and low-cost tax preparation, and asset building. The Network seeks to increase awareness of EITC-related projects, foster collaboration, share information about the current status of EITC-related work, and help shape the future of the field.

The EITC Funders Network is generously supported by...

The Annie E. Casey Foundation

The W.K. Kellogg Foundation

C.S. Mott Foundation

A Note from the Coordinator

Dear EITC Funders Network Members,

We've heard it before — “the EITC is a very popular program” or “the EITC has bi-partisan support,” etc. In fact, we've probably said some of these things ourselves!

But, I wonder if we, as a community of supporters, have not become too complacent about the support for the EITC.

In recent conversations with state-based groups working to protect their state EITCs several of them noted that they had to newly educate both policymakers and supporters about the history of the EITC.

And, just last week, Congress held a hearing to explore overpayments in refundable tax credits. While this hearing was about many different types of refundable tax credits, most of the testimony focused on the EITC. During this hearing the “waste, fraud, and abuse” of EITC was discussed. Unfortunately, the testimony relied on out-of-date information (pre reforms made by the IRS to combat these problems), did not delve into the differences in error rates among various tax credits or among various kinds of tax preparers, and painted the EITC in a negative light.

The scrutiny, some of which is justified, of the preparation of taxes and submission of EITC forms is likely to continue.

It is a clarion wake-up call about the importance of talking to community members and policymakers about the EITC, the measures taken by community-based efforts to ensure quality and reduce errors, and the benefit of EITC to local communities and families.

Sincerely,

Ami Nagle
Coordinator
EITC Funders Network

Visit our website at:
www.eitcfunders.org

Below is our current line up of webinars for 2011. Please visit our website for more information.

- **Summer 2011** (date TBD) Links Between EITC and Financial Services—what is the state of the field?
- **Fall 2011** (date TBD) Links Between EITC and Asset-building—what is the state of the field?
- **Fall 2011** (date TBD) What Happened to RALs? The back-story behind the research, mobilizing, and advocacy that brought down an industry
- **Fall 2011** (date TBD) Results from the IRS Debit Card pilot

Have an idea for a webinar? Just drop us a note and make a suggestion!



Greater Milwaukee Foundation

www.greatermilwaukeeefoundation.org

Janel Hines, Senior Program Officer

Why does the Greater Milwaukee Foundation support EITC-related work? Why do you find this a persuasive strategy? How does it fit into the Foundation's mission and goals?

Started in 1915, the Greater Milwaukee Foundation is a community foundation focused on improving the lives of community members in Milwaukee, Waukesha, Ozaukee and Washington counties and beyond. Today the Foundation has assets of \$560 million and in 2010 the Foundation made grants totaling more than \$27 million to 3,931 organizations.

A main area of impact for the Foundation is poverty reduction. Poverty is a critical issue that negatively affects children, youth and family development. Milwaukee was ranked America's fourth-most impoverished big city in 2009. Nearly 4 in 10 children in Milwaukee were considered poor. The Foundation supports efforts to help individuals and families move out of poverty and into self sufficiency by funding programs that help them increase earnings and build assets.

As a Foundation we had been working for years on family economic security but we were interested in finding out more about the needs of low-income wage earners and how we, as a Foundation and as a community, could help individuals and families move out of poverty or prevent them from falling into poverty.

The Foundation commissioned two studies in 2002. These research efforts helped us to realize that many working families were not claiming Earned Income Tax Credit (EITC) and other benefits in Milwaukee. We thought EITC could be an important lynch pin in our efforts. There were already EITC-related activities going on in the area but they were not reaching all the families it could. Also, we wanted to connect EITC efforts to asset building to build that bridge from the receipt of a one-time cash benefit in the form of a tax credit into long-term financial security.

We then convened a meeting with the Milwaukee Asset Building Coalition, a consortium of public and private agencies sponsored by the Social Development Commission, and the BadgerCare Coordinating Network, facilitated by the City of Milwaukee Health Department. The convening was an opportunity to discuss what else could be done to help more individuals access EITC. It resulted in the creation of the Super Sites.

(Continued on page 4)

Webinar Resources

Did you know that the EITC Funders Network has a library of webinars the Network has hosted over the past few years?

Recent webinars include:

- **Low-Income Families in America**
- **The Impact of Federal and State Tax Policy Changes on Low-Income People**
- **Working with Colleges and Universities**

Visit our Funders' Library webpage to view these webinars on-line and explore other resources:

www.eitcfunders.org/library.html

Upcoming Three-Part Series

Links Between EITC and Other Supports for Low-Income Families: Public Benefits, Financial Services, and Savings

The EITC is the nation's largest policy lifting low-income families out of poverty. But there is more to financial stability than just the EITC. Is it possible to link EITC to other programs?

To explore these issues, the EITC Funders Network is kicking off a three-part series on ways to connect the EITC to other economic security issues.

- **Part 1: Links Between EITC and Screening for Public Benefits** — The Network will hold a luncheon and discussion on June 6, 2011 in Chicago for charitable foundations and philanthropic advisors. The luncheon is *free* and will include a discussion on linking EITC to public benefits for low-income families. You still have time to register for the luncheon. RSVP here: <http://tinyurl.com/3tuv8xd>
- **Part 2: Links between EITC and Financial Services** — The Network will host a webinar in July 2011 to examine ways to connect the EITC to other financial services. The discussion will look at programs, like Bank On and Financial Aid U, in various parts of the country.
- **Part 3: Links between EITC and Savings** — The Network will host a webinar during the fall 2011 to explore innovative ways to connect the EITC to asset-building approaches. The conversation will cover programs working on savings accounts and bonds for low-income families.

We hope you will join us for this exciting series!

Recent Research Links EITC Receipt to Poverty Reduction

While it is a well-known fact that the EITC helps to lift millions of families out of poverty each year, recent research explores that link more closely.

- Researchers Greg Duncan and Katherine Magnuson examined how an increase in income in families with young children (children under age six) earning less than \$25,000 can have impressive results for children later in life. Studies show that children whose family received a \$3,000 boost to income earned 17% more as adults and worked 135 more hours after age 25 compared to similar children whose families saw no change in income. (www.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf)
- The New York Center for Economic Opportunity reports that the city poverty rate would have been three points higher if not for federally passed tax programs for low-income families in 2009 and a citywide push to enroll residents eligible for food stamps. Promoting tax credits and linking low-income families to public benefits are crucial for reducing poverty. (http://www.nyc.gov/html/ceo/downloads/pdf/poverty_measure_2011.pdf)

Janel Hines, continued from page 2)

What kind of EITC-related work does Greater Milwaukee Foundation support? What are some of the different strategies? Why these?

We started with a goal of building economic security—not just EITC receipt. Because of this, we knew it had to be a comprehensive approach. In partnership with our two lead partners – Milwaukee Asset Building Coalition and the Badger Care Network—we created Super Sites.

The purpose of the Super Sites is to provide low-income working individuals and families with a “one-stop” location for free income tax preparation services emphasizing tax credits: Federal and State EITC, Federal Child Tax Credit and State Homestead Credit; health programs, access to bank accounts, financial literacy, asset building projects, energy assistance and links to other resources.

Super Sites operate in Milwaukee and Waukesha. The Foundation expanded the program to neighboring Waukesha County in 2006 and has added Ways to Work, a program that provides low-cost financing to help families with auto repair or replacement. Expanding the EITC program as well as adding programs to reduce barriers to employment, help individuals secure and retain jobs, and increase access to workforce supports are important strategies to reducing poverty and strengthening families.

The Super Sites are open during tax time, but are linked to community-based services that are reaching out to and working with families year round. There are multiple locations including two mobile sites. The effort has been successful. Since 2002, the Foundation has awarded \$1.6 million in Milwaukee and Waukesha and has secured \$100 million in tax credits for low-income families. And, between 2002 and 2009, we had over 2,000 individuals approved for health insurance and 3,000 open bank accounts.

Are there any EITC issues that you've been struggling with that you'd be interested to hear your colleagues and/or the field address?

We are always looking for innovative and effective practices around marketing and outreach. One of the areas we are interested in exploring is how to work with employers. What are the pros and cons of this strategy? What can we expect of employers? In addition, we are interested to learn about effective strategies in financial literacy services. There are a lot of programs out there. What are the most effective? How are they tied to EITC-related programs?

State EITC Policy Updates

A lot is happening in states as legislative sessions end and states are cutting programs in light of severe budget constraints. Budget shortfalls have had significant effects on State EITC programs, which supplement federal EITC programs. Michigan was positioned to eliminate its State EITC program all together, but advocates were able to negotiate for a decrease in the rate instead. Connecticut offers hope as Governor Malloy agreed to create a State EITC, a credit that could assist upwards of 190,000 workers. Connecticut is one of the few northeast states that does not currently have a State EITC.

Find the most up-to-date information on State EITC policies, fact sheets and news at www.taxcreditsforworkingfamilies.org.