



Franklin County EITC Coalition

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# WHO TAKES CREDIT: THE EARNED INCOME TAX CREDIT IN FRANKLIN COUNTY 2009

A REPORT FROM  
POLICY MATTERS OHIO

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## AUTHOR

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## Executive Summary

The Franklin County EITC Coalition continues to reach new heights, providing free tax preparation for more than 4,000 clients last tax season. The Coalition, comprised of more than 30 partners, brought more than \$5 million of federal and state tax refunds into Franklin County. The Coalition seeks to help individuals and families to claim the Earned Income Tax Credit, a refundable tax credit that provided the average Franklin County recipient \$1,900. The Coalition serves low- and moderate-income families who make up to \$42,000 of income, an average of \$20,000 a year.

The Coalition continues to grow at impressive rates in major areas.

- For every dollar spent by the Coalition, they generated \$17 in returns.
- The total number of returns prepared increased from 1,781 in 2007 to 4,054, an increase of 128 percent.
- During the past tax year, the Coalition saw a 29 percent increase in returns prepared and filed. The free tax preparation field was down roughly 11 percent during this timeframe because the Economic Stimulus Payment prompted non-filers to complete tax returns, thereby inflating the total number of returns filed in 2008.
- The total number of EITC claims increased from 640 in 2007 to 1569, an increase of 113 percent.
- The total dollar amount refunded increased from \$1.9 million in 2007 to more than \$5 million in 2009.
- The percentage of returns e-filed was 94 percent, higher than most coalitions around the country.

“The Franklin County EITC Coalition has produced incredible results in a short-time frame,” said David Rothstein, report author and researcher for Policy Matters Ohio. “They returned more than \$5 million in refunds and saved more than \$ 1 million in paid tax preparation fees and loans for this community.”

The report also surveyed more than 400 clients:

- Most clients are female
- The majority of clients are African American
- Most clients are renters, though a quarter own homes.
- Around 37 percent used a free tax service for tax preparation, more than a quarter of respondents used paid preparation chains, and 12 percent didn't file the previous year.

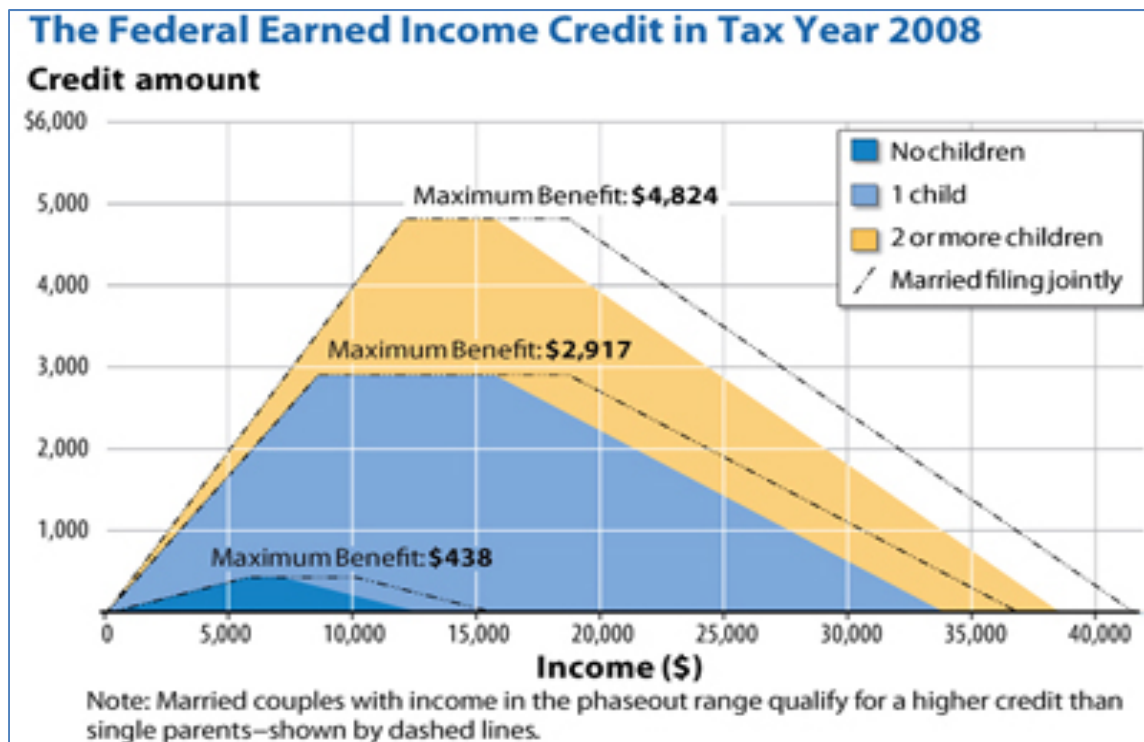
- Many clients heard about free tax services through 2-1-1 (FIRSTLINK), family and friends, and radio advertisements. Being free continues to be the primary reason for people using this service.
- More than 28 percent of filers paid to have their taxes filed in previous years, compared to 24 percent in the previous year.
- Roughly 12 percent of the Coalition’s clients didn’t file the previous year, which, by filing a return and claiming refunds, infused new dollars for the local economy.
- More than 28 percent of filers paid to have their taxes filed in previous years, compared to 24 percent in the previous year, which demonstrates the Coalition’s ability to retain and gain new clients in a competitive market.

“Free tax preparation is an excellent building block for the work we want to do in the community,” said Matt Kosanovich, Coalition coordinator for United Way of Central Ohio. “We are thrilled with the partners of this Coalition and hope to serve even more people this upcoming year.

The Franklin County EITC Coalition continues to provide free tax preparation, emphasizing the Earned Income Tax Credit (EITC), to thousands of families in Greater Columbus. Led by United Way of Central Ohio with support from Columbus City Council and the Franklin County Commissioners' Office, the coalition has more than 30 partners that assist low and moderate-income families (generally \$42,000 and under in income), provide free tax assistance and give asset building advice. For the third year in a row, the Coalition grew in the number of clients served and in EITC claims.

The Coalition's focus on the EITC stems from its longstanding effectiveness as a poverty relief and community stabilization program. As a refundable credit, the EITC is a monetary refund to low- and moderate-income families at tax time. Figure 1, below, displays how the EITC helped working families in 2008. The credit value varies by marital status, income level, and number of children. The maximum benefit, for a small number of very low-income families with two children, was \$4,824. The maximum for families with one child was \$2,917, and for those without children the credit peaked at \$438. On average, Franklin County families received \$1,925 through this program.

Figure 1:



While expanding EITC claims is a central goal of the Coalition, its primary mission is to provide free tax assistance. The Coalition does so in several ways. First, it makes more families aware of the EITC and other credits that provide relief for basic living, education, and housing. The Coalition expands access to these credits by providing a free service to clients who might otherwise not file taxes at all. The coalition also helps client avoid costly paid preparation services that charge preparation fees,

market exploitative refund anticipation loans, and add on insurance fees that drain refunds. Finally, the Coalition provides a link to other asset-building and financial services that partners offer. Free tax preparation provides an entry point through which clients are able to become more engaged with community services.

The federal EITC is an important poverty-relief policy for Franklin County (see Table 1). More than 88,000 filers claim the EITC, some 16 percent of all tax filers. More than \$170 million in Earned Income Tax Credits were claimed in tax year 2006 for an average credit of \$1,925. However, as in to most counties, only small portions (less than two percent) of EITC claimants utilize free tax preparation. The majority of EITC claimants use paid tax preparation, coupled with high-cost tax refund loans. More than 60 percent of families claiming the EITC used a paid preparer and nearly 80 percent of them purchased a tax refund loan. An estimated cost of this process is \$250 but costs can soar higher with larger refunds. The section below describes how the Franklin County EITC Coalition continues to serve members of the community.

Total Returns	EITC Returns	Percentage EITC Returns	Total EITC Amount	Average EITC Amount	Total EITC Returns Filed with Paid Preparers	Percentage of EITC Returns Prepared by Paid Preparers	Total EITC Returns Purchasing Loans or Refund Checks
545,759	88,735	16%	\$170,803,193	\$1,925	55,295	62%	45,163

## Coalition Successes

In 2009, the Franklin County EITC Coalition completed 4,054 free tax returns, a 29 percent increase from the previous year (see Table 2). Since 2007, the Coalition has more than doubled its total prepared returns. This increase is particularly impressive given that there was not the Economic Stimulus Payment (ESP) for this tax year, which elevated free tax claims across the nation last year. For the third year in a row, the Coalition increased its number of EITC returns (1,569) and percentage of returns that had an EITC claim (37 percent). The Coalition had an 85 percent increase from the previous year in EITC claims. The total EITC amount refunded grew by more than \$600,000 (42 percent), with \$2,101,068 in EITC claims. Once again, the Coalition had a major economic impact on the community, returning more than \$5 million to the Franklin County area.

**Table 2: 2009 Franklin County EITC Coalition Results**

Total Returns	Growth in Total Returns	EITC Returns	Growth in EITC Returns	Percentage EITC Returns	Total EITC Amount	Growth in Total EITC Amount	Total Refund Amount	Growth in Total Refund Amount
4,054	29%	1,569	85%	37%	\$2,101,068	42%	\$5,033,904	70%

The EITC continues to make a large difference in clients' returns (see Table 3). The average EITC return was \$1,339 and the average total return was \$1,241. The average adjusted gross income for clients was \$17,099, a slight increase from last year's average income of \$16,411. The Coalition continues to file nearly all of its returns electronically – 94 percent were filed this way. Electronic filing and direct depositing into bank accounts helps clients get their refund several days and often weeks faster than paper returns and checks.

**Table 3: 2009 Franklin County EITC Coalition Individual Results**

Average EITC Return	Average Total Return	Percent of Returns E-Filed	Average Adjusted Gross Income
\$1,339	\$1,241	94%	\$17,099

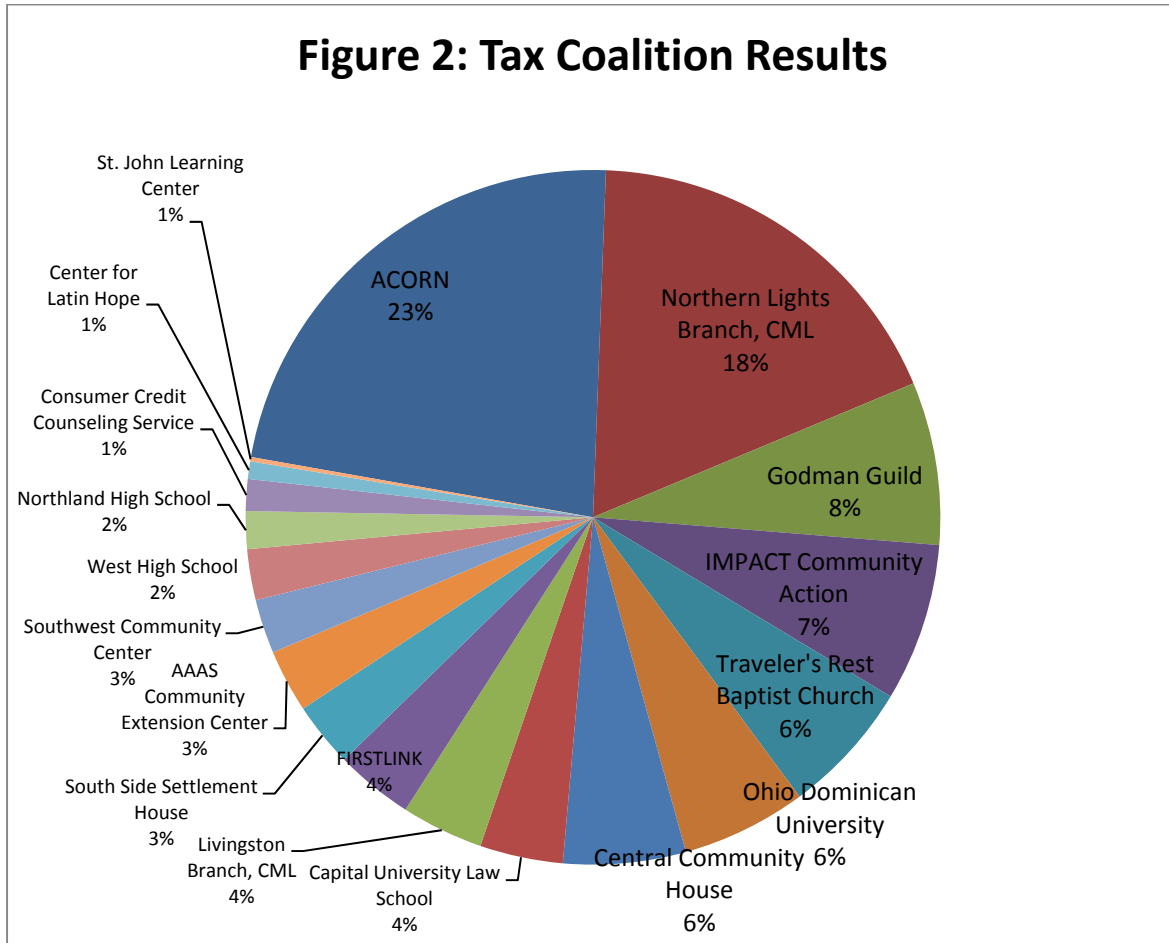
Table 4, below, displays new and older results for the 2009 filing season from each of the sites in the Franklin County Coalition.

<b>Table 4: 2009 Coalition Results</b>							
Site Name	Total Returns	EITC Returns	Percentage EITC Returns	Total EITC Amount	Average EITC Amount	Total Refund Amount	Average Refund Amount
AAAS Community Extension Center	119	54	45%	\$ 97,219	\$1,800	\$ 203,455	\$1,709.71
ACORN	925	454	49%	\$ 602,295	\$1,326	\$ 1,254,143	\$1,355
Central Community House	231	93	40%	\$ 94,815	\$1,019	\$ 252,991	\$1,095
FIRSTLINK	147	65	44%	\$ 78,227	\$1,203	\$ 191,548	\$1,303
Godman Guild	307	133	43%	\$ 196,407	\$1,476	\$ 451,175	\$1,469
Livingston Branch, CML	155	41	26%	\$ 27,148	\$662	\$ 125,946	\$812
Northern Lights Branch, CML	734	231	31%	\$ 378,502	\$1,638	\$ 874,407	\$1,191
Northland High School	71	27	38%	\$ 39,197	\$1,451	\$ 127,352	\$1,793
Ohio Dominican University	236	60	25%	\$ 39,307	\$655	\$ 126,759	\$537
South Side Settlement House	122	45	37%	\$ 65,583	\$1,457	\$ 159,904	\$1,310
Southwest Community Center	102	30	29%	\$ 32,929	\$1,097	\$ 96,071	\$941
West High School	96	55	57%	\$ 95,498	\$1,736	\$ 211,098	\$2,198



New Sites							
Site Name	Total Returns	EITC Returns	Percentage EITC Returns	Total EITC Amount	Average EITC Amount	Total Refund Amount	Average Refund Amount
Capital University Law School	157	36	23%	\$ 33,972	\$943	\$ 156,119	\$994
Center for Latin Hope	33	8	24%	\$ 4,376	\$547	\$ 12,776	\$387
Consumer Credit Counseling Service	60	22	37%	\$ 30,073	\$1,366	\$ 72,788	\$1,213
IMPACT Community Action	298	152	51%	\$ 196,700	\$1,294	\$ 432,357	\$1,450
Traveler's Rest Baptist Church	253	60	24%	\$ 85,327	\$1,422	\$ 279,835	\$1,106
St. John Learning Center	8	3	38%	\$ 3,493	\$1,164	\$ 5,180	\$647

The Coalition continues to present a well-distributed pattern of tax preparation (see Figure 2). ACORN and the Northern Lights Branch, CML continue to prepare the most tax returns, representing slightly more than 40 percent of the returns. Most of the other free tax sites prepared between 100 and 200 tax returns.



## Demographic Details

Clients receiving free tax preparation were asked to fill out an anonymous survey at most sites to help assess their needs to develop goals for the Franklin Coalition. The free tax preparation and other services were not contingent on filing out the survey. The survey included questions relating to marketing, asset building, services, and demographic details of clients. Last year, the majority of the demographic details of clients came from FIRSTLINK, but this year those questions were asked in the survey. FIRSTLINK is a nonprofit agency that refers individuals and families to community resources in Columbus. It also serves as a direct referral system through dialing the phone number 2-1-1 for free tax preparation. In a unique capacity for a direct referral service, FIRSTLINK also offers free tax

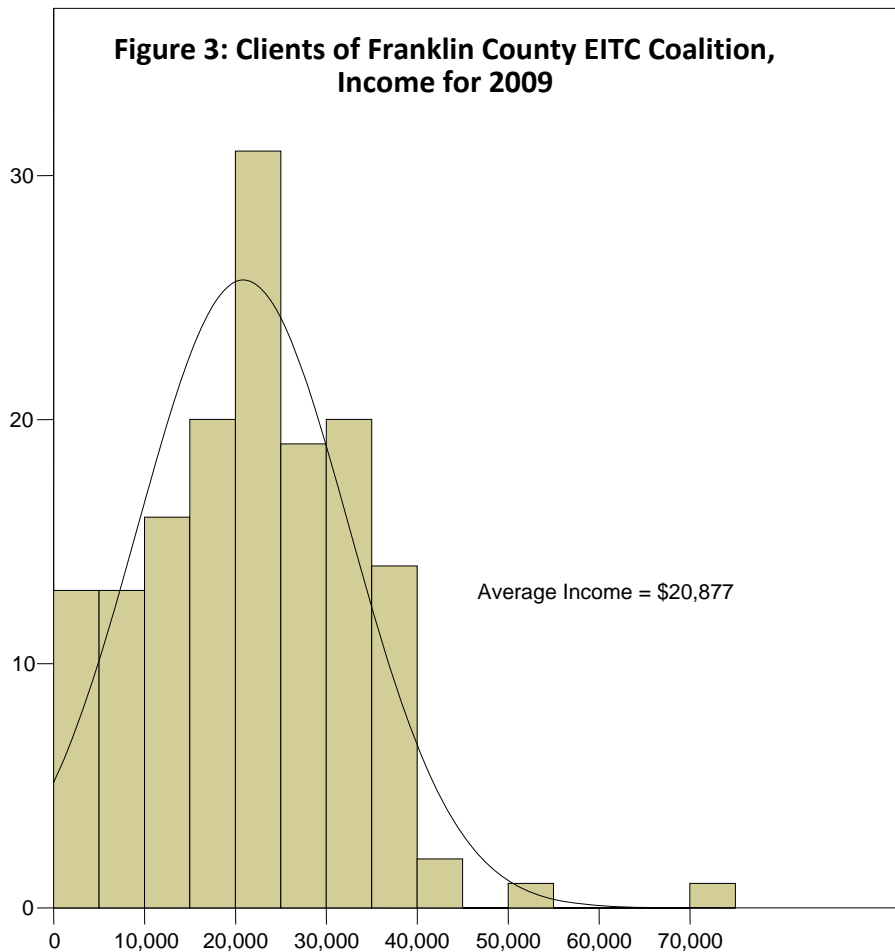
preparation “in-house.” The statistics below provide a demographic summary of those referred to Franklin County EITC Coalition free tax sites.

Table 5 displays the demographic details from the survey of some 450 clients in 2009. In 2009, 65 percent of the survey respondents were African American, a substantial increase from 2008. The Coalition did not substantially increase returns for Hispanic or Spanish-speaking families. This is a difficult task because of language and citizenship barriers, but remains an important part of serving Franklin County. Another change in the demographics for the Coalition was the leveling out of gender for clients. Last year, the Coalition served very few men – nearly nine of ten clients were women. This year, about six of every ten clients were women, showing much better outreach to male taxpayers – it is appropriate, given the focus on low-income families, that women remain a majority since they are more often the caretaker in single-parent homes. The average age, 42, remained virtually unchanged from the previous year. According to the National Community Tax Coalition’s yearly assessment, these details mirror those of the larger and more established coalitions in the country.

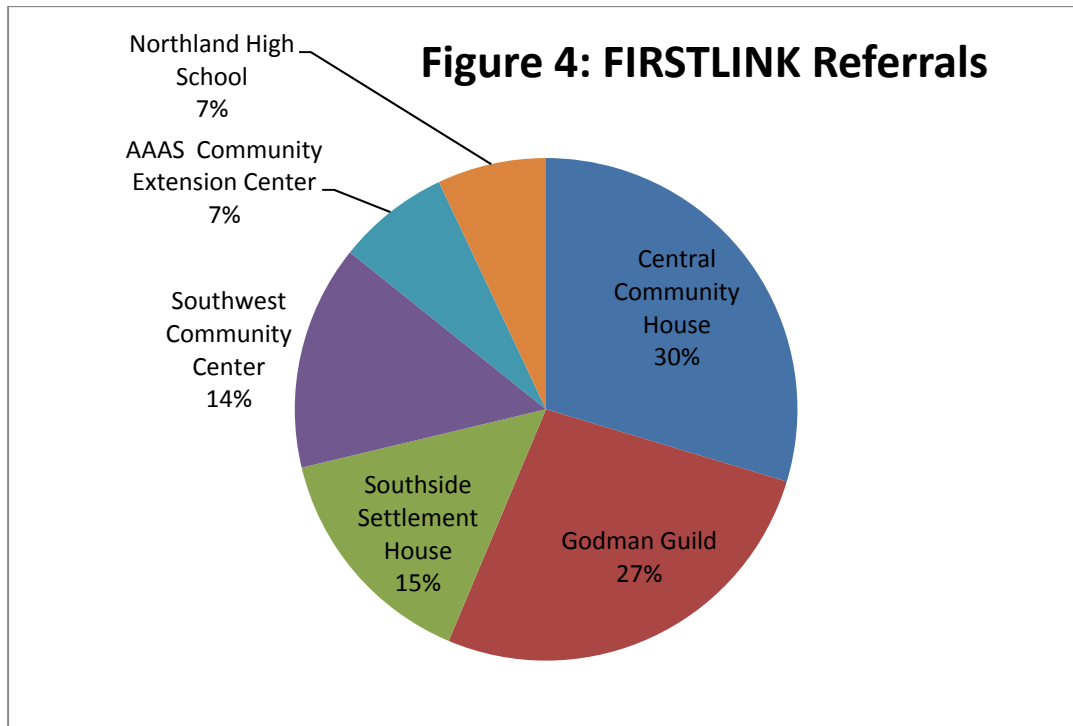
A new set of questions asked about clients’ education level. Twelve percent have no high school degree, 67 percent have at least a high school degree but no degree beyond that, and 21 percent have an Associate’s Degree, a Bachelor’s Degree or more . Another new question asked in 2009 dealt with housing. More than 70 percent of clients stated that they use rental housing while more than a quarter of clients were homeowners.

	Client Response	Percentage	Percentage in 2008
<b>Race</b>			
• White/Caucasian	94	26%	36%
• African American	240	65%	33%
• Hispanic	12	3%	2%
• Asian	7	2%	1%
• Other/Mixed	11	3%	3%
<b>Gender</b>			
• Female	240	61%	89%
• Male	152	39%	11%
<b>Education Level</b>			
• Less than High School	43	12%	N.A.
• High School/GED	134	37%	N.A.
• Some College/Technical School	103	29%	N.A.
• Two-Year Degree	21	6%	N.A.
• Four-Year Degree	30	8%	N.A.
• Some Graduate Education	9	2%	N.A.
• Graduate Degree	18	5%	N.A.
<b>Home Ownership</b>			N.A.
• Rent	254	73%	N.A.
• Own	95	27%	N.A.

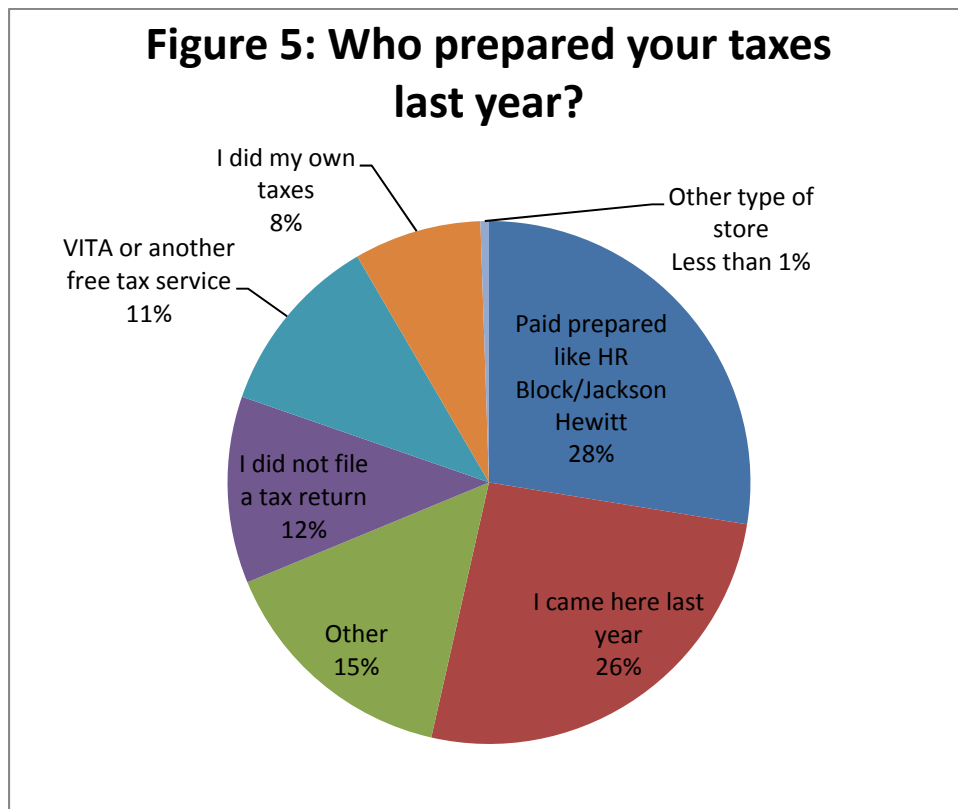
The mean and median (middle) income of clients was slightly more than \$20,000. This was a \$5,000 increase from the previous year. The vast majority of clients in 2009 had incomes between \$8,000 and \$32,000 a year, making them prime candidates for the EITC (see Figure 3). The income levels reported in 2009 fit a regular curve or distribution of income between \$0 and \$40,000 better than the years before, which were skewed toward higher incomes. This income shift reflects the Coalition serving more solidly middle-class people while continuing to serve some very poor clients.



The largest six sites to participate in the survey process are displayed in Figure 4. The sites participating were among the medium-to-larger size sites, giving us a helpful baseline to understand clients.

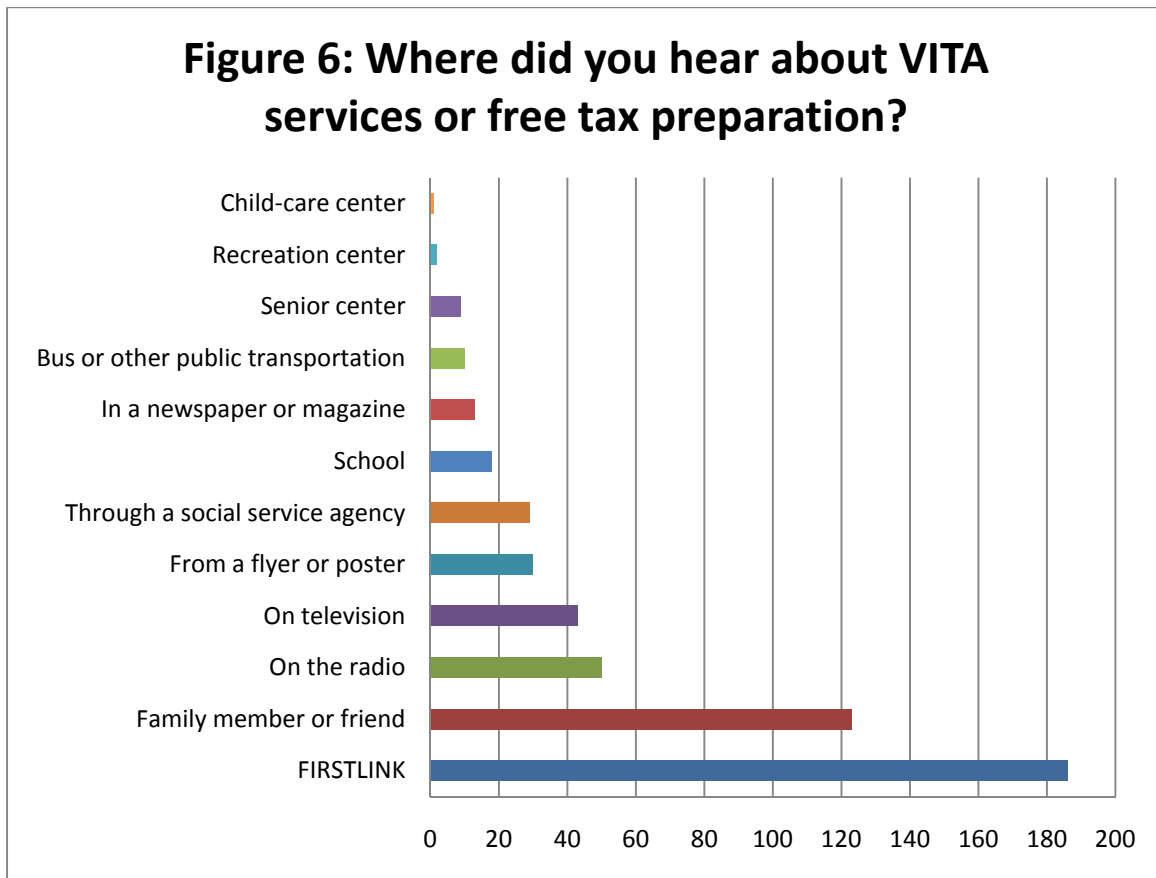


Similar to 2008, most clients reported not having their taxes done for free in the previous year (see Figure 5). Around 37 percent used a free tax service or site for their tax preparation, more than a quarter of respondents used paid preparation chains, and 12 percent didn't file the previous year, many of whom probably missed out on a refund. Last year, a higher percentage 16 percent, had not filed at all the previous year.



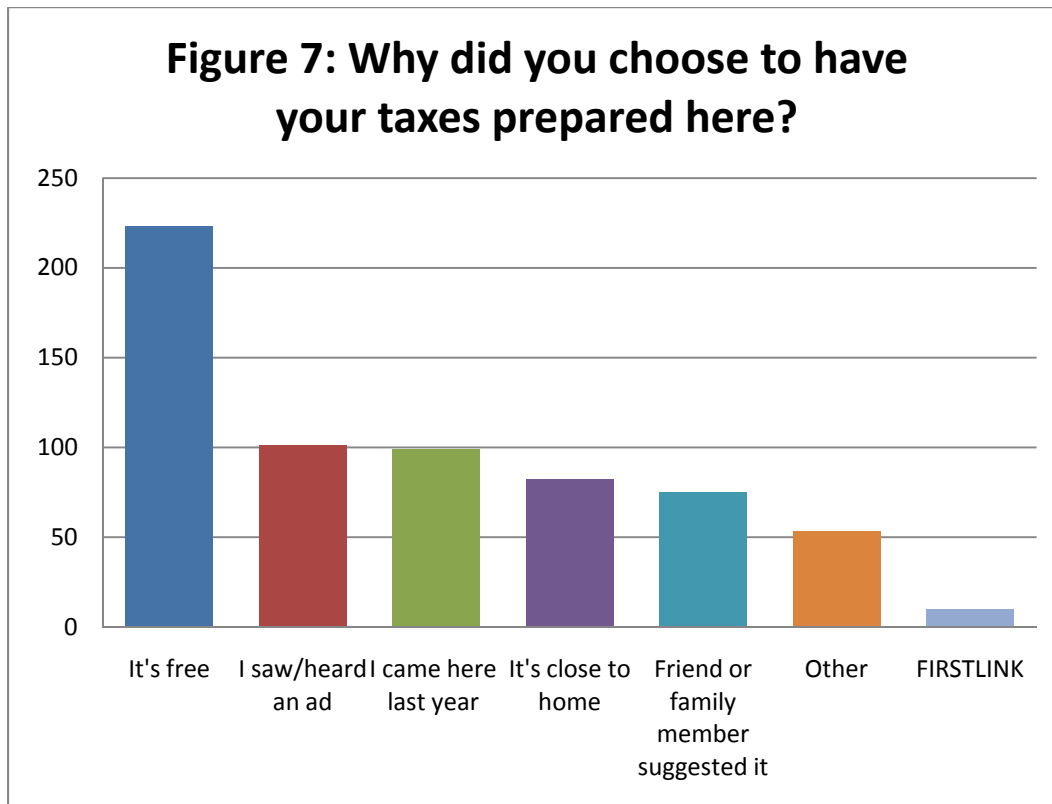
Most clients hear about free tax services and the Coalition through multiple sources and end up calling the FIRSTLINK line for a referral. This is also reflected in the survey (see Figure 6).

FIRSTLINK was widely noted (185 clients) as a way to hear about a VITA site, with family and friend referrals continuing to be a popular way to hear about the Coalition. The radio and television are also popular ways for clients to hear about the Coalition. When we pulled out women's responses, they indicated that the radio was the second most popular choice, after FIRSTLINK, for hearing about the Coalition. National research confirms that radio ads are a great way to reach working women with children who often listen to the radio while commuting.

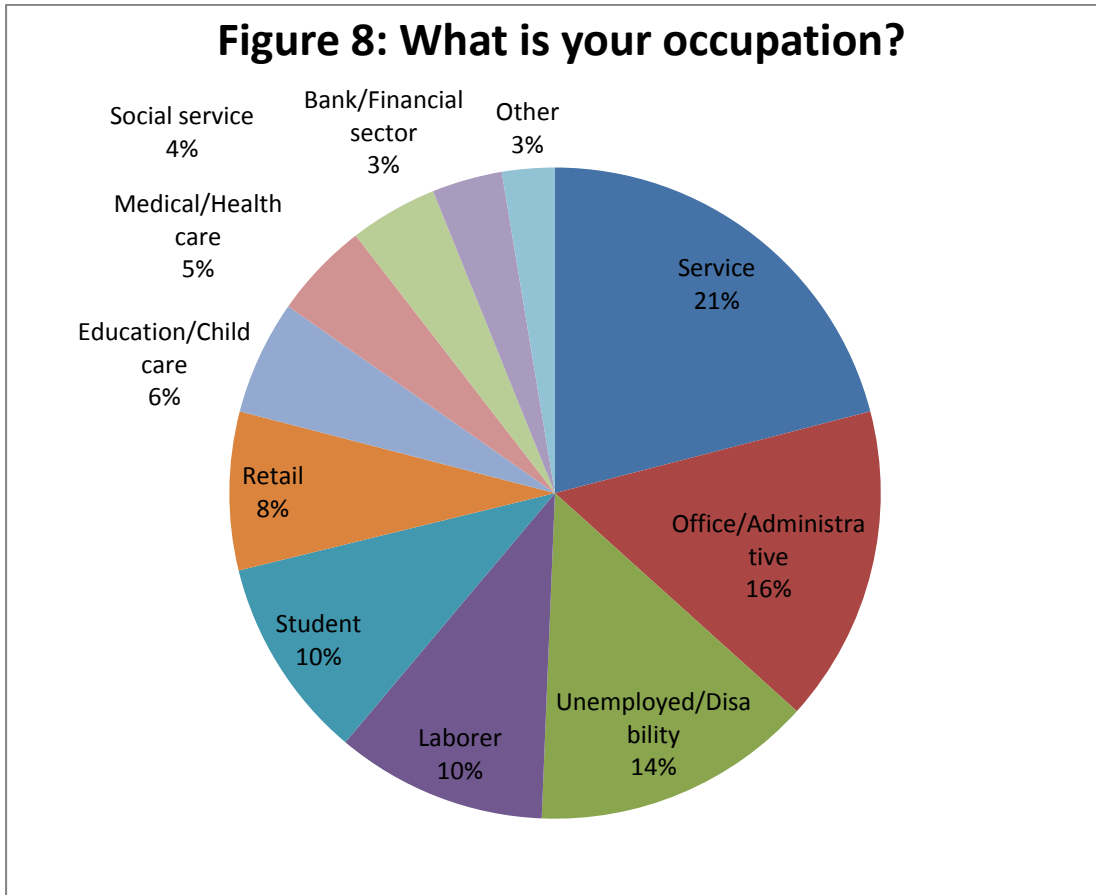




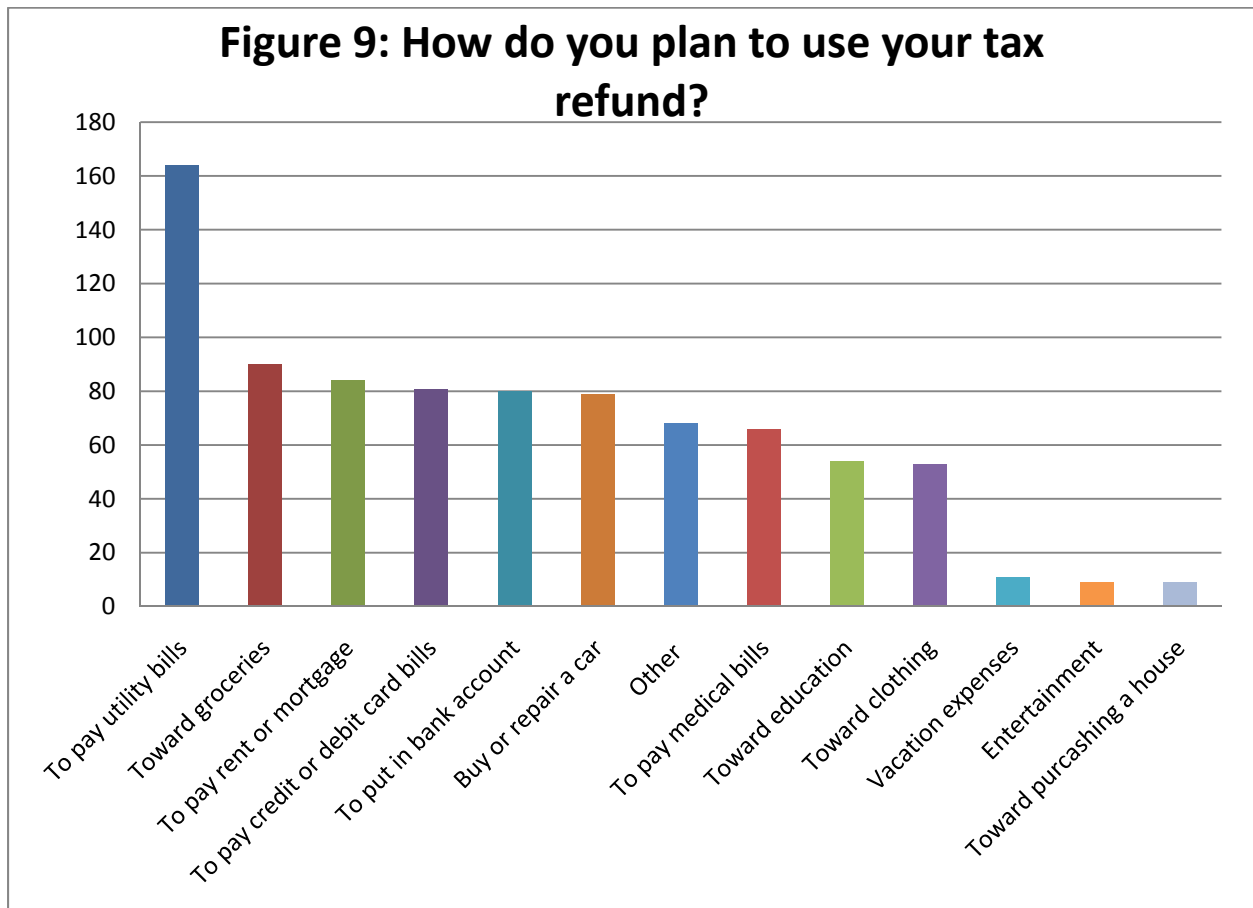
The majority of clients continue to indicate that the tax preparation being free is the number one attraction to Coalition sites (see Figure 7). Seeing advertisements and being a return customer were other popular reasons for choosing to get taxes done through the Coalition. Interestingly, the tax preparation location being close to where a client lives (82 client responses) was the fourth most important factor for clients. In 2008, this was a more popular choice with more than 150 clients indicating the location was an important factor.



According to Figure 8, clients had a variety of jobs. The majority of clients continue to work in the service sector (21 percent). Office and administrative jobs comprised a large portion of clients (16 percent) while being a laborer (10 percent) was also high on the list. The category of being unemployed or disabled was larger than in 2008 by four percent at 14 percent. With Ohio’s unemployment rate in double digits in 2009, this category will likely increase in 2010’s tax returns.



The survey asked again this year how clients were planning on using their prospective refunds as shown in Figure 9. More than 160 clients reported they would use some of their refund for utility bills, making it the number one use for the second year in a row. More clients reported using some of their refund on groceries (90) or toward housing payments (84) than in previous years. Clients continue to use their refund to pay on credit card debt (81), on car payments (79), and toward medical payments (66). Some 80 clients did indicate that they would put a portion of their refund in a bank account.

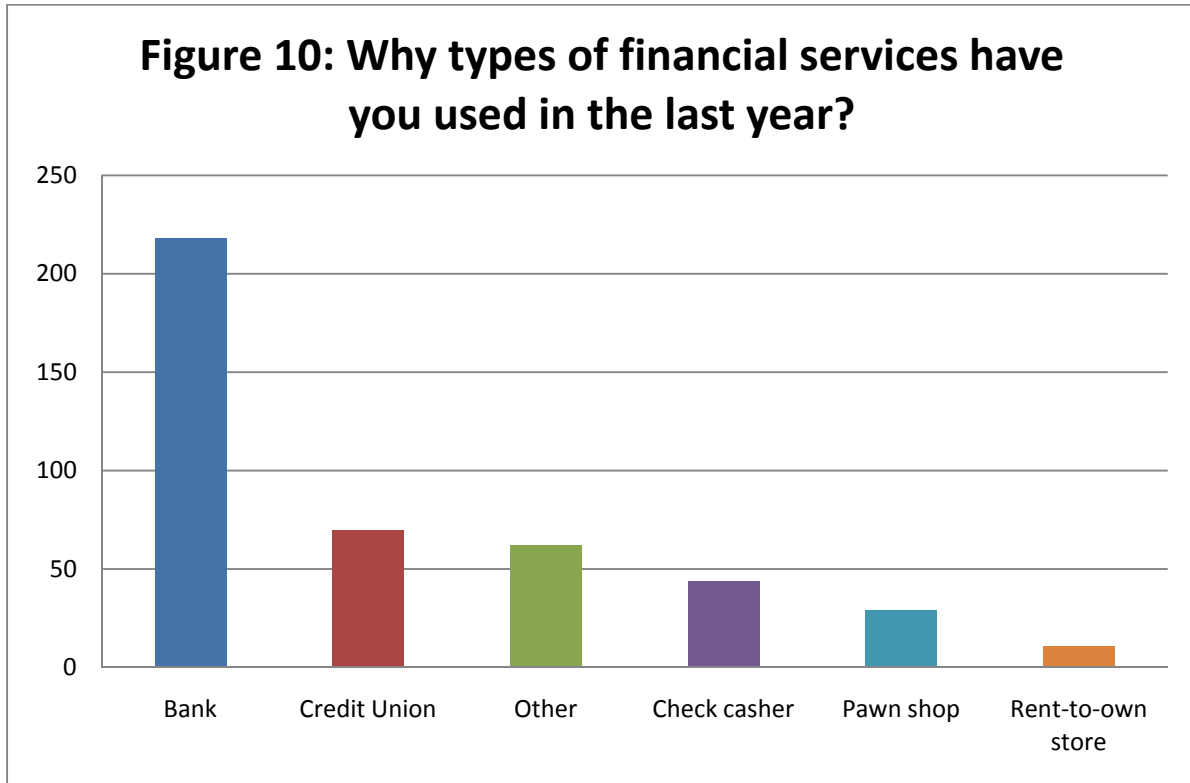


### Financial Analysis of Clients

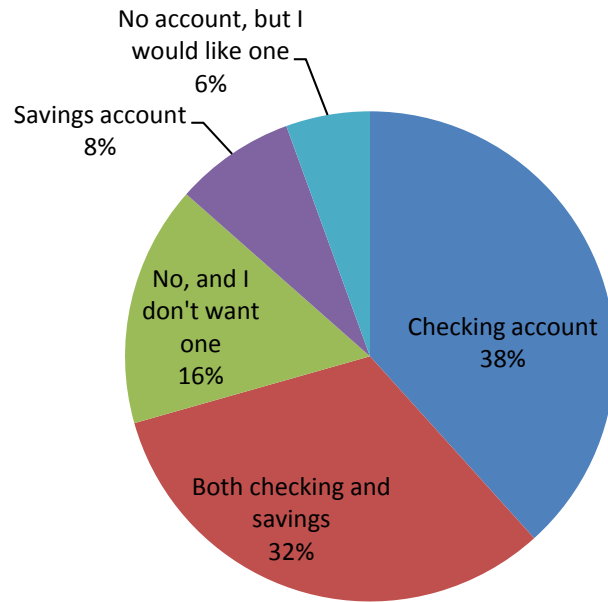
The survey also asked clients about their financial practices as indicated in Figures 10, 11, and 12. According to Figure 10, most of the clients are “banked” in some fashion. The majority of clients use banks (217) and credit unions (70) for financial services. However, a significant portion of clients (84) use alternative or “fringe” banking practices such as check cashers, pawn shops, and rent-to-own stores for transactions. Also, some 62 clients reported “other” for a type of financial transaction.

Figure 11 displays that 32 percent of clients have both a checking and savings account, a 14 percent increase from the previous year. Less clients, 38 percent, reported only having a checking account in

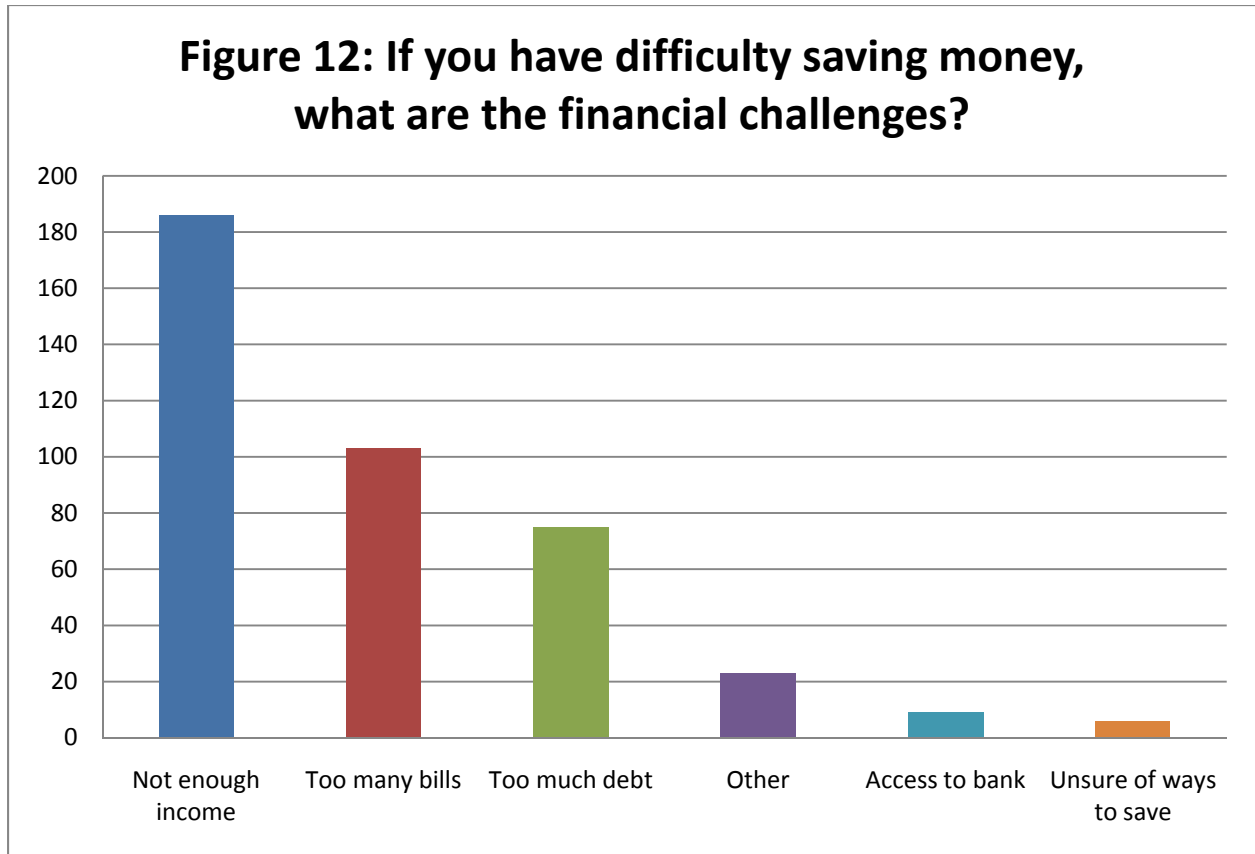
2009 compared to 48 percent in 2008. Some 20 percent of clients do not have a bank account but only six percent are interested in opening one.



**Figure 11: What type of bank account do you have?**



According to the survey, 46 percent of clients reported having difficulty saving money. Those clients responded that not having enough income (186) was the largest difficulty in saving money. Clients also indicated that having too many bills (103) and too much debt (75) were challenges in saving money. Interestingly, fewer than 10 clients responded that lack of financial education was a barrier to saving money.



## Community Impact

The sheer number of free tax returns prepared does not paint the entire picture of the Franklin EITC Coalition's impact. The Coalition refunded more than \$5 million to the community. Also, at an estimated \$250 in paid tax preparation and loan fees, the Coalition retained an additional \$1 million of return dollars. The Coalition spent roughly \$322,000 on marketing, technology, site management, and other parts of running a free tax coalition. The net return on this investment was more than \$5.7 million. Specifically, for every dollar spent by the Coalition, they leveraged \$17. This is an estimate and does not count empowerment factors like opening bank accounts, spending refunds in the community, and other socio-economic benefits of using free tax preparation. However, this estimate also does not count what individual sites spent on their separate personnel, generally low because of using volunteers, on the free tax preparation program.

**Figure 13: An Estimated Community Impact**

Total Families Served	Total Refund Amounts	Amount Saved on Paid Tax Preparation (\$250 for preparation and loans)	Coalition Budget (spending on marketing, technology, and other)	Net return to Franklin Community	Ratio of Spending to Return
4,054	\$5,033,904	\$1,013,500	\$345,147	\$5,702,257	\$1 to \$17

## Recommendations

### Marketing

- Eligibility for the EITC is similar to free and reduced schools lunches. Other coalitions have used that list, kept by the county, to mail information in November and January about free tax preparation to a targeted group of low-income families. This is also the largest target for new clients for paid tax preparation chains.
- Since the largest percentage of clients that received free tax preparation in 2009 used paid preparation the prior year, marketing must begin earlier for the Coalition. The majority of low-income families that use paid tax preparation do so early in the tax season, often before their W2 forms are issued.
- The radio is still a popular way to reach low-income families. Specifically, working women tend to prefer the radio as a medium for information and entertainment. Over the last two years, clients increasingly reported hearing radio ads about free tax preparation and the EITC.
- Increasing outreach to the Latino and Asian communities is an important part of growing as a Coalition. There are a substantial number of low- and moderate-income families who are Hispanic and could utilize this service. Developing materials in Spanish, which the Coalition has done, is a good first step. Also, making particular outreach efforts through city council representation, libraries, and ward clubs in those areas would be a logical and easy outreach step.

### Services

- While most clients are banked, a small portion would like to open bank accounts. Having a bank presence at larger sites, offering first accounts and short-term, safe savings products, would allow clients to get more from their tax preparation experience.
- Many clients use alternative or “fringe banking” services that drain money from their paychecks and the local economy. The Coalition should develop or work with other groups to hand out information about the large fees and interest from check cashers, pawn shops, payday lenders, and rent-to-own stores.
- The largest response for how clients will use their refund was on utility bills. There are several programs, specifically around gas and electric bills, that could help many clients in the low-income range.
- Consider “super sites” rather than opening new ones, as clients seem to focus on other parts of the free tax preparation rather than location of the site. Allowing for sites or volunteers to be mobile and set-up in one location for a particular week or weekend is another method for expansion that would suit the Franklin Coalition well.



## Partnerships

- A large portion of the Coalition's clients are in the service, labor, and education sectors. The Coalition should work with workforce and labor union representatives in these areas to set up particular free tax preparation days, pay-stub stuffers, and speaker bureaus.
- The Ohio Benefit Bank provides a unique analysis of government benefit eligibility that could provide referrals to the Coalition (or vice versa) to strengthen the financial stability of families. The Coalition should ask about clients' benefit eligibility, current claims, and interest in learning more.
- Columbus Saves, certified housing and income counselors, and community credit counseling services should play a role in helping the more than 45 percent of clients who are financially stressed but would like to save.
- Schools in Franklin County should be a more active participant in this program. Putting information in school newsletters and report cards would be an easy first step. Also, schools could use their computer laboratory space for free tax preparation at night or on the weekends.

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