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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.

The EITC Funders Network is generously supported by...

The Annie E. Casey Foundation

The W.K. Kellogg Foundation

Bank of America

A Note from the Coordinator

Dear EITC Funders Network Members,

As some of you know the EITC Funders Network was founded in 2004. As we enter our eighth year it is a good moment to stop and reflect on the goals and purposes of the Network.

Since its inception, the Network has sought 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 goals of the EITC Funders Network include:

- Increase communication among funders about EITC-related projects across the country;
- Explore issues confronting the field;
- Discuss ways to sustain and scale-up EITC work; and
- Leverage funding for EITC-related projects.

To make sure we are on track, meeting your needs as a Network member, and continually improving, in early 2012 we will launch an evaluation of the EITC Funders Network. This electronic survey will ask you to reflect on the role of the Network in your work and the value and quality of our programs and services. In addition, we'll be seeking your advice on ways the EITC Funders Network can improve.

Have a wonderful Holiday Season and I look forward to working together in 2012!

Sincerely,

Ami Nagle
Coordinator
EITC Funders Network

Make a Note!

**National EITC Awareness Day is Set for
Friday, January 27, 2012**

**2011
Webinar Resources
for Funders and the
Field**

EITC Research Spotlight



Ruby Mendenhall

Assistant Professor of Sociology, African America Studies, and Urban and Regional Planning University of Illinois at Champaign-Urbana

In 2011, the EITC Funders Network offered webinar learning opportunities for funders, including

- **April 25** — Internet Resources for Funders and the Field
- **March 1** — The State of State EITCs
- **Sept. 29** — Links Between EITC and Financial Services—what is the state of the field?
- **December 1** — Links Between EITC and Savings—what is the state of the field?

Watch these webinars on line!

<http://www.eitcfunders.org/recentevents.html>

**Looking Ahead to
2012**

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

Why Did you and your Colleagues Take on a Study to Examine the Use of EITC by Low-income Families?

As a researcher, I am interested in social inequality and the role that public policy plays in facilitating or hindering economic mobility. The EITC is a substantial poverty reduction policy, helping millions of low-income Americans move out of poverty. I was interested in exploring how EITC payments are used to decrease families' economic strain and as a mechanism to build assets for the future.

My colleagues, Kathryn Edin at Harvard and Jeff Kling at the Congressional Budget Office, and I realized that very little work had been done to examining the decision making processes behind how families use their EITC refund. We have research on what families said they were going to spend their EITC on, but we do not have much research on how families actually spend the EITC refund or why they prioritize certain allocations over others.

What was the Study's Approach?

There were a couple of pieces that we felt were important as part of this EITC research. We wanted the study to be longitudinal—that is to be able to study the families before they received their refunds and six months later. Also, we wanted to examine use of the EITC in different regions of the US. We decided to narrow the study to families in central Illinois (the Champaign-Urbana Metro Area) and Boston, Massachusetts. We believe this gave us good community and family diversity. In addition, it provided us with access to families living in areas with a high cost of living and a low cost of living.

To do this longitudinally, we needed to collect some information from families early—when they were getting their taxes done and were made aware that they would receive the EITC—as well as later—six months after they received the EITC.

We began by recruiting families in early 2007. Researchers recruited families from a variety of tax-preparation sites—both for profit and non-profit sites—and by posting notices in community areas. Families were also recruited from Head Start sites. We used flyers, internet announcements, and referrals.

We conducted surveys and in-depth, in-person interviews with 194 African American, Latino and White parents who received at least a \$1,000 tax refund. The initial survey asked about the size of their EITC refund as well as how they anticipated using it, e.g., pay bills, buy a car, save, etc. Approximately six months

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IRS Offers Resources for the EITC and Free Tax Preparation Field

Did you know that the IRS has free resources available to help your grantees promote the EITC and their free tax preparation program?

The IRS's "EITC Central" website offers:

- **Information for Community Partners** — suggestions of ways to promote the EITC, communications messages that have been tested in the field, sample newspaper articles, sample Tweets, banners for your website, and much more.
 - Be sure to check out the Marketing Express page for information on how to access IRS marketing materials that can have your organization's logo and site information added.

Once you register at Marketing Express, the system will give you access to sample ads and the information needed to customize these materials to your program. While the IRS does require "sign off" on these materials, it should happen very quickly.

- **Information for Tax Preparers** — in addition to the wealth of information the IRS has on the rules and regulations governing tax preparation, they have training and a FAQ page.

Want more information?

Visit: www.eitc.irs.gov or Email: eitc.program@irs.gov

New Research on the EITC and the Free Tax Preparation Field

Here is a quick overview of recent EITC-related research:

- **Volunteer Tax Assistance Improving Quality.** According to a report released by the IRS, volunteer tax assistance program's high standards have led to quality improvements and reductions in errors in recent years. See: <http://www.treasury.gov/tigta/auditreports/2011reports/201140094fr.pdf>
- **EITC Helps to Cut Poverty.** In early November, the Census Bureau released the 2010 supplemental poverty measure, which reveals that last year 16 percent of the population lived in poverty, higher than the 15.2 percent the traditional measure shows. This new measure better reflects the medical, out of pocket costs and work expenses that families face such as child care and transportation, and takes into account the impact of public policies such as the Earned Income Tax Credit and SNAP/food stamps program in keeping people out of poverty. Research shows that without accounting for the EITC, nearly one in four children (22.4 percent) would be in poverty, rather than the nearly one in five (18.2 percent) that the new poverty measure shows.
- **How Does Your Local Free Tax Preparation Site Compare?** Each year the National Community Tax coalition asks partners to submit information on tax preparation efforts. Data for 2011 indicate that of the 126 organizations that participated in the program survey, 217,785 EITC returns were prepared for a total of more than \$365 million in EITCs going to low-income families. Visit: <http://tax-coalition.org/program-tools/managing-a-tax-site/data-collection/national-program-survey/2011-national-program-survey-report>

Steering Committee Welcomes Patrick Hain

Patrick Hain, Program Associate at the Annie E. Casey Foundation joined the Steering Committee in November 2011.

Prior to joining the Foundation, Patrick worked in the asset building field in a number of national nonprofits in Chicago and Washington DC.

In addition to Patrick, current Steering Committee members include:

- **Benita Melton**, C.S Mott Foundation
- **Angela Carr-Klitzsch**, Central Indiana Community Foundation
- **Diane DiGiacomo**, Piton Foundation
- **Paula Sammons**, Kellogg Foundation
- **Steven Lee**, Robin Hood Foundation

Many thanks to all our Steering Committee members for their hard work!

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after the initial survey, we conducted interviews that explored themes of financial goals and behaviors, income and expenditures, savings and a variety of other topics.

What are Some of the Major Findings?

This is an informative dataset and we are continuing to do research and even some follow up studies with participating families. However, initial findings are very interesting. Here are some highlights:

Findings from the survey:

- 72 percent of survey respondents indicated they planned to use the EITC to pay bills or pay off debt and 22 percent indicated they would use it for purchasing clothing or other small household items. About 23 percent said they would spend it on child expenses and 20 percent said they planned to spend it on groceries.
- Fifty-seven percent indicated that they planned to use part of their EITC for savings. Nearly a quarter indicated that they would use some to save for or buy a car.

Findings from the Interviews

- Initially, 47 percent of families allocated some of their tax refund for asset-building—saving for a car, education expenses, or home purchases.
- About 35 percent of the EITC payments were allocated to paying regular and older bills/debt like credit cards. About 10 percent of EITC refunds were allocated to pay off old debt. In addition, 7 percent was allocated toward non-typical expenses such as treats and 5 percent was spent on lending money to friends and family or paying back money borrowed from them.

The interviews allowed us to better understand the reasons why parents made these allocation decisions.

One of the most interesting themes to emerge from this research is the role of the EITC in helping with unanticipated expenditures. Many families talked about how important it was to have a portion of their EITC saved for emergencies like a car needing to be fixed or a housing problem or a family member in need. Another way to think about this is that these families are using the EITC for precautionary savings. They know something will come up and they stash the EITC away to help pay for it.

Another substantial finding was the role of debt in a low-income family's ability to obtain financial stability. Many of these families struggle with debt. They anticipated using their EITC to help them pay off overdue bills and in fact, many of them used it in that way. However, it is clear that debt is standing in the way of longer-term savings and home purchases. Fully 20 percent of refunds went to paying debts and back bills—educational, housing, and medical. Sixty-four percent of families in the study reported having credit card debt. The good news is that we found that families who anticipated a large tax refund over multiple years often voiced a strong sense of future-orientation and concrete plans to build assets by paying down debt, improving credit scores, and possibly purchasing a home or some other large asset.

Preliminary findings can be found at: http://npc.umich.edu/publications/u/working_paper10-05.pdf.

A revised version of this document is currently under review.