

Free tax coalitions help thousands of families

Two local coalitions refund more than \$20 million to low-income filers

Tax time can be the most important financial transaction of the year for low- and moderate-income families. To help families with their taxes, coalitions around the country prepare returns for free. In the Cleveland and Columbus areas, two coalitions emphasize the Earned Income Tax Credit (EITC), providing 15,000 families with free tax preparation and refunding \$20 million to local communities. The EITC is largest poverty-relief program for working families in the country.

Two reports by Policy Matters detail the local economic impact of free tax preparation, the EITC, and asset-building programs. Both reports provide a deep analysis of the EITC supplemented by a survey of clients receiving assistance. In Cuyahoga and Franklin counties, the two coalitions help more families each year. For each dollar spent in 2011, they returned more than \$25 to the community.

Free tax preparation has large impact

Both coalitions' efforts are bringing new federal money into the state's economy, relieving poverty, reducing use of exploitative loans and doing a good job with technology and customer satisfaction. The reports also found that:

- **Families claiming the EITC and receiving free tax preparation are diverse.** Clients have education beyond high school, and hold jobs in health care, education, service and other areas;
- **Clients are satisfied with the programs.** Most clients return each year and recommend the service to family and friends. A majority use the 2-1-1 service for referrals and appointments;
- **Free tax sites improve tax compliance and leverage tax credits to working families.** Many clients report they would otherwise have paid for high-cost tax preparation or not filed at all;
- **Clients are under-banked.** Most clients have at least a checking account, but many have no savings accounts, use check cashers, and purchase high-cost loans.

The Franklin EITC Coalition developed an incentivized savings pilot at tax time, allowing clients to split their tax refund into a new account with several monetary bonuses. Based on the survey responses of clients, the program design is simple, does not require more than \$100 to start, and provides regular updates on saving.

“The free tax program leverages the EITC and provides a unique return on investment,” said David Rothstein, project director at Policy Matters and report author. “The asset-building opportunities provided by this movement are endless.”

Recommendations

Both reports recommend expanding partnerships with low-income assistance programs, engaging school systems and child-care facilities, and starting marketing efforts earlier each year. Increased funding for free tax preparation from local, state, and federal entities will also strengthen programs.