



VITA Sites Serving Native Communities:

THE STATE OF THE FIELD



2013



ACKNOWLEDGEMENTS

This report was written by Benjamin M. Marks and Sarah Dewees. This report was funded by the Bill and Melinda Gates Foundation, the Paul G. Allen Family Foundation, and the W.K. Kellogg Foundation. The contents of this report reflect the work of the authors alone and do not necessarily reflect the views and opinions of our funders. We thank our VITA site grantees, our partners at the IRS SPEC Office, and Patsy Schramm for assistance writing this report.

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I. INTRODUCTION

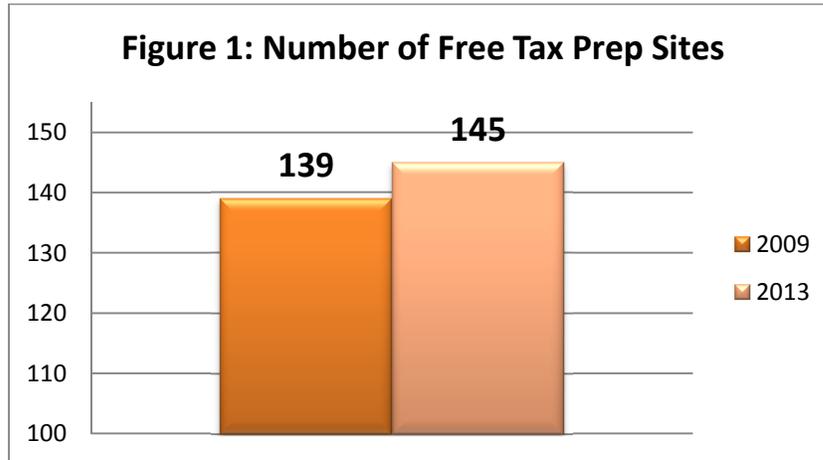
Volunteer Income Tax Assistance (VITA) sites are a useful tool for providing free tax preparation services to low-to-moderate income people and helping them claim a range of valuable tax credits, including the Earned Income Tax Credit. In addition, they can help individuals avoid high fees for tax preparation services and also avoid high-cost loans against tax refunds. Data from several of First Nations Development Institute's recent Native VITA site grantees reveal the tremendous impact these programs can have in Native communities. In 2013 the Northwest Native Development Fund, serving the Colville Indian Reservation and Spokane Indian Reservation, filed 209 returns and saved clients an estimated \$52,250 total in fees. Similarly, Chief Dull Knife College (serving the Northern Cheyenne Indian Reservation), prepared over 500 tax returns in 2013 and returned over \$1.1 million dollars to the community.

Across North America, VITA sites have continued to demonstrate great success. In 2013, the IRS Stakeholder, Partnership, Education and Communication (SPEC) Office identified 145 unique VITA sites serving Indian Country.¹ During the 2013 tax season these sites filed a total of 48,413 returns, facilitated \$70,058,032 in refunds and helped people claim approximately \$26,030,000 in Earned Income Tax Credit (EITC). Furthermore, it is estimated that these 145 sites saved Native American filers \$7,261,950 in preparation fees alone, based on an estimate of \$150 in fees per filer. In 2013, the newly formed Native American Tax Forum coordinated with the National Community Tax Coalition (NCTC) to hold a meeting at their October conference, and over 55 organizations expressed interest in joining. The Native American Tax Forum continues to hold conference calls and support peer learning. This grass roots effort grew out of a desire for networking among Native practitioners after the demise of the Native EITC Network that ceased to operate when funding was lost. The field of Native VITA sites appears to be vibrant, and demonstrates potential for future growth. However, a review of the data suggests that some sectors of the Native VITA field may be fragile and that there is a need to provide additional support to ensure that these programs can continue to successfully serve Native communities.

¹ This does not include 22 Facilitated Self Assistance (FSA) sites.

II. THE STATE OF THE FIELD

In 2013, there were 145 VITA sites that served Native communities, according to the IRS office of Stakeholder Partnerships, Education, and Communication (SPEC).² This is a slight increase from 2009, the last year for which we have data (See Figure 1).

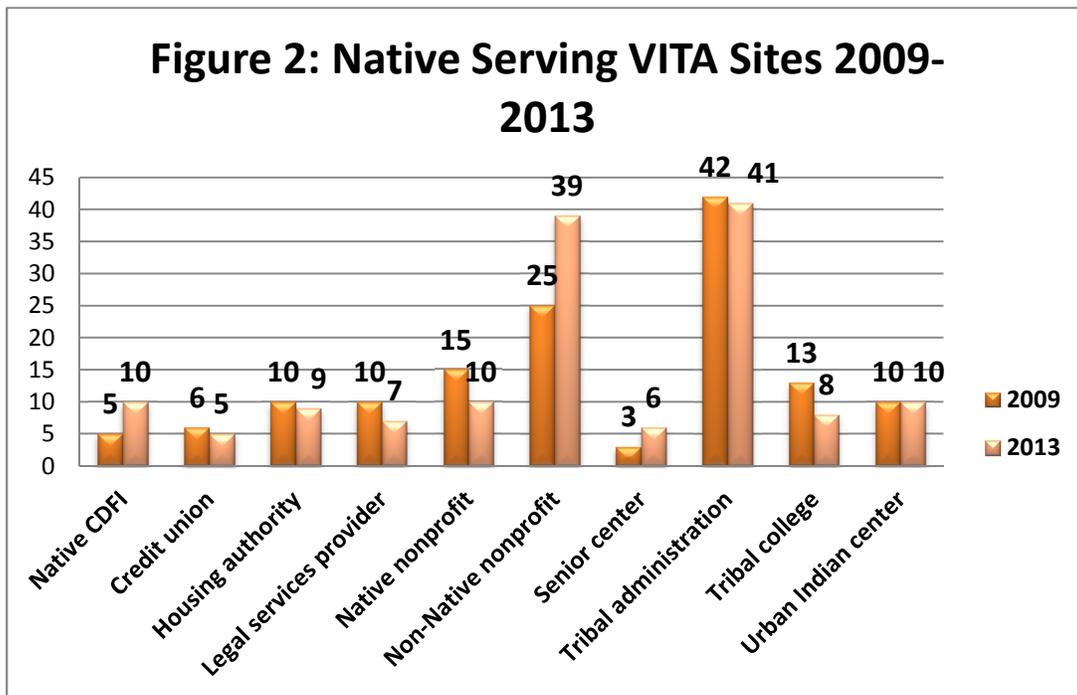


These 145 sites are hosted by a range of organizational sponsors, including tribal administration, Native nonprofits, tribal housing authorities, tribal colleges, and urban Indian centers. Table 1 illustrates the range of organizational sponsors. One of the largest organizational sponsors is tribal administration, demonstrating that many tribal governments see value in offering VITA services to their members. In addition, housing authorities, Native community development financial institutions (CDFIs), and Native nonprofits are also likely to offer VITA services. A large number of non-Native organizations, or 39, also provided VITA services in Native communities in 2013.

Table 1: Organizational sponsors for VITA sites serving Native communities 2013	
Native CDFI	10
Credit union	5
Housing authority	9
Legal services provider	7
Native nonprofit	10
Non-Native nonprofit	39
Senior center	6
Tribal administration	41
Tribal college	8
Urban Indian center	10

² This does not include Facilitated Self-Assistance (FSA) sites, of which there are 22.

It is useful to compare changes over time, and a review of data from 2009 suggests that there are some promising areas of growth. Figure 2 demonstrates that there has been an increase in the number of Native CDFIs that offer VITA services since 2009. However, it also appears that fewer VITA sites are being offered by tribal administration, tribal housing authorities, or tribal colleges. A granular review of data also suggests that while new sites have opened, many sites that were providing services in 2009 are no longer operational. There has been a noticeable growth in non-Native organizations providing VITA services in Native communities.



The overall number of returns prepared and the total dollar amount of Earned Income Tax Credits brought into the community has increased since 2009, which is a positive trend. Table 2 demonstrates that over 10,000 more returns were prepared in 2013 than in 2009, and that nearly \$10,000,000 more in EITC was claimed in 2013.³

Table 2: Number of Returns and amount of EITC Funds brought into community		
	2009	2013
No. of Total Returns	37,648	48,413
EITC \$	\$16,050,103	\$26,030,000

³ This includes returns that were prepared by FSA sites.

The available data demonstrate the impact of VITA sites, the demand for their services, and their continued growth over recent years. As VITA sites continue to assist low-to-moderate income Americans, it is essential that institutional funders are knowledgeable about what VITA providers require to offer a successful VITA clinic in Native communities.

III. RECOMMENDATIONS FOR SUPPORTING VITA SITES SERVING NATIVE COMMUNITIES

Drawing upon First Nations Development Institute's experience funding many Native VITA sites in rural areas, we have identified several lessons learned that we think will be useful for both practitioners and funders. In this report, we argue that Native VITA sites face a unique set of challenges. The geographic isolation, low volunteer retention rates, and economic distress in many Native communities served by these VITA sites, in addition to a frequent distrust of the federal government among many tribal citizens, can present challenges to traditional VITA sites such as the basic models developed by the IRS.

In 2013, First Nations Development Institute held a convening for our Native VITA site grantees. At this convening, representatives were asked about what the most significant barriers to their success were, and what they needed funding for in the future to carry out their mission. In this report, we discuss some key issues that our Native VITA grantees have identified in relation to conducting a successful tax preparation site in a rural Native community.

1) GEOGRAPHIC ISOLATION

Indian reservations are sometimes hundreds of miles wide, and are often in rural settings with low population density and very little community centralization (such as a main town where the majority of citizens live). Two grantees reported that a significant hindrance for some of their tribal citizens is the distance traveled to the tax preparation site.

To combat this problem, VITA sites employed two main strategies. One VITA site had volunteers from the main site travel long distances to open up temporary sites in remote areas. Another site hired extra staffers and had them run "remote clinics" that did a basic intake that was then securely transmitted to the main site for tax filing. One solution required a significant increase in transportation expenses and staff work time, and the other solution required a greater investment in technology resources and in training for staff and volunteers. Both are viable solutions that produce increased costs (and therefore increased needs for funding), but both successfully address the challenge of geographic isolation found in many tribal communities.

2) ADDED STAFF COSTS AND DEMANDS ON VOLUNTEERS

An increasing number of Indian tribes are distributing one-time lump sum payments or “per capita” payments to their tribal citizens. These contributions can be from gaming revenue, settlements with the US government, or profits from successful tribal businesses. It is estimated that 20% of all federally recognized tribes distribute these payments.

One of our grantees, Chehalis Tribal Loan Fund, is a “per capita tribe” and was presented with a unique challenge during their preparation for tax season. Many of the people who use the Chehalis VITA site receive a tribal payment and therefore needed to file an additional tax form with their tax return (Form 1099-MISC). This meant that most staff and volunteers had to be trained at the “intermediate level” in order to process the tax returns. Generally, VITA sites only have one “intermediate level” trained staffer for rare cases and the rest are trained at “beginner level” to complete standard tax returns. This is a challenge that many VITA sites may face in Native communities, and funders and practitioners should plan for a possible increase in staff and volunteer training costs due to this issue.

3) MARKETING STRATEGIES

Over the past decade, First Nations has managed hundreds of grantees and has compiled data for numerous grantee reports. In that time, one theme that has repeatedly emerged is that the single best marketing tool in Indian Country is “word-of-mouth” advertising. The best way to spread the word about a service or a project is to have people tell other people about it. Discussions with our VITA grantees reveal the same theme – that word-of-mouth marketing is still the most effective type of marketing for VITA services, and that other more traditional strategies such as flyers and newspaper ads are second best.

More modern marketing strategies such as social media, email, and websites can be very cost effective, but our Native VITA site partners tell us that these marketing channels are not as effective in Indian Country as flyers and newspaper ads and of course word-of-mouth publicity. Not all reservation communities have reliable access to the Internet, and when they do, many older adults and elders remain disconnected from the World Wide Web. Our Native VITA site partners contend that their most effective marketing strategies are the following: creating large banners and posters and hanging them in popular locations; printing out flyers and mailing them to tribal citizens; publishing advertisements in local papers; and recording advertisements to be disseminated on tribal

radio. These more traditional marketing strategies are far more costly than modern online and social media-based campaigns. This fact should be taken into account by funders and practitioners preparing for VITA season.

4) VOLUNTEER RETENTION

Retaining volunteers over multiple tax seasons is a challenge for any VITA site, but it is especially difficult for Native VITA sites. Rural Native sites have a smaller pool of potential volunteers, and the long distance to travel to the VITA site makes the commitment more difficult. In many of these communities, there is a higher than average number of single-parent homes and this can make it especially difficult for people to find time to volunteer. In order to successfully recruit volunteers and skilled staff, our VITA site partners have had to get creative, and in one example have worked with a local tribal college to help business majors earn academic credit for volunteering.

Our VITA grantees in 2013 reported that one successful retention strategy was to make sure to provide meaningful recognition of staff and volunteers. This includes hosting appreciation lunches and dinners, presenting gifts at the conclusion of tax season, and creating plaques or other awards for those who completed the entire tax season. There has been a direct correlation between demonstrating appreciation and retaining volunteers from year to year. Funders and VITA site practitioners should plan for these expenses when assessing the amount of funds disbursed to Native VITA projects.

5) NEED FOR ALTERNATIVE BANKING PRODUCTS

During the 2011⁴ and 2012⁵ tax season, First Nations Development Institute conducted mystery shopper studies of for-profit tax preparation companies in and around Native communities. These studies were intended to determine the quality of tax preparation services, and whether businesses were steering people toward expensive products such as refund anticipation loans (RALs) or refund anticipation checks (RACs). Many Native Americans are forced into these costly products due to the high unbanked and “underbanked” rates in Native communities. Prior research by First

⁴ See Sarah Dewees and Shawn Spruce, First Nations Development Institute, *Tax Time Troubles: Mystery Shopper Testing Exposes Poor Quality Tax Preparation and Refund Anticipation Check Abuses*, Apr. 15, 2011.

⁵ See Benjamin Marks, et al., First Nations Development Institute, *More Tax Time Troubles: Mystery Shopper Testing Exposes Refund Anticipation Loans in Reservation Border Towns*, 2012.

Nations indicated that a disproportionate number of Native Americans use RALs and RACs compared to the general population.⁶

In addition to low quality preparation, the most troublesome finding from this research was that tax preparers frequently manipulate clients into signing up for costly products like RALs and RACs. Three of the 10 participants in our 2012 study were automatically signed up for the RAC option to receive their refunds through questionable methods used by the preparers. Furthermore, seven of the 10 were offered a RAL loan and all 10 shoppers had some type of exposure to this expensive option through aggressive marketing. We found that some companies used a strategy of only accepting cash upfront for preparation fees, resulting in automatic enrollment of the client in a loan product if he or she did not have cash on hand to pay for tax preparation expenses. Finally, like the RAC disclosure forms, some preparers had our shoppers sign RAL consent forms without their knowledge.

Discussions with our Native VITA grantees corroborated these findings, as all stated that many unbanked or “underbanked” clients did not have a free or low-cost means to receive their tax refund. New products such as alternative RALs (low-fee and low-interest-rate loans for clients) and debit cards are in demand in reservation communities. In addition, many VITA sites help filers open a bank account so they can receive their refunds through a direct deposit option. Ideally, all Native VITA sites should have funding to pay for these types of services and products that help people avoid high cost loans or fees associated with Refund Anticipation Checks. However, offering these services and products can add additional expenses to a VITA site budget.

6) FULL YEAR FUNDING COMMITMENT

At a recent convening of VITA grantees, one representative from an experienced and successful site stated, “The end of one tax season is when the next begins.” That individual went on to explain that there is a misconception that running a tax site requires time, money, and resources only from January through April. The grantee’s comments and feedback from many other sites clearly demonstrate that a full-year commitment is required to run a successful site.

Just after tax season, successful sites conduct evaluation research to determine successes, failures, and how to improve for the next season. Just as important, the assessment piece enables

⁶ First Nations Development Institute and Center for Responsible Lending. (2008). *Borrowed Time: Use of Refund Anticipation Loans Among EITC Filers in Native American Communities*. Longmont, CO: First Nations Development Institute.

VITA sites to document important data such as number of people served and amount of money returned to the community to illustrate impact to future funders. Following this period, sites must begin recruiting volunteers, securing clinic sites, and creating marketing materials in the summer. The fall is utilized to train volunteers, secure necessary resources, and market the sites. Funding for Native VITA sites (and all sites) must provide support for paid staff for the entire year and the ongoing expenses that are needed before and after tax season.

7) LINKS TO ASSET BUILDING PROGRAMS AND SOCIAL SERVICES

Across the nation, VITA program leaders have realized that helping people file their tax returns provides a great opportunity to educate clients about other asset-building opportunities. For example, many VITA programs have begun to offer a tax-time savings bond product that helps clients save a part of their tax refund. Other sites are helping their clients open a bank account so they can receive direct deposit of their refunds, or are helping them acquire a low- or no-fee debit card. Other sites link their clients to financial education programs, credit counseling, social services benefits, and programs like Individual Development Accounts (IDAs) and entrepreneurship training.

These additional services and programs often require extra staff and a significant time investment just after the end of tax season. Many VITA sites who offer links to benefits programs and asset-building programs follow up with clients after tax season in May, June, July, and August, and then offer classes in the summer months. When generously funded, these programs are very beneficial for low-to-moderate income individuals. For example, in 2013 one First Nations grantee had 15 people attend an entrepreneurship training class. Of these, 5 completed business plans, and one secured a federal grant to carry out his project. Additionally, 102 out of the 134 people screened for benefit services (89%) were found eligible for at least some programs. Similarly, of 135 clients screened for asset-building programs, 96 were referred to various programs. These additional programs can be costly, but VITA sites offer an important “intervention” opportunity to link clients to valuable programs and services. Two of our grantees were able to use existing screening programs to screen for state and federal benefits. However, screening for tribal benefits had to be done manually and was therefore more time consuming. A funding opportunity exists to help integrate data on tribal benefits into existing state/federal benefit screening tools or to develop them in states that do not have benefits screening programs.

8. PEER LEARNING AND NETWORKING

As mentioned on page 1, in 2013 a grassroots effort created a Native American Tax Forum with support from the NCTC to fill a void in practitioner networking. Some of our grantees were able to attend the NCTC conference, presenting the opportunity to network among themselves and to learn about changes and best practices in the VITA field. Another opportunity for philanthropic investment is to provide resources to help Native practitioners help themselves by funding a Native VITA Network that includes a budget for travel to VITA practitioner conferences.

IV. CONCLUSION

The data we have collected about rural Native VITA sites illustrate both the demand for their services and the programs' effectiveness when funded with proper planning. VITA programs continue to offer a valuable service, and over 48,000 returns were processed in 2013 serving over 145 Native communities. The field appears to be growing slowly, but since 2009 there has been a decline in the number of tribal governments, tribal colleges, and tribal housing authorities that offer this service. In addition, as new sites were added, some others closed their doors when their activities could not be sustained. There is still a need for significant investment in Native-run VITA sites to help support their continuation and growth.

It is our hope that this document raises awareness on the part of philanthropic funders regarding the unique circumstances found in rural Native communities and the challenges they can pose for VITA sites that serve these areas. In addition, we hope that we have identified some useful best practices to keep in mind for successful VITA site operation in these communities. While grants to Native VITA sites might require slightly larger budgets and sometimes additional planning, the services these sites provide are invaluable to an extremely underserved population. Native VITA sites are a proven tool to help tribal citizens save money, collect important tax credits, and begin to build assets, and we hope that philanthropic organizations continue to fund these programs and take time to educate themselves about the unique challenges faced by these important programs.



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