

# EITC Funders Network eNewsletter



Promoting Work  
Reducing Poverty  
Building Financial  
Security

Issue 29 | December 2015

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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 field.

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*The Annie E. Casey Foundation  
The W.K. Kellogg Foundation  
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## A Note From the Coordinator

Dear EITC Funders Network,

Since its inception, this Network has brought together funders interested in the EITC, free and low-cost tax preparation, and asset building. As we head toward our 12<sup>th</sup> year as a Network, it's a great time to briefly take stock and reflect on some of our strategy sharing and collaborative learning over the last year. Here's just some of what we've been up to:

Network members' interests and field-wide developments spurred new collaborations through [Network webinars](#) including an introduction to CFED's Taxpayer Opportunity Network; an overview of the EITC and CTC federal policy proposals; and a discussion on immigrant families' eligibility for tax credits.

In November, as Bob Greenstein discusses in this issue, an exciting collaborative effort with GIST and GCYF produced a [report](#) and accompanying [panel discussion](#) on two-generation poverty reduction strategies and the role of the EITC.

We've also had the opportunity to highlight emerging issues and research across [our four focus areas](#) as well as diving into the work of some of your colleagues via the quarterly [eNewsletter](#).

As always, let us know if there's a topic or question you'd like to see addressed. I look forward to working together in 2016!

Sincerely,

Ami Nagle, Coordinator, EITC Funders Network

## Immigrant Families and Tax Credits

This Fall, together with Grantmakers Concerned with Immigrants & Refugees (GCIR), we co-hosted a webinar on immigrant families' eligibility for tax credits, proposals to limit eligibility, and the role funders can play in protecting immigrant families' access.

[Click here](#) to watch the webinar!

# Interview with a Researcher



**Robert Greenstein**

President, Center on Budget and Policy Priorities

## News from the Field

### Closing the Racial Wealth Gap

The net wealth of white households stands at over 10 times greater than that of Hispanic households and 13 times greater than that of black households. The economic recovery has not benefited all households alike, and wealth inequality has widened along racial and ethnic lines since the end of the Great Recession.

The Asset Building Policy Network has created a new infographic that offers additional data on this glaring gap in economic growth and opportunity and provides proposals based on the ideals of an inclusive economy.

### What does recent research tell us about the impact of the EITC, especially in the two-generation framework?

Together with the low-income component of the Child Tax Credit (CTC), the EITC is one of our nation's most effective anti-poverty programs. Estimates that compare families' incomes *with* the EITC and Child Tax Credit to their incomes *without* it find that the working family tax credits lifted about 9 million people out of poverty (including 5 million children) in 2013.

Impressive as these numbers are, recent research out of the University of California finds that these numbers likely understate the impact of the EITC. A robust body of research has already established the EITC's strong effects of bringing more potential workers into the labor market. Economist Hilary Hoynes' new analysis finds that when income gains from increased employment are factored in, the EITC's poverty-reduction impact is substantially larger than previously understood.

In addition, recent groundbreaking research suggests that income from these tax credits not only decreases poverty and increases work for parents now, but also benefits children when they grow into adults and throughout their lives. The EITC is now linked with more prenatal care, less maternal stress, and better infant health. The EITC is directly linked to significant improvement in children's test scores in school. Additional research shows that this then leads to higher high school graduation rates and college attendance rates, which in turn are linked to increased earnings in adulthood.

In the conclusion to the new report recently released by GCYF, GIST and the EITC Funders Network, Patrick McCarthy of the Annie E. Casey Foundation describes the EITC as "not just a safety net for low wages, but also as a ladder of opportunity for children in low-income families." This is at the heart of what we talk about when we use the two-generation framework.

### We understand that key provisions of the EITC and the low-income component of the CTC are set to expire in 2017. What's at stake?

Several critical provisions of the CTC and the EITC are not permanent law. If they are not made permanent, 16 million people (including 8 million children) will be pushed either into poverty or deeper into poverty.

Both tax credits have enjoyed bipartisan support and their basic provisions are embedded within the tax code. But several key features – having the CTC kick in once a family's earnings surpass \$3,000 (rather than not until a family's earnings reach four to five times that amount), EITC "marriage penalty" relief, and a larger credit for families with two or more children – are set to expire at the end of 2017.

*(Continued on page 4)*

## Outreach & Tax Preparation

### Why Are Tax Filers Choosing to Pay?

Fewer than 3 percent of EITC recipients take advantage of free tax prep. [Prepare and Prosper](#) – an organization that provides free tax prep to Minnesotans and works to expand access to financial products and services – conducted a [consumer market research study](#) to find out why tax filers who qualify for and know about free tax services choose to pay for tax prep services. Prepare and Prosper has taken the information learned from this multi-tiered study and tested messaging that helps persuade tax filers to choose free tax prep. Check out the [full report here](#).

## Policy

### County by County: Mapping EITC Benefits

Ever wondered which geographies benefit most from the EITC? The Tax Foundation's new [interactive map](#) shows the average amount of EITC claimed per tax return in every county in the country. Rural areas such as the Mississippi Delta, Eastern Kentucky and some of the South Dakota Indian reservations as well as urban counties such as Wayne County, Michigan (the county including Detroit) stand out as low-income geographies that receive much needed influx of assistance through the EITC.

## EITC

## Benefits Access

### By the Numbers: The Impact of Safety Net Programs for Women and Children

It's no surprise that public safety net programs and social insurance programs keep millions from falling into or deeper into poverty. But how many children and families does each program impact? The National Women's Law Center has updated its [fact sheet](#) on the numbers of women and children lifted out of poverty by such non-cash benefits like SNAP and tax credits like the EITC.



## Financial Empowerment

### Financial Capability Programs in Native Communities

[First Nations Development Institute](#) has prepared a [report](#) on the financial capability strategies and programs currently serving reservation-based Native communities in the North West. As the report notes, financial capability strategies are one important component of a larger multi-faceted economic development strategy helping Native communities rebuild cultural, social and economic systems. The report provides a framework for understanding financial capability in Native communities, discusses promising strategies, and offers an overview of successful programs in the Northwest Area Foundation region.

## *Interview with a Researcher* (continued from page 2)

Stakes are high for working families. For instance, if these provisions are allowed to expire, the amount of earnings a family needs before it can qualify for even one dollar in the CTC will jump from \$3,000 to \$14,600. This means that a single parent working full time at the federal minimum wage of \$7.25/hour — and earning \$14,500 per year — would lose her entire CTC of \$1,725. The millions of low-income working families that would be impacted if these three tax credit provisions expire would lose on average about \$1,070 per year.

We have an opportunity to make these crucial provisions permanent as well as to plug a glaring hole in the tiny EITC for poor childless adults and noncustodial parents. These workers are the only group that the federal tax system taxes into or deeper into poverty. Substantially expanding the “childless workers” EITC — and extending this component of the EITC to young people aged 21-24 who work for low wages, a group now *ineligible* for the childless workers’ EITC — hold strong promises of boosting employment and reducing poverty.

### **What are the takeaways for funders?**

The key takeaway is that the refundable credits for low-income working families are enormously valuable and effective in multiple respects: easing poverty and deprivation; leading more parents to work; and improving the health status, educational attainment, and earnings prospects of children as they grow up. This leads to the question of how interested funders can help.

I think there are several aspects to that. First, funders — especially community foundations and other local and regional funders — can support free tax preparation assistance sites in low-income areas. These sites play important roles: families using them avoid having to pay significant tax preparation fees and are more likely to have accurate EITC claims filed on their behalf. (Treasury studies have shown that EITC claims filed by the free tax-preparation sites have, by far, the highest degree of accuracy and lowest rates of error of all EITC returns.) In addition, the presence of such sites likely increases the percentage of eligible low-income families in the area who file tax returns and receive the refundable tax credit benefits for which they qualify.

Second, public education, civic engagement, and advocacy on these issues are very important. Funders can support efforts to establish *state* EITCs in more states and to strengthen existing state EITCs. They can also support efforts to build more support in states and localities across the country both for making permanent the EITC and CTC improvements scheduled to expire at the end of 2017 (unless that is accomplished in year-end legislation in December 2015) and for substantially expanding the small EITC for low-income workers not raising minor children.

Finally, funders who focus on research can help support demonstrations to test and gather information that can help us identify the next set of policy steps to take in this area, such as, for example, boosting the EITC for families with young children.



### **Get Ready for EITC Awareness Day: January 29th, 2016!**

EITC Awareness Day, a national grassroots effort led by the IRS and community partners to get the word out about EITC eligibility and no-cost tax prep, is on January 29th, 2016.

**Find links to outreach resources [here!](#)**