

# EITC eNewsletter Funders Network

Issue 3 | June 2009

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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.

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

## A Note from the Coordinator

Dear EITC Funders Network Members,

2009 has brought new challenges and opportunities for families and communities.

High unemployment rates, a record number of home mortgage foreclosures and layoffs mean very difficult times for America's working poor families—who were already struggling before the recession.

At the same time, our country has new opportunities. The Obama Administration has brought attention to the plight of America's working poor and identified new policy strategies—some through the tax code—to ensure that more families are able to keep the funds they have. The recently passed American Recovery and Reinvestment Act (ARRA) put in place several changes I want to call your attention to.

ARRA:

- Created a new Making Work Pay tax credit of up to \$400 for individuals and \$800 for married couples filing jointly;
- Increased the amount of EITC available to families with three or more children. For example, in 2009, a family with three or more qualifying children will receive up to \$5,656. This is \$628 more than they would have received before ARRA;
- Changed eligibility for the Child Tax Credit. With the passage of ARRA, families earning as little as \$3,000 can get some help to off-set the cost of child care. The amount that a family must earn to qualify for the full credit of \$1,000 has also been lowered from \$21,833 to \$16,333.

These policy changes mean more working families get financial help to make ends meet. Each of these changes, however, is time limited and will be reconsidered by Congress in the coming months and years.

As charitable foundations, we are partners with the public sector in helping low-income families get out of poverty. The kinds of policies that federal, state, and local government can put in place often far out shadow the programs and financial support foundations can offer. However, the public sector needs our support—learning from the experience of our grantees, helping shape new initiatives, and ensuring that good programs and policies succeed out in the “real world.”

Because of the impact that public policy has on the families and communities we care so deeply about, the EITC Funders Network hopes to be able to keep you abreast of federal policy developments in the coming months.

Sincerely,

Ami Nagle  
Coordinator  
EITC Funders Network

## Upcoming Events

### June 30<sup>th</sup>, 2009—

*State EITC Policy Webinar:* This webinar will bring together a panel of national experts and field representatives to discuss the current trajectories of state level EITC programs. This webinar will provide an opportunity to discuss the status of current state EITCs as well as potential new state EITCs. For more detail click [here](#).

### Summer, 2009—

*Federal Policy Webinar:* This webinar will focus on a variety federal tax credits for low- income working people, including: Federal EITC, Child Tax Credit, Making Work Pay Tax Credit, and Education Tax Credit.

## SAVE THE DATE!!!

### August 30<sup>th</sup>, 2009—

From 12pm- 5pm, the EITC Funders Network will be holding a luncheon and meeting in San Antonio. Come and learn about EITC and other tax-based economic opportunities. To reserve your seats now contact [Ami Nagle](#).



## EITC Funder Spotlight The W.K. Kellogg Foundation

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### **Why does the W K Kellogg Foundation support EITC-related work?**

EITC-related work fits nicely into The W. K. Kellogg Foundation's larger mission of impacting the lives of vulnerable families and children. In 2007, Kellogg adopted a new strategic framework with the mission of supporting children, families and communities as they strengthen and create conditions that propel vulnerable children to achieve success as individuals and as contributors to the larger community and society. As a part of this new strategy, Family Economic Security (FES) has emerged as a distinct area of work for us. Kellogg recognizes that the primary needs of families must be addressed before you can effectively improve the lives of children. The goal of our FES work is to build economic security for vulnerable children and their families through sustained income generation and asset accumulation. The fiscal health of families is critical to nurture and increase sustainable well-being for children so they can succeed in school and in life. EITC-related work really makes strategic sense for us because it has a more than 30-year proven track record of reducing poverty – especially child poverty. It is what we consider a low-risk and high-return on investment tool for achieving our goals: healthy kids, educated kids, and secure families. W. K. Kellogg said, "I want to help those with little or no income face the future with confidence, with health and with a strong-rooted security in their trust of this country and its institutions." Through supporting EITC programs, the Kellogg Foundation is better able to pursue the goals of its founder.

### **What kind of EITC-related work does Kellogg support?**

The Kellogg Foundation has a long history of engagement with EITC-related programs. In the past, our primary EITC focus has been rural areas. EITC and VITA were some of the primary tools we used in our rural work linked to economic development and poverty reduction. While our focus was rural, we were able to shape national and state policy agendas for EITC work. When we first began in a rural network in Montana, the grantee demonstrated that for every dollar we invested in EITC programs, \$23 was generated and returned to communities. Over time, as the project has scaled, this ratio grew to \$45 per dollar invested. EITC work was also a component of some of our Mid-South Delta initiative work. Kellogg funded this initiative from 1997-2005 and we invested around \$65 million in related programs. This initiative sought to reshape the future of 55 counties and parishes along the Mississippi River in Arkansas, Louisiana and Mississippi. We helped generate policy that increased fairness, investments, and opportunities in this region. More recently, the State Fiscal Analysis Initiative has been effective for advancing campaigns to build up state EITC programs. Currently, Kellogg is funding grant work at the Center for Economic Progress to help provide greater access to tax programs, including EITC. We are also supporting the Historically Black Colleges and Universities network around VITA and EITC, and financial literacy towards asset building. This past fiscal year, Kellogg invested close to \$1 million in EITC programs.

### **Why support Historically Black Colleges and Universities and EITC work?**

WKKF has worked with minority serving institutions of higher education on a number of issues relating to children, families, and communities. Kellogg has a strong focus on racial equity and family economic security. Working with Historically Black Colleges and Universities (HBCUs) helps us address both of these goals. In 2008, there was a meeting of a number of HBCUs around VITA

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## Important Info:

### EITC BLOG:

In April 2009, [The Hatcher Group](#) launched the EITC Blog. This Blog provides an “interactive forum for advocates, policymakers, business leaders, researchers and journalists” concerned with local and federal EITC. The blog provides up-to-date information on EITC programs, includes feeds to EITC related news articles and offers a forum for interactive feedback. The blog is available through this [link](#).

### NCTC National Meeting:

The National Community Tax Coalition will be holding its 2009 annual meeting in San Antonio August 31<sup>st</sup> - September 1<sup>st</sup>. This meeting provides training in free tax preparation, a forum for linking taxpayers to asset building and work-supported benefit services and opportunities to network with other leaders in the free tax preparation community. For more information follow this [link](#).

### Community Foundations Work:

The EITC Funders Network is launching a multi-year focus on community foundations. If you are interested in learning more about this effort, please contact [Ami Nagle](#).

## Findings from the EITC Funders Network Survey

In 2009, the EITC Funders Network conducted a survey to gather information on the types of organizations that belong to the Network, the general level of member satisfaction, what services members like and dislike and how members would like the Network to change in the future. This article provides an overview of key findings. A full report is available online through this [link](#).

### Member Organizations

- 28% of the organization that responded were community foundations and 24% were regional foundations.
- 83% of the organizations that responded provided EITC outreach.
- 69.5% provide local grants to organizations and 73.9% provide grants at the regional level.
- 28% of network members provided less than \$10,000 in grants in 2008 and 24% provided grants from \$100,000-\$499,999.
- 52% of member organizations have been part of the Network from one to four years

### EITC Network Satisfaction

- Network members reported conference calls, in-person meetings, and website/information exchange were the most useful activities provided by the Network.
- 52% of respondents reported that they were “satisfied” with the topics of conference calls and meetings.
- Member organizations reported that (1) building social networking opportunities, (2) participating in communications and meetings, and (3) a staying abreast of current events and policy information are the three most valuable aspects of membership in the Network

### Comments from Network Members

- “I wish I could attend more of the in-person meetings! Great information & I got so much out of the meeting I attended in North Carolina.”
- “Updates on policy and information via conference calls, events, & communication are great.”
- “Current and proposed action at the federal level.”
- “I appreciated networking opportunities – both virtual and in-person.”
- “Sharing of knowledge in this field and new innovations discussed.”

Thanks to all who responded to this survey. We value your input!

## IRS Changes Tax Code, Potentially Affecting EITC Providers

The IRS recently made regulatory changes affecting those providing free tax preparation to low and medium income individuals and families. These rule changes require tax preparers to obtain written consent from their clients before a) using their tax information for purposes other than filing taxes or b) disclosing this information to a third party.

Treasury Regulation §301.7216-3(a) states “a tax return preparer may not disclose or use a taxpayer’s tax return information prior to obtaining a written consent from the taxpayer.” This new regulation became effective on January 1<sup>st</sup>, 2009. While IRC §7216 has been a part of the tax law since 1974, this recent amendment modernized it to take into account technological changes and to address perceived abuses.

Given the sensitive information provided during tax preparation, concerns over privacy have become paramount. However, the IRS’s new regulations

also affect the ability of volunteer tax preparers to inform their clients of all the potential governmental programs they can take advantage of. The language of this law is such that tax preparers providing additional services, such as TANF or food stamps, will also require written consent from clients. This is because the client’s name, contact, and other financial information were obtained through the preparation of their taxes. Therefore, these are considered tax return information.

The penalty for violating this rule is quite strict, up to a \$1,000 fine and/or 1 year in prison. The language of this law includes volunteers who might prepare taxes for needy individuals. It is paramount that all volunteers are informed of this requirement and are provided with the necessary disclosure forms so that they are fully able to comply with this law. Aids in preparing these forms to IRS standards are available online [here](#).

There are a couple of exceptions to the new 7216 regulations. If the tax

preparer is disclosing the information to an IRS employee, then no disclosure form is needed. Also, no disclosure consent is needed if the tax preparer is releasing anonymous aggregate data. That is, statistical compilations reporting on more than twenty-five taxpayers with no identifiable information (such as name, SSN, or other individual information) do not need written consent from the client. This was a last-minute temporary exception for 2009, but it is expected to be renewed in some form going forward.

Tax-coalition.org has prepared a FAQ page to address some of the concerns that volunteer tax preparers might have in regards to these new regulations. A PDF version of this page is available [online](#). EITC Funders Network plans to stay abreast of this and other IRS regulations that have the potential to affect the ability to provide the earned income tax credit to needy families. For more information, please contact Steve Holt: (202) 758-3937 or [holt solutions@earthlink.net](mailto:holt solutions@earthlink.net).

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and EITC. They determined that EITC/VITA would serve the educational experience of their business students and benefit the communities surrounding the schools—where the need was great and this work could make a difference. Linking service to community is an important part of the mission of HBCUs. Through this meeting, we decided to provide a grant to Southern University (selected by the group as its coordinating institution for the network) for \$300,000. This grant is to support and help build a network of HBCU’s that will provide a collaborative coordinated delivery of services supporting communities of color. Part of this program will be providing access to EITC and free tax preparation and financial education more broadly. There is a pilot of seven HBCUs that have come together in this effort. They include Coppin State University, Dillard University, Howard University, Miles College, Mississippi Valley State University, NC A&T University, and Southern University. These schools will provide the steering committee, leadership and design planning on this initiative. They will build awareness of available tax programs and other assets through financial education, and each of the seven schools will build up their VITA programs. These HBCUs will partner with the IRS, National Community Tax Coalition, Phi Beta Sigma and EITC Funders Network to build a database to enable them and other organizations to help provide community outreach and awareness.

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

While I am relatively new to this field, there are three questions, or areas, I feel have implications for future EITC work. The first—it would be interesting to track the financial education opportunities offered related to VITA sites. Particularly, knowing where, how long, and what kind of education and information is being offered/disseminated, and how it interacts with cultural aspects of community. Secondly, in what ways might we be able to track EITC dollars more systematically? EITC raises millions of people above the poverty line each year and research indicates that some are able to maintain their progress. How can we move these returns toward asset building and sustainable growth? Finally, what role can community colleges and all of higher education play more broadly in financial education, VITA, and growing awareness of EITC, or other public and market-based benefits, to their surrounding communities?