

CONNECTING FREE
TAX PREPARATION
AND ASSET BUILDING:
CUYAHOGA EITC
COALITION CLIENT STUDY

A REPORT FROM
POLICY MATTERS OHIO

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POLICY MATTERS OHIO, the publisher of this study, is a nonprofit, nonpartisan policy institute dedicated to researching an economy that works for Ohio. Policy Matters seeks to broaden debate about economic policy by doing research on issues that matter to working people and their families. With better information, we can achieve more just and efficient economic policy. Areas of inquiry for Policy Matters include work, wages, education, housing, energy, tax and budget policy, and economic development.

THE CUYAHOGA EITC COALITION: CONNECTING FREE TAX PREPARATION AND ASSET BUILDING

The Cuyahoga EITC Coalition is a growing group of social service agencies, nonprofits, and government entities that provides free tax preparation for low- and middle-income families. In the most recent tax season, the Coalition prepared more than 8,000 returns and returned more than \$10 million back to Cuyahoga County residents. A substantial portion of clients (33 percent) received the Earned Income Tax Credit (EITC), which is a refundable federal tax credit that varies based on marital status, children, and income level. The EITC, targeted at families with children, can provide more than \$4,800 to a family. The average EITC claimant in Ohio received \$1,800. The EITC is the largest anti-poverty tax program in the nation, lifting an estimated 5 million children above the federal poverty line.

Based on the successes of the EITC and free tax preparation, many coalitions and free tax sites offer additional free financial services and products. Many of the services relate to the EITC and tax refunds, such as opening a savings account, purchasing savings bonds, or paying down debt. Coalition member organizations also offer financial education classes and other services to prepare clients for new products. There are several difficulties in expanding the mission of free tax preparation into asset building for low-income families, including:

- Limited, stagnant, and interrupted income
- Large amounts of debt
- Lack of knowledge regarding financial products

The Cuyahoga EITC Coalition commissioned Policy Matters Ohio to study two dimensions of asset building for clients: a) the readiness of clients to engage in products and services offered by coalition sites and partners and b) the design of specific products and services. Policy Matters chose to utilize both quantitative and qualitative data approaches to gain a broad and deep understanding of clients. For quantitative data, Policy Matters surveyed more than 1,500 free tax clients from the 2008 tax year about financial issues. To get a deeper understanding of these issues, Policy Matters conducted two focus groups with current clients. The focus groups allowed for a level of detail and probing of thoughts and concerns that the surveys could not provide.¹ This report is based primarily on an analysis of results of the focus group sessions; focus group findings are supplemented with data from the quantitative survey.

¹ The focus groups are not intended to be a representative sample of clients.

FOCUS GROUP METHODOLOGY AND DEMOGRAPHICS

On behalf of the Cuyahoga EITC Coalition, Policy Matters conducted two focus groups to better understand how recipients of free tax preparation services think about issues such as saving money, banking and services beyond free tax preparation Coalition member organizations may provide.

Staff of coalition member organizations called clients who had used free tax preparation, using a screening questionnaire provided by Policy Matters. (see appendix 1) Participating groups were the Cleveland Housing Network, Cleveland Saves, Famicos Foundation and ACORN. Policy Matters contacted all 31 candidates screened by these groups to invite them to attend one of two planned sessions in December; 16 attended, eight at each session. Each participant signed a consent form. (appendix 2)

Each session was scheduled for two hours and began with a light dinner. Gift cards were passed out at the end of the session. Actual discussion time was about 90 minutes.

Both the screening form and an additional intake form (appendix 3) filled out by participants during each session were used to collect information about participants. Table 1 shows the income range reported by participants; table 2 shows the age range; table 3 shows education levels; a summary of other data follows. The demographics from the intake sheets mirror previous Policy Matters findings regarding Coalition clients, specifically regarding their income, age, and race.²

Table 1

Income range: Half of the participants reported incomes between \$15,000 and \$24,999.

| Income Range | |
|----------------------|---|
| Less than \$15,000 | 3 |
| \$15,000 to \$24,999 | 8 |
| \$25,000 to \$34,999 | 3 |
| \$35,000 to \$44,999 | 2 |

total 16

² See David Rothstein. "Who Takes Credit: The Earned Income Tax Credit and Free Tax Preparation in Ohio," *Policy Matters Ohio*. (January 2008).

Table 2

Age range: Half of the participants were between 41 and 55 years old.

| Age Range | |
|-----------|---|
| 18-25 | 1 |
| 26-40 | 5 |
| 41-55 | 8 |
| 56-64 | 1 |
| 65+ | 1 |

total 16

Table 3

Education: Slightly more than half of participants reported having no more than a high school diploma or a GED.

| Education | |
|------------------|---|
| Some HS | 5 |
| HS Diploma/GED | 4 |
| Some College | 5 |
| A.A. Degree | 1 |
| B.A./B.S. Degree | 1 |

total 16

Of the 16 participants:

- 14 were black, two were white;
- Five reported having no dependent children in their household with the rest reporting from one to four children (one person did not provide this information);
- Nine reported working 40 hours a week or more, three said they worked fewer than 40 hours and three reported not working;
- Three owned their own homes, 12 rented, and one didn't own or pay rent;
- 14 reported having bank accounts;
- 12 reported that they had not used other free services besides free tax preparation;
- Two participants reported that they were married and three said they were living with a partner. The rest reported that they were single (7), separated/divorced (3) or widowed (1);
- 10 said they expected a refund of \$1,000 or more; the rest expected less.

QUANTITATIVE SURVEY METHODOLOGY

To supplement the focus groups, Policy Matters surveyed free tax preparation clients about financial issues in their lives. Thirteen free tax sites distributed the survey and 1,578 clients participated. (see appendix 4) Clients were not required to fill out the survey to receive free tax preparation nor did they have to answer every question on the survey. About 20 percent of all clients decided to participate in the survey. Previous surveys focused on understanding the demographics of clients as well as their marketing preferences. This survey specifically asked questions about their financial situations, savings habits and goals, and interests in financial services and products.

MAIN THEMES

Overall, focus group participants reported that saving money is a challenge; in many cases, it isn't possible at all. As a result, many participants expressed doubt that services beyond free tax preparation would be useful to them. Others, however, showed interest in a wide range of services. Specifically, those interested in services mentioned credit and budget counseling, tax planning education, assistance repairing bad credit, and help creating savings accounts or emergency funds. Some clients also expressed interest in short-term financial products that could be directly deducted from the paychecks, similar to taxes or 401(k) retirement plans.

Participant responses are grouped in five major areas, listed here with the general questions and issues they addressed.

- **Free tax preparation:** what people like and dislike about free tax services they have received; how they did their taxes before using free services; why they use free services and why they used paid services.
- **Saving money:** general views on saving; are they able to save and how; what they did with last year's refund.
- **Bank accounts:** why they have a bank account; what they like/dislike about having an account; what are the benefits of having an account; what an ideal bank account looks like.
- **Other services:** what free services beyond tax preparation have they used; what services they may be interested in.
- **Advertising and marketing:** how they heard about free tax preparation; what the best way is to let people know about free tax preparation and other available services.

Free tax preparation

Since participants were recruited through the Cuyahoga EITC Coalition, nearly all had used free tax preparation services offered by member organizations. (One unscreened, uninvited participant who accompanied a spouse to a focus group session had not used these services). Overall, participants

reported high levels of satisfaction with services they had used, with the primary benefit being that the services are offered at no cost. Participants seemed to report more satisfaction when there was good one-on-one communication with the tax preparer and when the location was relatively close to their home. Trust of the organizations providing services seemed high, and participants made note of the professionalism of organizations' staff and volunteers.

The Cuyahoga EITC Coalition hosts several "Super Saturday" events, which are large events with dozens of volunteers available to prepare tax returns. Generally, Super Saturdays are first come, first served events that don't offer the opportunity to schedule appointments. A few participants reported confusion about tax preparation services available at "Super Saturdays" as opposed to services that can be accessed at Coalition member sites by appointment during tax season.

Most focus group participants reported paying to have their taxes done before they began using free services provided by Coalition member organizations. Some participants mentioned long-term relationships with tax preparers, or friends who did their taxes for them. According to the quantitative survey, 25 percent of clients paid for tax service in the prior year and 50 percent paid for tax services in the last several years.

The offers of instant tax returns are a main reason people use paid services, according to focus group participants.

"Most people, they want fast money; they want it right then. And a lot of these places are advertising this. But if you think about it ... they're paying for it, they're paying to get their money back faster, whereas we're just patiently waiting and, you know, we have money at the end. A lot of people want to get their taxes filed fast. As soon as they get their last check stub for December, they're at H&R Block."

Several reported negative experiences when they were paying for tax preparation, such as bad customer service and mistakes; they cited these as reasons they switched to free services. Some participants reported that, in their view, the level of customer service and quality of tax returns they paid for decreased over time. There was a shared sense that volunteers providing free services were more committed to doing good work than were paid tax preparers with limited knowledge, people who were "just punching the clock."

"And like everybody said, they give you good customer service, they let you know what they're doing instead of sitting there And they go over what they're doing to make sure it's correct before they submit."

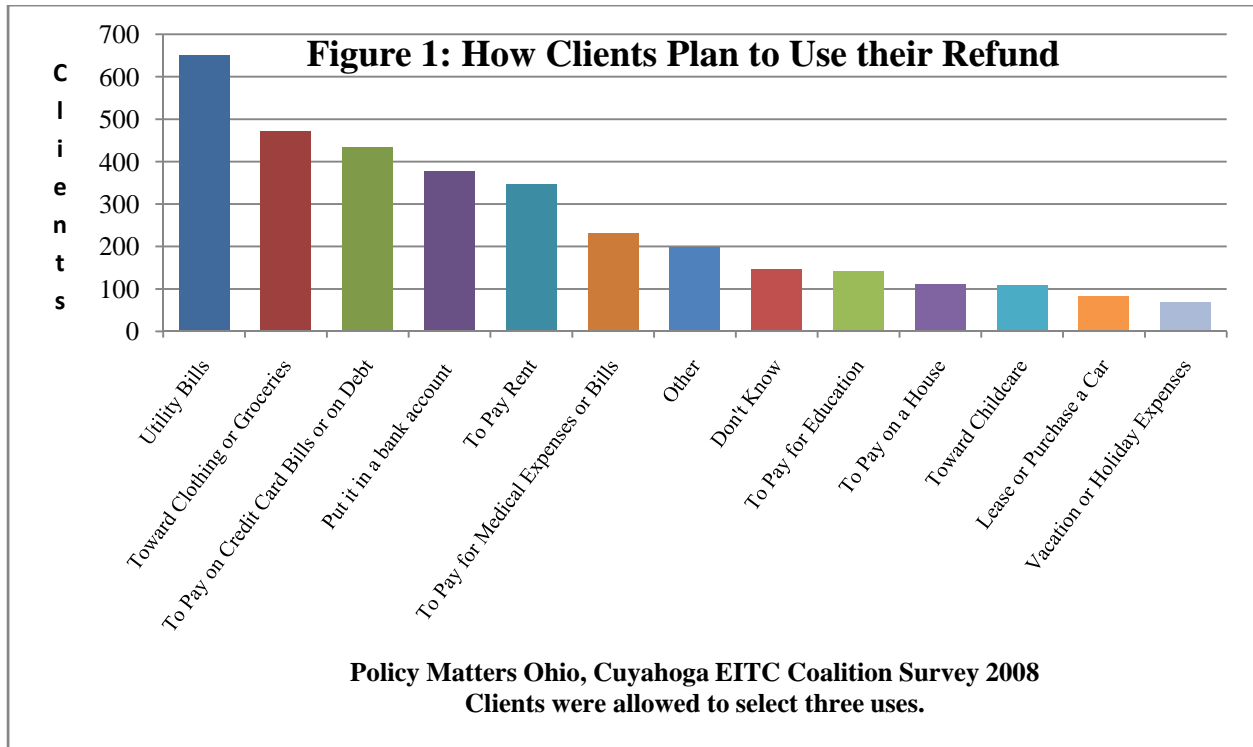
"They've always been courteous, they have food – they've been really nice. It's been a really great program. I've been happy to find it, and this will be my third year."

Participants' main critique of free tax preparation services centered on what they saw as a lack of information about which documents they should bring when getting their taxes done. Some spoke of their desire to receive individual counseling ahead of time or throughout the year to help them understand what they can claim and which documents to bring. In part, participants showed some confusion about standard versus itemized deductions and what could be "written off."

"I would like to have more information ... like how to put [school expenses] on your taxes, when you're paying tuition and buying books. And like, you know, 'cause I hear from other people like 'you could have claimed this, you could have claimed that, you could have did this to get credit.... I was just wondering if there was any way to find out before you actually come to do your taxes. If you can find out what information you should bring, so if you have any credits you qualify for, you have everything on the spot."

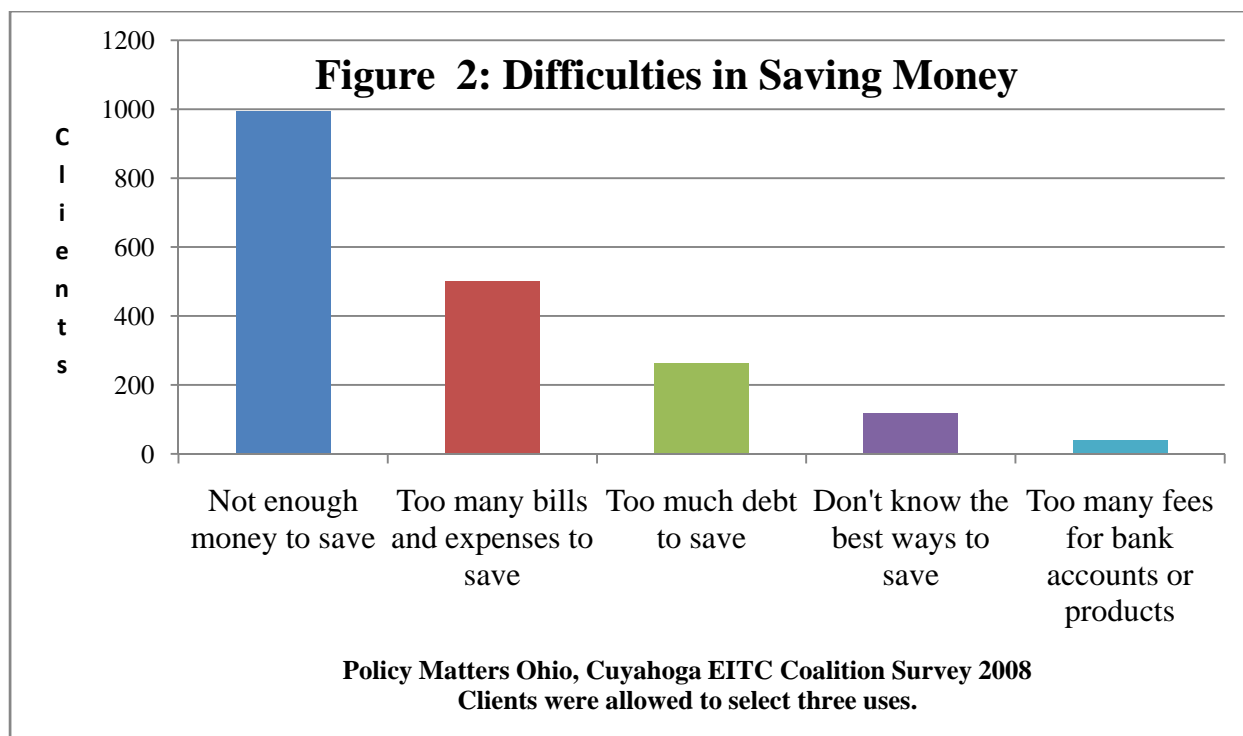
During one of the group sessions, there was discussion about whether or not making an appointment was better than coming in on a first-come first-served basis. No clear consensus was evident on this question, but the importance of having enough one-on-one time with the tax preparer was stressed by many participants.

Finally, there seemed to be a general sense among participants that in times of economic turmoil, services like free tax preparation are even more attractive. Participants indicated that they use their refunds for a variety of goods and services, often purchased in the local community. Data from the quantitative survey, displayed in Figure 1, largely corresponded to comments from focus group participants.



Saving money

Across income levels, nearly all focus group participants spoke of the difficulty they have saving money. Individual circumstances – divorce, unemployment, fixed incomes, and low-wage jobs – contributed to the challenges of saving. Most just said they didn’t have enough to meet their needs, let alone save money. The quantitative survey also reflects these concerns as only 13 percent of survey respondents indicated they had savings plans and goals. Figure 2, below, shows how survey respondents talked about the difficulties they have in saving money.



Focus group participants reported gas bills and insurance among their biggest expenses.

“I have them take out \$50 of pay [every paycheck], that's my savings. Every pay [period] I go and get it, there's no way around it.”

“I might be able to save, like \$200, then a bill come, or my insurance, then I have to go get it out and start over. As far as shopping and stuff, I used to shop all time, now I can't buy a sock for myself.”

Table 4, based on data from the quantitative survey, indicates that housing costs are a large expense for clients.

| Monthly Expense | Client Responses | Percentage |
|--|------------------|------------|
| Housing Costs (rent/mortgage) | 842 | 53% |
| Utility Bills | 494 | 31% |
| Basic living needs (food and clothing) | 395 | 25% |
| Transportation | 280 | 18% |
| Credit cards, debt, or loans | 197 | 12% |
| Health care/Health Insurance | 165 | 10% |

Policy Matters Ohio, Cuyahoga EITC Coalition Survey 2008

For the few focus group participants who reported being able to save, they did so by putting money “out of reach” in a special account, 401(k) or certificate of deposit. Others spoke of developing the discipline to put money away and having goals to help them get there, such as buying a house.

“I understand exactly what you mean (responding to other participant) because without this 401(k) ... I just couldn't see it, I just couldn't see [saving] ever being possible. I never could see being able to say 'OK, I've got \$1,000 just sitting over there.' Whereas with them taking this money out of my check every pay for the 401(k), I don't see it, I can't miss it. I think that was probably the only way that I could [save]. Even if it was in a savings account at the bank, if something came up, I'm going over there because I know my money will be there and this is going to take care of my emergency.”

Several participants said they managed their budgets by having payments for various bills withdrawn directly from their bank accounts to ensure those bills were paid, effectively putting money “out of reach.” Most participants reported being able to save no money, even though they felt they spent very little on non-essentials.

“I set up that every pay they automatically take my insurance out ... so I know what's coming out, I already know off the top and I don't have to worry about it. No returning invoice and I gotta say, 'What the heck, I only got \$50, the payment is \$75 and I don't have enough.”

All participants reported getting refunds, except one long-time retiree. For the most part, refunds were earmarked for use in one of three ways: savings, paying off bills or special purchases/spending, according to participants.

“Basically, what I did with mine, I would get my sons whatever they need [or] if I have to buy an appliance, mainly that's what I would do. I just recently, maybe the last one, I paid a bill or two. For some reason, around that time, somebody has grown out of something and I didn't notice until, you know, you have money in hand. Well, this is too small and that's too small. 'Cause one year I had to buy a whole new wardrobe for one of my sons.”

“I call income tax time grownups' Christmas. Because you sacrifice everything all year long, if you're a right person, you're going to take care of your home, you're going to definitely take care of your children, nobody's going to be in the cold or the dark. So when you get your income tax that gives you the opportunity to splurge some on yourself and splurge some on your children, especially if you live on a budget. When your household runs on a week-to-week budget or a monthly budget,

you don't have any extra money. Income tax time is extra-money time to do something for yourself."

Participants did not appear to display an understanding of the concepts of asset development or long-term savings in a direct way. It was apparent that participants considered assets to be very liquid, cash-on-hand types of saving. Several participants owned their homes but did not identify that ownership as an asset or type of savings. One participant spoke of automatically deducting money from her paycheck to go directly to her children by direct depositing a set amount into their accounts.

"I have five different bank accounts, one in each of my kids names Then I have the Christmas account, and then I use, basically the other account is my bank, and if I go past that limit then I'm basically SOL [out of luck]."

Bank accounts

All but two participants reported having bank accounts. The primary reasons given for opening accounts were that having an account makes possible the direct deposit of tax refunds and paychecks, and avoids check-cashing charges. Of the 902 respondents to the quantitative survey who had bank accounts, more than 85 percent used a direct deposit function.

A few focus group participants indicated that since their family members or parents had bank accounts, they felt comfortable or encouraged to do the same.

"[Employers] don't give out checks, so I didn't have a choice. That's what started me to getting a checking account. And then ... my mother told me that I should open up a savings account, 'cause she told me that a lady should never be without some kind of money."

Among the things participants reported not liking about banks were fees charged to account holders, including ATM fees, debit card fees and overdraft charges. Several people said debit cards made it too easy for them to access their money and harder to keep track of their spending.

"Before I got [the card] changed to debit, I was saving money, because you know what's in your pocket, like, 'no, I ain't gonna get that.' But that debit card, you just throw it out there for bills, and then before you know it [your account is overdrawn]. It's just bad luck for me."

"Some banks charge you a fee just for blinking, it seems like Say if you don't do anything with your account for one month, before you know it it's closed. And then they're charging you a fee for that."

Ideally, banks would provide more services to lower-income account holders, participants said during the sessions. Higher interest rates for accounts with lower balances, free overdraft protection, no minimum balances, and low-interest loans for debt consolidation were among the types of services or improvements that generated high levels of agreement in both groups. Many participants reported using online services offered by their banks.

“I don’t need a financial advisor to tell me how to do my bills. I can do my bills. But you can’t get a loan from the bank. I would like to see some of these banks give a personal loan with a decent interest rate, you know like 7 to 9 percent.... And if they look at your credit card and see what you’ve been paying, why not give you a loan? If they can give you a car loan, why not a personal loan?”

“I would have overdraft protection for everybody. ‘Cause I don’t think it’s fair ‘cause sometimes you just don’t pay attention to it.... And then if you make a mistake, like 20 cents, and you’re charging me 30 bucks for 20 cents? I just don’t think that’s fair. And then, if they want to give you overdraft protection, then they want to base that on your credit. So everybody can’t get overdraft protection ‘cause they don’t have good credit and I don’t think that’s fair.”

Other services

Many participants reported that they had not used other services offered by Cuyahoga EITC Coalition members. The reasons they gave varied. Some said that since they had no savings or income (one participant reported being unemployed), they didn’t see how classes and workshops could help; others said they had not heard about available services or had not found services that were appropriate to their needs. Others reported negative experiences with other groups or agencies that offered services for low-income families.

“It [classes, services] sounds good, but if you don’t have the money to do that, well, you can tell me and preach to me and teach me all you can about saving or budgeting, but if it [money] is not there, it’s not there.”

“They (the Federal HOPE program) told me that they could not help me because I was not two or three months behind on my house note. I expressed to them that I’m a single parent and I don’t want my daughter and I to be in that position of being two and three months behind. I want help now to prevent that. And all of the programs they were saying that you have to be behind on your house note, and I don’t think that’s fair.”

Among the services in which participants expressed interest: preventing and recovering from bankruptcy, budgeting, debt consolidation, homeownership, and financial planning. Many expressed interest in one-on-one counseling and/or follow-up.

“I went online and I had a class about my finances and how much I spend. OK, that’s fine, but what about afterwards? I need to speak with a person, or someone [has to] call me ... [and ask me] ‘How are you doing now? How are your finances now? How are you rebuilding your credit?’ You know, things like that.”

“After you go through all their classes and there is a person, a financial planner. He told me what to do and I haven’t did it yet. And I’m struggling with that just because of procrastination. And I need a financial planner... That’s an area for me in finances, is not following through. I’ll go so far and I’ll stop for two, three, four months down the line and then I’ll start again and that kind of thing.”

Some participants talked about practical needs to learn how to maintain and repair their homes or to access reputable services.

“They have a building maintenance class [at Max Hayes]. I want to be able to fix some of those things in my house. I would like to be in classes like that and I wish that Cleveland Housing Network offered those, but I don’t think they do.”

“When my lights went out I called [two organizations], because I thought that they would be able to recommend somebody that’s not going to rip me off. But they wouldn’t help me So I was kind of upset because it was like, you said that I need to be a homeowner, ‘cause I do want to be one. OK, now I’m a homeowner and you leave me out here in the cold for me to figure out how I’m going to get this stuff fixed.”

The difficult of saving and following through came up in this discussion, as some participants mentioned learning from others, following others’ examples and being motivated by classes they’ve taken that included doable goals.

“I know the lady was saying when she spent a dollar, she and her husband throw the change in a jar. I started that. So I’m motivated by being around people like that.”

One participant reported that she linked donating to her church to a plan for saving. She stated that the idea of “paying yourself first,” a message she heard at a financial literacy class, resonated with her; she then applied it to the act of tithing by matching her church donations with savings deposits.

“It was a strategy for me ... to have an emergency fund. It’s not where it should be, where they said ‘have six months of your pay’ – I wouldn’t say I have that, but I

*would say that I was saving, every paycheck, consistently the same amount....
Whenever I would pay my tithing I would match it, so it really helped me up to now
where I just really started really needing it, because of the home.”*

Specific questions on the Ohio Benefits Bank, Ohio’s free benefits screening program with a tax preparation function, elicited varied responses. Some participants said they already knew what programs were available and which ones they qualified for; a few expressed interest in the idea. Participants indicated that benefit eligibility is fragile for them and it often comes and goes with job changes, making them less interested in information about programs like food stamps or insurance.

Problems with scheduling came up frequently during these sessions, as some participants expressed frustration at not being able to take advantage of services offered during their working hours. Participants reported that their lives – generally involving work, education, family commitments and child rearing – leave little time for finance-related classes. As a result, participants stressed the importance of a variety of evening and weekend times for sessions.

Advertising and marketing

Participants reported learning about free tax preparation services mostly from brochures they received in the mail. A few said they heard about it through word of mouth, while two mentioned calling hotline numbers (First Call for Help and a national 800 number for the IRS). The majority of participants heard about free tax preparation from brochures mailed to them by the Cleveland Housing Network.

Most participants expressed openness to hearing about other services at tax time, and several said it was the best time to learn about other services. Some mentioned flyers displayed at tax sites, others mentioned having people available to talk about services. Many mentioned the importance of immediate follow-up calls to any contact made at tax time, however.

When asked about other ways to reach them with information about services, participant responses varied considerably, from radio and television ads to announcements in church bulletins and flyers distributed in local shops or door-to-door. One participant recommended free social events, especially during the summer, hosted by the City of Cleveland.

Some participants said they wanted to hear directly from banks about services they offer.

Perhaps most significant in the context of this report, participants returned frequently to their desire to have direct communication with representatives of organizations offering services, either as initial outreach or as follow-up to a flyer or mailing. While it is hard to generalize the best way to reach people at home – some prefer phone, others prefer mail, for example – many participants said they

wanted one-on-one conversations on the phone as opposed to receiving automated calls, or calling and leaving a message with an organization's automated voicemail.

“That’s important to me when I’m looking at the flyers. Is this somebody I can call, is this somebody I can contact, is this somebody that’s gonna talk to me for five minutes while I’m waiting to get my taxes prepared? And it’s like, they gave me a little spiel about ... saving or something like that, and then it’s over with. Is there somewhere I can follow up and say, you know, can I get an appointment with somebody?”

“You need to have more of a conversation. I know they have a lot of people they’re servicing and going through, but my thing is, I just gave somebody my stuff, and because I’ve been comfortable – my money came back, and I’ve never had any problems, I’m OK with that, but now I’m in this budget crisis and I’m like: ‘Can somebody tell me if there’s some schooling I can claim,’ or, you know what I’m saying, another way where I could get some more credit. Things like that, but if you don’t have that person to talk to, how can you get some more information?”

As mentioned earlier, participants expressed high levels of trust in organizations whose free tax preparation services they had used, and this confidence is perhaps the strongest asset members of the Cuyahoga EITC Coalition can build on.

Worth emphasis in relation to advertising and marketing is the importance participants put on word-of-mouth marketing. A number of participants mentioned either that they learned about free tax preparation from friends or family, or that they told others about the service.

“One of my co-workers is a Cleveland Housing Network resident, and she told me about it.”

“Now I have five people that go with me every year. I keep telling people, ‘Oh, you should just come down to here, ‘cause it’s free.’ And the first couple times, my mama was like, ‘I’m not going down there, I’m not going,’ and now she’s like, ‘What’s that girl’s number?’”

RECOMMENDATIONS

Based on the client surveys and focus groups results, Policy Matters recommends the following steps for free tax preparation, asset building, and financial education. Many of the items listed below will take some time to implement and others will be easier to enact. Additionally, based on site capacity, staffing, and funding, it is likely that not all sites will be able to enact many of these items. However, if all sites have the same information, clients can be referred to sites that do offer other services.

Free Tax Preparation

- Develop a more streamlined approach for appointment making but also have an option at each site for walk-ins. Some participants were confused because “Super Saturdays” do not allow appointments while individual sites do. Some participants were also unsure why they were being referred to certain sites as opposed to others. This is something that could be explained to them during the referral process.
- Develop guidelines and procedures that encourage sites to operate the same way regarding appointment making, tax preparation, follow-up calls and contacts, and advertising. Clients feel more comfortable when the tax sites operate in ways that are similar to each other and to how other businesses operate.
- Continue to provide one-on-one assistance at the free tax site during the tax process. Also, continue to involve the clients in the actual tax preparation process as they indicate a desire to learn about their taxes and have questions about deductions, credits, and withholdings.
- Expand on handouts or online information about what to bring for assistance.

Advertising and Marketing

- Best marketing strategies mirror those of paid tax preparation services and other businesses in Cuyahoga County.
 - o Tear-off sheets from fliers.
 - o Continued use of radio advertisements.
 - o Advertising at laundromats, and in community newsletters and church bulletins.
 - o Direct mail to clients who already use free tax preparation or other services from agencies with the Coalition.
 - o Expanded use of one-on-one direct referral and appointment making services.
 - o Follow-up calls by people with knowledge of the VITA process and taxes in general.
 - o Information booths and fliers at free events around Cleveland during the summer.
 - o Use marketing pieces that compare the actual costs of paid preparers or not filing taxes to getting them done free at a site.
 - o Encourage current clients to tell friends, family and coworkers about available services, providing them with materials that facilitate such word-of-mouth

marketing. Consider incentives that will motivate such active marketing on the part of clientele.

Other Services that Policymakers and Financial Institutions should Encourage

- Fair, reasonable, and transparent personal loans. Eliminate the need for the use of payday loans or depletion of savings.
- Credit counseling and courses about how to recover from bankruptcy filing.
- Programs for homeowners, specifically on continuing to budget for house upkeep and payments, as well as how to access needed services.
- Budget counseling courses but not necessarily a “how-to-pay-bills” approach; a better approach might be to help clients understand how to reduce costs.
- For some, tax time is a good time to learn about options but not really to sit down and do these additional services. Banks, agencies, and service providers should have booths to make appointments or answer questions and then schedule follow-up appointments.
 - o Follow-up calls must be quick, informative, and sometimes done multiple times. Clients acknowledge that they are a difficult demographic to contact.
 - o For those with a desire or plans to save at least part of their tax refund or to spend it in a specific way, it may be helpful to offer classes, advice and support that help them make plans and stick to them.

Saving Money

- Automatic deductions from paychecks are extremely helpful for participants who want to save money. Bank accounts and savings programs should allow and encourage direct deposits.
- Some clients reported that an incentive, such as a matched deposit program, would help them open an account.
- Since most focus group participants indicated that they spend portions of their refund in some way on their children, designing a product for savings like a savings bond for children may be beneficial.

Bank and Credit Union Accounts

- Banks should be required to offer accounts that fulfill the following criteria under their CRA requirements:
 - o Very low, if any, minimum balance requirement;
 - o No ATM or transaction fees as they are disincentives for using the account;
 - o Overdraft protection should be included free of charge. (If such a service isn't available, overdraft fees should be proportionate to overspending);
 - o No-cost online options like bill pay, checking account balances, and tracking checks;

- A reasonable interest rate for savings accounts that serves as an incentive to save.

FUTURE RESEARCH

This study provides a more in-depth picture of how free tax preparation clients from the Cuyahoga EITC Coalition think about the services they use and others that may be offered. Asset building for low-income families is a difficult, complex issue; many questions remain as to how these families can best be served. Some suggestions for future research are listed below:

- Survey and interview families who do not receive free tax preparation to better understand their interests and the barriers to their use of free services;
- Conduct brief interviews or surveys of clients at different stages of the tax preparation process and as they learn about or take advantage of other financial services and products;
- Pilot a Refund Anticipation Loan product with a very low flat fee for clients with already established bank accounts. This type of pilot program is being tested by several coalitions around the country;
- Conduct research on these issues with families from rural areas to complement this study's urban focus.

6. Do you currently have a bank or credit union account in the U.S.?
a. Yes, checking b. Yes, savings c. Yes, both checking and savings d. No, neither
7. Do you speak a language other than English at home?
a. No b. Yes (please tell us which): _____
8. How old are you?
a. 18 – 25 years old b. 26 – 40 years old c. 41 – 55 years old
d. 56 – 64 years old e. 65 or older
9. Are you male or female?
a. Male b. Female
10. Do you consider yourself...
a. African-American or Black b. Hispanic or Latino
c. White or European-American d. Other race/ethnicity (please tell us which)

11. Was your total household income for 2007, before taxes...?
a. Less than \$10,000 b. \$10,000 or more but under \$15,000
c. \$15,000 or more but under \$25,000 d. \$25,000 or more but under \$35,000
e. \$35,000 or more but under \$45,000 f. \$45,00 or more
12. Are you interested in learning more about how to...?
a. Balance your budget b. Reduce your debt c. Repair your credit
d. Save to buy a car e. Save to buy a home f. Save for education
g. Save for retirement h. Open a bank account i. Join a credit union

To contact you if you are selected to participate, please give us your contact information:

a. Name:

b. Street address:

c. City:

d. State: _____

e. Zip Code: _____

f. Home telephone: (____) _____ - _____

g. Cell Phone: (____) _____ - _____

h. Best times to call you:

Thanks for your willingness to participate. We will contact you to confirm your availability and with more details.

Appendix 2 – Consent Form for Participation in Focus Group on Financial Services

We have asked you to take part in a group discussion for a study about financial matters and services. You have been invited to participate because you have received free tax preparation services from a community-based organization.

SPONSOR: The sponsor of the study is the Cuyahoga Earned Income Tax Credit Coalition, and it is being conducted by Policy Matters Ohio, a research center based in Cleveland.

PURPOSE: The purpose of this study is to better understand the financial needs of people who use free tax preparation services and to gather their opinions about new services that may be offered at community-based organizations in the future. The study can help planners to better tailor programs and services to the needs of customers like you.

PROCEDURES: You were one of the persons selected to participate on the basis of your household characteristics. The focus group will meet for about 90 minutes, and will end by 8 p.m. Participants will discuss questions such as “Is saving money one of your goals for your next tax refund?”

CONFIDENTIALITY: Neither your name nor any other identifying information will appear in any report. We will not use your full name during the group discussion. You will give us a first name or nickname to use during the discussion. As added assurance, we request that you and other focus group participants actively protect each others’ privacy. Please respect other participants’ privacy by not talking about what is said outside of the group.

BENEFITS: At the end of the session, each participant will receive a \$25 gift certificate as a token of appreciation for her or his time, effort and expense in getting to the session.

RIGHT TO WITHDRAW: As a participant, you may be uncomfortable about some questions. Your participation is voluntary and you do not have to answer any question that makes you uncomfortable. You have the right to withdraw from this study at any time you choose. Should you decide to not participate or to withdraw, your doing so will not affect your relationship to the community-based organization in any way.

AUDIO RECORDING: The group discussion will be recorded only to help us write a report. To protect confidentiality, the recording will be not be shared or released outside of the EITC Coalition.

DO YOU HAVE ANY QUESTIONS ABOUT THIS STUDY? If you have any questions about the focus group before signing this form, please ask the moderator. You should not sign this form until your questions are answered to your satisfaction.

My signature below indicates that I freely and voluntarily consent to participate in the focus group, and to have the discussion audio recorded. I understand that I may obtain a copy of this consent form for my own records.

Participant Signature Date Signature (Project Staff) Date

Name (print)

Appendix 3 – Intake sheet filled out by focus group participants at each session

Thank you for participating in the focus group! Your participation will help us tailor programs that best suit participants' needs. Before we begin, we need you to fill out this brief participant information sheet.

DATE: _____ TIME: _____ PARTICIPANT NUMBER: _____

1. In addition to tax preparation services, have you ever used any other services from the free tax preparation site or the Cuyahoga Earned Income Tax Credit Coalition? (please circle one)
 - a. No
 - b. Yes – please tell us which? _____
2. Are you currently...? (please circle one)
 - a. Single
 - b. Married
 - c. Living with your partner
 - d. Separated or divorced
 - e. Widowed?
3. How many people live in your household?
 - a. Number of adults age 18 and older: ____
 - b. Number of dependent children: ____
4. Date of birth _____ / _____ / _____ (month/day/year)
5. Are you currently working for pay? (please circle one)
 - a. No
 - b. Yes – How many hours per week on the average? _____
6. Do you usually work...? (please circle one)
 - a. Day shift
 - b. Afternoon/Evening shift
 - c. Night shift
 - d. Irregular hours
7. Do you currently own or rent the place where you live? (please circle one)
 - a. Own
 - b. Rent
 - c. Do not own but do not pay for housing
8. Was your total household income for 2007, before taxes...? (please circle one)
 - a. less than \$10,000
 - b. \$10,000 or more but less than \$15,000
 - c. \$15,000 or more but less than \$25,000
 - d. \$25,000 or more but less than \$35,000
 - e. \$35,000 or more but less than \$45,000
 - f. \$45,000 or more
9. What is the highest level of school you completed? (please circle one)
 - a. Less than 8th grade
 - b. Some high school but did not graduate
 - c. Have a high school diploma
 - d. Have a GED
 - e. Some college but no college degree
 - f. 2-year college degree
 - g. 4-year college degree or higher
10. How large a tax refund do you expect?
 - a. less than \$100
 - b. Between \$100 and \$299
 - c. Between \$300 and \$499
 - d. Between \$500 and \$999
 - e. \$1,000 or higher

Appendix 4 – Quantitative survey

This survey is designed to help the Cuyahoga County EITC Coalition improve tax preparation services offered to the community and to report on program participation. Any information you provide is private. Your participation is completely voluntary. You can choose not to complete the survey and still receive free tax preparation. This survey is designed by the Cuyahoga County EITC Coalition and Policy Matters Ohio.

Date: _____

Site: _____

1. Did you have your taxes done here last year?
 - a. Yes
 - b. No
 - c. Don't know/don't remember

2. If not, where did you do your taxes last year?
 - a. I did by myself or through family and friends
 - b. Paid tax preparer like H&R Block, Liberty, Instant Tax, or Jackson-Hewitt
 - c. Car dealer, jewelry store, check advance/payday loan store, or furniture store
 - d. I did not file a tax return
 - e. Other

3. How do you plan to use some of your tax refund?

Answer all that apply.

 - a. To pay utility bills
 - b. To purchase or lease a car
 - c. To pay on a house
 - d. To pay rent
 - e. To pay for education
 - f. Toward child care
 - g. Toward groceries or clothing
 - h. For a vacation or holiday expenses
 - i. To pay medical expenses or medical bills
 - j. To pay credit card bills or pay on debt
 - k. To put in a checking or savings account
 - l. Other
 - m. Don't know

4. Regarding your refund, circle all that apply.
 - a. My refund is already planned
 - b. I count on this refund as part of my monthly or yearly income
 - c. I plan to save a portion of this refund in a bank account

5. What is your largest expense each month?
 - a. Health care/Health insurance
 - b. Housing costs/Rent/Mortgage
 - c. Transportation (car loans, bus fare)
 - d. Utility bills (gas, electric, water, phone)
 - e. Credit cards, debt, or loans
 - f. Basic living needs like food and clothing

6. Have you ever paid for any type of tax service? If yes, for what type of service?

Answer as many as apply.

 - a. Yes, for tax preparation or to file my return
 - b. Yes, for an early or quick refund
 - c. Yes, for audit or other insurance
 - d. No, I have never paid extra
 - e. Don't know/don't remember

7. Do you have a bank account? If so, what type?
 - a. Yes, a checking account
 - b. Yes, a savings account
 - c. Yes, both a checking account and savings account
 - d. No, I do not have one but I would like one
 - e. No, and I don't want one

8. If you have a bank account, do you have
 - a. Direct Deposit
 - b. Savings goals or plans
 - c. Emergency Savings Account or Fund

9. What are some difficulties that you have in saving?
 - a. Not enough money to save
 - b. Don't know the best ways to save
 - c. Too many bills and expenses to save
 - d. Too much debt to save
 - e. Too many fees for bank accounts or products

10. What type of financial services have you used in the last year? Circle all that apply.
 - a. Bank
 - b. Credit Union
 - c. Check casher
 - d. Payday lender
 - e. Auto title
 - f. Pawn shop
 - g. Rent-to-Own store
 - h. Other _____

11. How many payday loans do you take out in 1 year? Check the answer that applies to you.

0 1-3 4-7 8-11 12-15 16 or more

12. In the last 2 years, have you purchased a refund-anticipation-loan (RAL), money now loan, or any advance on your tax return?
 - a. Yes
 - b. No
 - c. Don't know

Thank you for your participation in this survey.



If you want to be on a mailing list to receive FREE information about personal and family finance programs, please fill out the below information.

Date: _____

Name: _____

Address: _____

Email: _____

Zip code _____

Phone _____

Which programs? (Circle all requested)

- a) Buying or Maintaining a Home
- b) Managing Your Money Better
- c) Getting out of Chex Systems
- d) Turning my tax refund into savings
- e) Benefit Programs such as Child Care Vouchers, Food Stamps, Disability Assistance, or Health Insurance for Children
- f) Help with housing foreclosure or delinquency
- g) Housing assistance like public housing or Section 8
- h) Cash advance, check cashing, or payday loan alternatives

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