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# POLICY MATTERS OHIO

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## **Low income Clevelanders getting more tax refunds**

### **Local coalition expands free tax preparation and money management skills throughout Cleveland**

A survey of some of the 1580 Cleveland-area tax filers who received free tax assistance through sites in a local tax coalition found that nearly half claimed the earned income tax credit (EITC). Of these, nearly a quarter did not know if they'd previously been eligible for the credit and more than 16 percent had not filed taxes at all the previous year. Of those who had previously gotten the EITC, nearly 40 percent had previously paid for tax preparation, and about 15 percent had paid extra for an early refund.

Such fees can cost more than \$300 for a \$1500 credit according to the Brookings Institution.

"These are encouraging results," said David Rothstein, Research Assistant for Policy Matters Ohio. "More working families in our community are getting the credits they deserve and avoiding expensive fees."

The average adjusted gross income of filers was \$14,642, indicating that very low-income filers are finding the volunteer income tax assistance (VITA) sites. Filers said they would use refunds toward basic needs such as bill-paying (50 percent, cumulative), saving (22 percent), clothing and furniture (20 percent) and housing (19 percent). Nearly 30 percent of the filers had savings accounts and almost 65 percent had checking accounts. A quarter had no bank account, but half those wanted an account.

Of survey participants, nearly 75 percent were African American, 15 percent were white and five percent were Hispanic (of any race). A quarter of those surveyed received some form of public assistance, such as food stamps or Medicaid. Nearly 75 percent of those who received free tax preparation did not receive public assistance.

Nearly half of filers said the primary reason for using a VITA site was that the service was free. This dwarfed other reasons, which included advertisements (19 percent), personal recommendations (18 percent), and proximity (14 percent).

The Earned Income Tax Credit (EITC) is a federal tax credit available to families earning less than about \$37,000 a year. Credit eligibility and amount vary by family size. In 2002, 726,000 Ohio families received \$1.2 billion for an average EITC of approximately \$1,700 per family. Cuyahoga County provides funding to the Cuyahoga County Earned Income Tax Coalition to provide free, certified tax assistance.

Of the 1581 filers at Cleveland VITA sites, 580 filled out surveys on their experience. This study is based on those returns.

Policy Matters Ohio is a non-profit, non-partisan policy research institute. The full report is available on the web at [www.policymattersohio.org](http://www.policymattersohio.org) and [www.refundohio.org](http://www.refundohio.org).

