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## 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

**The EITC Funders Network is generously supported by...**

*The Annie E. Casey Foundation*

*The W.K. Kellogg Foundation*

*C.S. Mott Foundation*

# EITC eNewsletter Funders Network

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## A Note from the Coordinator

Dear EITC Funders Network Members,

As we've heard many times, the EITC lifts more than 4.4 million people out of poverty each year.

But how does it do that?

Clearly, at a very basic level, the additional income provided to EITC-eligible families helps increase their total household income from below poverty (about \$18,310 for a family of 3) to above poverty. It puts money into their pockets.

While the EITC and other refundable tax credits provide money back to families and alleviate short-term poverty, working with free-tax preparation efforts helps reduce costs to low-income families through avoiding high fees associated with tax preparation or Refund Anticipation Loans.

Increasing income and reducing expenses in the short term are important goals and critical to millions of low-income families. However, many charitable foundations are looking to use the receipt of the EITC in more transformative ways—to help low-income families get out of poverty in the longer term.

In this issue of the EITC Funders Network eNewsletter you'll read about efforts of United Way of the Bay Area to link the EITC to other benefit programs and financial education opportunities through "SparkPoint Centers." In addition, a recent EITC Funders Network webinar explored new opportunities to link EITC to savings—through splitting tax refunds and purchasing US Savings Bonds (this webinar is available on our website: [www.eitcfunders.org/library/html](http://www.eitcfunders.org/library/html)).

I applaud your efforts to use this important tax policy tool—the EITC—not only as a way to help low-income families in the short term, but to explore opportunities to help transform the lives of EITC recipients through financial education, access to other benefits and services, and building savings and assets.

Sincerely,

Ami Nagle  
Coordinator  
EITC Funders Network

**Visit our website at:**  
[www.eitcfunders.org](http://www.eitcfunders.org)

## Upcoming Events

### Community Foundation Roundtable

Attending the Community Foundation meeting in Charlotte in September?

Please join us at a roundtable discussion on **Tuesday, September 14 from 2:00 pm—3:15 pm**

#### Featured Speakers

- Jacky Alling, Senior Program Officer, Arizona Community Foundation
- Ami Nagle, Coordinator, EITC Funders Network

#### Why Attend?

- Learn how Community Foundations have been at the forefront of expanding EITC participation
- Share strategies to take your EITC program from good to great.
- Talk about ways to link your EITC program to asset-building efforts.

**Tell a Friend:** Be sure to share this meeting announcement with your co-workers and colleagues in the community foundation field.

For more information email:

[info@eitcfunders.org](mailto:info@eitcfunders.org)



## EITC Funder Spotlight United Way of the Bay Area

[www.uwba.org](http://www.uwba.org)

Carole Watson, Chief Community Investment Officer

### *Why does the United Way of the Bay Area support EITC-related work?*

In the Bay Area, about 1 in 5 families are living below the poverty line. That's not acceptable. At United Way, our work is focused on both helping these families and helping to address the root causes of poverty.

In 2000, our new CEO, Anne Wilson, set in place organizational structures to help us become strategic and move in the direction of addressing issue areas. Economic family self-sufficiency became one of these issue areas and helping families access public benefits one of our key strategies.

There were a number of compelling reasons for taking on EITC-related work. It is a way to get much needed financial resources back into the hands of low-income families. And, we came to realize that the money was there waiting for taxpayers to claim it. Our Congresswoman, Barbara Lee, had been working to raise awareness of the EITC and make sure we were getting back some of the \$75 million in unclaimed federal tax refunds.

So, I suppose, the timing was right. There was just a lot of interest and the work took off immediately. The 2003 tax season was our first, but I've never seen anything mushroom like this. We were planning on a small pilot, but immediately the scope increased to addressing a whole county. In 2003 we completed 2,203 returns with \$3.1 million in total refunds; in 2010, it increased to 51,963 returns totaling more than \$57 million—of this, more than \$18 million was in the EITC. Grants received to support our EITC strategies now total \$1.6 million – 12% coming from UWBA's Bay Area Community Fund, 35% from financial institutions, 20% from the public sector including the IRS VITA Grant, and close to 30% from private foundations.

### *What kind of EITC-related work does United Way of the Bay Area support?*

Though we currently provide \$450,000 in funding for EITC-related work, our effort goes way beyond being a funding partner.

Back when I worked at the Nashville Urban League, I managed a VITA site and I knew that this work needed both careful management and lots of groups working together—a very difficult task. To ensure a successful effort, our United Way took on the role of coalition convener. We first established a coalition steering committee that organized and identify potential sites. The coalition secured grants from the Annie E. Casey Foundation, the Elise & Walter Haas Fund

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## 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:

- **Using Tax Time to Improve Savings**
- **Working with Colleges and Universities**
- **National and Local EITC Policy Developments**
- **Community Foundations and the EITC**
- **Microenterprise and Tax Credits**

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

[www.eitcfunders.org/library.html](http://www.eitcfunders.org/library.html)

## Key Tax Credits Set to Expire in 2011 Congressional Action Needed

Two key pieces of legislation—the Economic Growth and Tax Relief Reconciliation Act of 2001 and the American Recovery and Reinvestment Act of 2009—are set to expire in 2011.

Why is this cause for concern? These two pieces of legislation contained important increases and expansions in the EITC and Child Tax Credit and created the Making Work Pay Tax Credit—policies which have helped millions of families escape poverty and move toward economic security.

Without Congressional action:

- **EITC**—if policymakers do not act to extend current policies, an estimated 1.4 million children will see their benefits disappear and 13.5 million will see their benefits decreased.
- **Child Tax Credit**—if policymakers do not act to keep changes and expansions instituted as part of ARRA nearly 10.7 million families would lose part or all of the tax credit.
- **Making Work Pay Tax Credit**—if policymakers do not act to extend this policy, 118.8 million taxpayers would lose this benefit.

As members of the EITC Funders Network we know that tax policy can have an important positive impact on the lives of low-income workers.

For more information, please visit:

**Brookings Institution** — [www.brookings.edu](http://www.brookings.edu)

**Center on Budget and Policy Priorities** — [www.cbpp.org](http://www.cbpp.org)

**National Women's Law Center** — [www.nwlc.org](http://www.nwlc.org)

EITC  
Funders Network

Carole Watson, continued from page 2)

and Evelyn & Walter Haas, Jr. Fund.

As funders and good community partners, we were also aware of the importance of building on earlier EITC-outreach and free tax preparation efforts in our area. Our IRS SPEC office helped us connect with six “grandfather” sites, and scale up to 14 sites. We were able to build on collective wisdom of what makes a successful effort, took the new and existing agencies that were interested in EITC work and then “filtered” them, looking at capacity, location, ability to file electronically, and maintaining quality of service.

Since 2003, the program has blossomed. We now have sites in all seven of our counties. In each county there has been a steering committee, with United Way playing multiple roles—fund development, outreach, training, monitoring results. We also tend to do the bigger picture regional promotion that gets customized for each area. I think what makes a difference is that we have the ability to maintain a year-long focus on the effort—something that few partners could do. The reality is that it takes 42 weeks to plan for a really successful 10 week effort.

### ***What innovative strategies have you supported?***

There are numerous free tax-preparation models being used in our regions—Tax Aide (super sites with certified or trainee accountants volunteering their time), Health and Human Services (with employees receiving time off to train and volunteering their time at the VITA site) and AARP. What makes our approach unique is, I believe, bringing all the models under a single campaign.

### ***What does the future hold?***

Our next move is in the creation of “SparkPoint Centers.” The goal of the Centers is to help families become more financially secure through access to sustained and integrated financial and asset development services. All of the services will be bundled together under one roof and families will receive three years of support. We’re hoping that this type of financial case management will help families move toward financial security. We already have four Centers and plan to have nine operating in our seven Bay Area counties.

### ***Are there any EITC issues that you've been struggling with that you'd be interested to hear your colleagues in the field address?***

We struggle with what I think of as the elephant in the room. Tax preparation is seen primarily as a private, profit generating business—it’s hard to meet the marketing challenge of paid preparers.

Another issue we struggle with is, who, in the end, should really be responsible for supporting EITC work? It’s a public benefit, but state, county or city funding has not stepped up and few foundations want to be in this work in the long-term. Our United Way is the second largest IRS grantee in the nation (\$310,000 for our second year of funding, \$325,00 for the first), but the annual cost of our EITC-related work is somewhere between \$800,000 and \$1,300,000. So we face issues of sustainability.

Finally, there’s the issue of quality control. Managing the Volunteer Income Tax Assistance programs requires accountability measures in place to ensure quality. IRS has conducted periodic reviews. Congress often uses the error rate to justify eliminating the free tax preparation program. It does not appear that the profit making tax preparation services are scrutinized at the same level. Why is that? And what can we do about it?