

FINANCIAL EDUCATION THROUGH TAXPAYER ASSISTANCE

Impact Report

What is Financial Education through Taxpayer Assistance (FETA)?

Many low income working families are eligible for a variety of income tax credits – *including the refundable Earned Income Tax Credit (EITC)* – which are only available to qualified individuals that file federal income tax returns. This extension initiative seeks to assist people through preparation and electronic filing of income tax returns and the provision of financial education to help families maximize their tax refunds. Using the IRS’s Volunteer Income Tax Assistance (VITA) program as its cornerstone, this financial education initiative provides free tax preparation and filing services and promotes family income tax credits and opportunities for increased financial stability and wealth building among low- to moderate-income, disabled, homebound, and “English-as-a-second-language” taxpayers. This educational initiative reaches its audience through the “3 P’s”:

PROMOTION: *Promote tax credits and services.* Pre-tax season promotion via media and financial education classes, provides awareness of the need to file federal income tax returns to take advantage of family tax credits to maximize tax refunds and advertises free tax preparation services available for qualified individual taxpayers.

PREPARATION: *Prepare and e-file tax returns.* During the tax season (late January through April 15th) free tax preparation and electronic filing services are offered to qualified taxpayers at VITA sites. Capitalizing on the relationship building opportunities and the timely teachable moment a large tax refund provides for financial education, financial information and on-site counseling are provided to clients to enhance maximization of income tax refunds.

PLANNING: *Plan for financial stability and wealth building.* Financial information is provided to each taxpayer and additional financial education opportunities through extension are promoted to clients that are designed to provide increased financial stability and wealth building opportunities using income tax refunds.

Why is Financial Education through Taxpayer Assistance (FETA) needed?

Nationwide, as many as 20% of eligible families do not take advantage of the federal Earned Income Tax Credit (EITC), which averages just over \$2,000 per family. A California study found that in rural areas only 17% of eligible Latinos, 57% of eligible Whites, and 59% of eligible Blacks actually received the EITC.

Many EITC-eligible families are also eligible for a \$1,000 per child tax credit and the child and dependent care credit. Families either do not know about the credits or have multiple barriers to receiving them. Taxpayers who receive these credits pay an average of \$200 in tax preparation fees that are difficult to afford. Many take out costly refund anticipation loans to pay for tax preparation—loans that can carry as much as a 2000% annual percentage rate. Because of the saving provided by not having to pay preparation, filing, and loan fees, families have increased resources to devote to financial stability and wealth building activities – providing a timely teachable moment for meaningful financial education.

The financial education through taxpayer assistance initiative removes information and resource barriers, provides an alternative to costly loan, tax preparation, and filing fees (through VITA), and creates a valuable teaching opportunity.

What is the scope of the Financial Education through Taxpayer Assistance (FETA)?

In Missouri, financial education through taxpayer assistance is currently offered through the **Missouri Taxpayer Education Initiative (MoTax)** and a specialist team within University of Missouri Extension provides year-round leadership, marketing, VITA site coordination, and educational support for this initiative. MoTax is a fully integrated FETA initiative including all “3 P’s” – promotion, preparation, and planning. For the 2009 tax season (2008 tax return) in Missouri the key results from the MoTax initiative are:

- Across the **24** VITA sites serving **14** counties, **3,417** federal income tax returns were prepared and electronically filed by IRS-certified VITA volunteers.
- Of the total returns, **81%** (2,793) had federal refunds totaling **\$3,500,292**.
- **932** returns had the Earned Income Tax Credit (EITC) totaling **\$1,199,691**.
- According to filing status, clients at VITA sites were as follows: **69%** (2,373) single, **17%** (589) married filing jointly, **2%** (69) married filing separately, **11%** (385) head of household, and **<1%** (1) qualifying widower.
- Total number of dependents on all federal tax returns was **1,008**.
- **2,230** clients were counseled and provided with financial information and educational materials to promote financial stability and wealth building.
- Approximately, **95** workshops or financial education classes were held to promote and/or educate **535** potential or actual clients.
- It is estimated that these low income taxpayers saved at least **\$683,400** in tax preparation and filing fees (this does NOT include fees for refund anticipation loans).
- Savings from tax preparation and filing fees plus federal income tax refund dollars are estimated to have a local economic impact of over **10.4 million dollars**. (assuming a 2.5 multiplier effect)

What is Cooperative Extension?

Cooperative extension is a nationwide educational network that brings research and knowledge of land-grant institutions to people in their homes, workplaces, and communities. Extension links the resources and expertise of nearly 3,150 county extension offices, 105 land-grant colleges and universities (which include historically black colleges, tribal colleges, and institutions serving the U.S. territories), and the federal government through USDA’s Cooperative State Research, Education, and Extension Service (CSREES).

Future Plans for Financial Education through Taxpayer Assistance

Currently, financial education through taxpayer assistance is offered through a variety of independent state extension projects and initiatives ranging in scope – from family tax credit promotion in Mississippi to a fully integrated approach in Missouri including all aspects – promotion, preparation, and planning.

In Missouri, the University of Missouri Extension MoTax pilot project team incorporates innovative program developments to support financial education through taxpayer assistance. Strong local coalitions, creative site venues, local tax preparation provider partnerships, college student volunteers via service learning classes, and complementary programs such as “Get Checking” to ensure VITA clients are banked to allow for direct deposit of income tax refunds are some of the ways cooperative extension provides leadership, marketing, coordination, and educational support for the MoTax initiative.

Reaching the right individuals with the right information and services at the right time with the right education is what makes financial education through taxpayer assistance right on the money.