



JANUARY 2012

STATE OF THE FIELD REPORT



THANKS!

The National Community Tax Coalition would like to thank our partner organizations for their unwavering support over the past year.

The quality and extent of our work would not be possible without it. We look forward to our shared future efforts on behalf of low- and moderate-income families.

The Annie E. Casey Foundation



E*TRADE

Bank of America



FORDFOUNDATION

Center for
Financial Security



UNIVERSITY OF WISCONSIN-MADISON



W.K. KELLOGG
FOUNDATION

Citi Foundation



THE
ROCKEFELLER
FOUNDATION



CONTENTS

Message from Executive Director	2
NCTC and the Field.....	3
Highlights of 2011	4
National Conference.....	5
Our Initiatives.....	6
Our Programs.....	10
Thanks	12

OUR MISSION

The National Community Tax Coalition (NCTC) is a national network dedicated to strengthening economies, building communities and improving lives through tax assistance and asset building activities that produce financial security, protect families and promote economic justice.

MESSAGE FROM THE EXECUTIVE DIRECTOR



Dear Friends,

What a year! Though challenging, rewarding, frustrating and uplifting all at the same time, 2011 was no doubt a success for our field.

First of all, congratulations! Community VITA programs once again saw an increase in returns prepared, value of refunds and number of volunteers. It speaks volumes about the commitment of our members that despite the logistical and resource-related challenges facing our field, you were able to increase every measurable indicator of performance.

In a year of enormous budget pressures, NCTC members also successfully advocated for maintaining federal VITA funding as well as avoiding cuts in the EITC, CTC and AOTC. I don't have to tell you just how valuable these services and tax credits are for working families.

We enhanced and expanded some of our most successful programs, such as Financial Aid U, Skills Based Volunteerism and our Capacity Building Grant program. NCTC was able to give out more than \$700,000 in grants to the community tax preparation and asset building field last year!

In 2011, NCTC embraced plenty of change. As of January 1, 2012 NCTC is governed by a Board of Managers and has established itself as a distinct legal entity. We rolled out an expanded Online University to help train tax preparation and asset building volunteers. We expanded and redefined our Working Groups as a strategy to increase NCTC member involvement and to streamline efforts.

All of these changes give NCTC and our members the freedom to improve the services we provide even further. We look forward to turning these changes into tangible ways of serving you better in the coming year.

Thanks for all that you do and have a wonderful 2012.

Sincerely,

A handwritten signature in black ink that reads "Jackie Lynn Coleman". The signature is written in a cursive, flowing style.

Jackie Lynn Coleman

OUR MEMBERSHIP

NCTC membership once again grew more than 10 percent in 2011.

But it's not just the number of members that we're after; it's the value you find in membership. In 2011 we restructured our working groups, revamped our blog, increased our social media presence and increased the amount of funding we give to the field - all to make sure you get the resources you need when you need them. And it's working – based on our biannual affiliate satisfaction survey, more than 90 percent of our members are pleased with our advocacy, training and communications efforts.



NCTC members at the 2011 National Conference

Our Working Groups have changed!

We've added two new groups and changed others. Visit www.tax-coalition.org to find out if your group changed or to sign up for the new groups!

We've expanded our presence online.

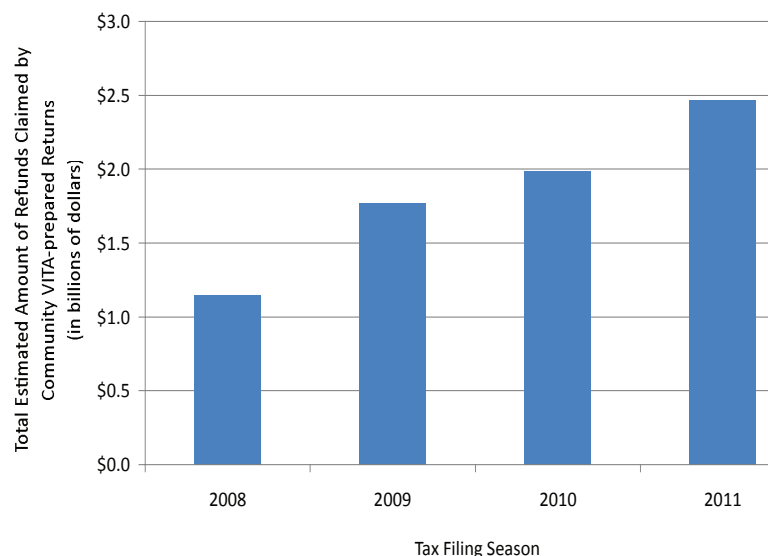
Become a Facebook fan, follow us on Twitter (@tax_coalition) and join our LinkedIn group to keep up with all things NCTC including grants, reports, advocacy updates and more.



VITA PERFORMANCE

Despite a late start to the tax season in 2011, VITA programs once again increased the number of tax returns prepared, volunteers and value of refunds.

VITA Volunteers	Tax Returns	Value of Refunds
52,000+	1.5 million	\$2.4 billion



2011: CHANGES, CHALLENGES AND THE CONFERENCE

It's not likely we'll remember the beginning of 2011 fondly, with Congress approving significant tax law changes at the last minute and providing the community tax preparation field with significant challenges. In hindsight, however, it gave us an opportunity to see how just dedicated and resilient our field is. With the country still deep in economic distress, we knew just how much our clients need our help. Taking the challenges in stride, our programs served more tax preparation clients than ever in 2011 and reached new heights in other areas as well.

MAPPING THE FUTURE: 2011 NCTC NATIONAL CONFERENCE

More than 350 attendees gathered June 7-9 for NCTC's 8th National Conference. Community tax preparation and asset building programs, government officials, foundations, financial institutions and national non-profits all came together in Chicago for a chance to learn, network and celebrate together.

Exposing Injustice & Learning from Our Mistakes

A buzz was in the air about the keynote speakers at this year's National Conference. Attendees were promised to be enlightened and motivated, and the speakers did not disappoint.



Annie E. Casey Vice President Robert Giloth first enthralled attendees with excerpts from his research on turning mistakes into learning experiences – and then into successes.

Next, author/journalist Gary Rivlin talked about his experiences traveling the country and talking to low-income families who had fallen into the vicious cycle of debt and despair at the hands of pawn shops, payday loan stores, check-cashers and the like.

Rivlin's book *Broke USA: From Pawnshops to Poverty, Inc.* exposed how preying on low-income families has become big business.



Dr. Avis Jones-DeWeever captivated the audience with a prescient reminder of the injustice that faces our country still today. Cutting across race, gender, class and other factors, prejudice remains an issue that deeply impacts the clients we serve.

Steve Holt summed things up with a fascinating look at research from his recent paper *Ten Years of the EITC Movement: Making Work Pay Then and Now*. Holt said that after a decade of concerted efforts to promote and enhance the credit, the EITC remains one of the most effective ways we have to fight poverty and support low-income families.

“

The Conference general sessions were great and, as always, I really enjoy meeting other members of the NCTC Community.”

JOANNA SMITH-RAMANI, DOORWAYS TO DREAMS FUND, BALTIMORE, MD

LEARNING TOGETHER

With more than 350 of our peers in attendance, no event offered the opportunity to build the field like the 2011 NCTC National Conference.

The event served as a forum for sharing proven resources and tools, discussing opportunities and challenges for the communities we serve, building relationships with colleagues in the field and celebrating the victories of the 2011 tax season.



Attendees enjoyed access to more than 50 workshops, with topics ranging from social media and strategic communications to asset building products and tax site management. The NCTC Technology Lounge also exposed attendees to the latest advancements in web-based asset building, volunteer training and financial education.

After keynote speakers, workshops, the technology lounge and networking sessions, attendees were ready to let loose for the fireworks cruise and reception. Attendees were treated to a three-hour cruise on Lake Michigan complete with food, drinks, dancing and a fireworks display over the beautiful Chicago skyline.



BUILDING THE FIELD

NCTC's Community Building team is proud to support our network of high quality tax preparation and asset building programs.

While 2011 was a challenging year for our low- and moderate-income clients, the ongoing technical assistance, training and professional development opportunities provided to our members allowed them to meet the ever-increasing needs of those clients. Our staff continues to test and seek out new programs and innovations to expand our service to our communities, and we anticipate providing an enhanced portfolio of services and learning opportunities to effect this goal.

LEARNING NETWORK

In 2011, NCTC was able to once again expand the ways in which our members learn with and from each other.

Our Learning Network provides virtual ways for its members to connect to learning opportunities. Since our members are scattered throughout the nation, our Learning Network brings the field together by teaching, sharing and engaging the audience in standardized tax preparation and asset building opportunities. We achieve this through NCTC Online University, live web seminar trainings and information circles.

tax preparation and asset building field. For the 2012 tax season, NCTC Online University will offer six volunteer training courses: Credit Report Educator 2.0, Budget Planner 2.0, FAFSA Coach 2.0, Savings Coach, Saver's Credit at Tax Time and Volunteering in the VITA World. The Online University eases the training burden on our members by requiring fewer in-person trainings and less space. Volunteers receive a certificate of completion and come to the member's orientations and customized trainings with the foundational knowledge necessary to hit the ground running.

Our live web seminars and information circles allow attendees, presenters and trainers to interact on a virtual meeting platform. Participation in the web seminars provides NCTC members with hard, technical skills about various tax prep and asset building topics. Information circles serve as forums for practitioners to engage with each other and discuss a range of topics with their peers. NCTC's Learning Network conducted over 30

trainings and information circles covering areas in data collection, marketing and outreach, financial services, volunteer management, organization and program development, advocacy, tax policy and fundraising.

NCTC also opened its Online University to the full field for free use and doubled the course selection in 2011. NCTC Online University is a web-based volunteer training platform that simplifies and standardizes training curriculum for the community



The screenshot shows a video player interface. On the left is a blurred image of people. In the center is a presentation slide titled "Budget Planner" with the NCTC logo. On the right is a table of contents for the presentation.

Outline	Notes	Search
Slide Title		Duration
Intro		00:15
Road Map		01:05
Learning Objectives		00:29
Client Sensitivity		01:26
Create the Budget Plan		00:46
Identify Income: How...		01:53
Identify Income: Net ...		00:35
Net Monthly Income		00:21
Total Net Monthly Inc...		00:08
Exercise: Total Net M...		00:08
Track Expenses: Whe...		02:07

28 Minutes 45 Seconds Remaining

FIGHTING FOR OUR FAMILIES

As 2011 dawned, NCTC and partners had just helped secure two-year extensions of improvements in a series of important supports for low- and moderate-income families: the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC) and the American Opportunity Tax Credit (AOTC). Yet as the year unfolded, new threats arose to challenge these priorities – as well as the VITA grant funding that helps struggling families identify and obtain the help of these credits.

Protracted budget battles left the full picture of VITA funding hazy until deep into 2011, but the advocacy of NCTC and our members ultimately helped to preserve it at \$12 million for both FY2011 and 2012. This was no small victory, in this tough fiscal and political climate.



Affiliate Mimi Turchinetz speaks to Congressional Briefing attendees about the value of VITA for her clients

Meanwhile, mounting pressure to cut the federal deficit prompted Congress to slash about \$900 billion from the federal budget over the coming decade. Lawmakers also established a “supercommittee” to determine at least \$1.2 trillion worth of deficit-reduction measures for Congressional approval by the end of 2011; the panel’s failure has triggered the determination of across-the-board cuts that must be made by early 2013. NCTC, our members and partners have worked very hard to avert any

harm to refundable tax credits for working families in 2011.

Above all, NCTC and fellow advocates have called for a balanced and responsible approach to deficit reduction.

Such an approach includes new revenues as well as cuts, and maintains critical supports such as VITA and tax credits for working families in order to avoid pushing more of those households deeper into poverty. That important work will continue in 2012, as improvements to refundable tax credits face expiration and policymakers discuss the possibility of overarching tax reforms – reforms that NCTC believes must preserve the well-being of low- and moderate-income families.



WITH ONE VOICE

NCTC remains committed as ever to mobilizing our members and the VITA field to ensure that policy leaders and decision makers learn about the importance of VITA, refundable tax credits and consumer protections in keeping families out of poverty and moving them along a path towards economic security.

Thanks to the determination of our members, the VITA Act of 2011 was introduced in both chambers of Congress by Senator Sherrod Brown and by Congressman Mike Honda. The VITA Act would officially authorize the VITA program and fund it at a level that more accurately reflects the need from the field. As the leading organization pushing this legislation forward, NCTC continues to expand our presence in Washington, D.C., training our members in effective advocacy skills and working with key legislators to ensure the bills' progress. **NCTC and our members engaged in over 150 meetings with members of Congress in 2011, raising awareness of our core issues and programs.**

NCTC also hosted three briefings in Washington to educate members of Congress and their staff about our issues and priorities. The first



Congressman Mike Honda speaks on the importance of VITA

focused on the EITC and its success at promoting work and supporting low- and moderate-income families; the second highlighted our Financial Aid U program, which helps low-income students submit their Free Applications for Federal Student Aid (FAFSA); and the third emphasized the importance of the VITA program and its accomplishments in providing crucial financial services that support low-income families.

In all of our work, NCTC continues to raise the voice of families in need - through letters to the editor, in-person meetings and phone calls with Congressional leaders, action alerts and working groups devoted to promoting the economic security of all Americans.



“

I had a great experience partnering with NCTC on their Day of Action. It really was a pleasure to advocate for the VITA Grant and vital tax credits with our members of Congress.”

RON KING

MOVING KNOWLEDGE FORWARD

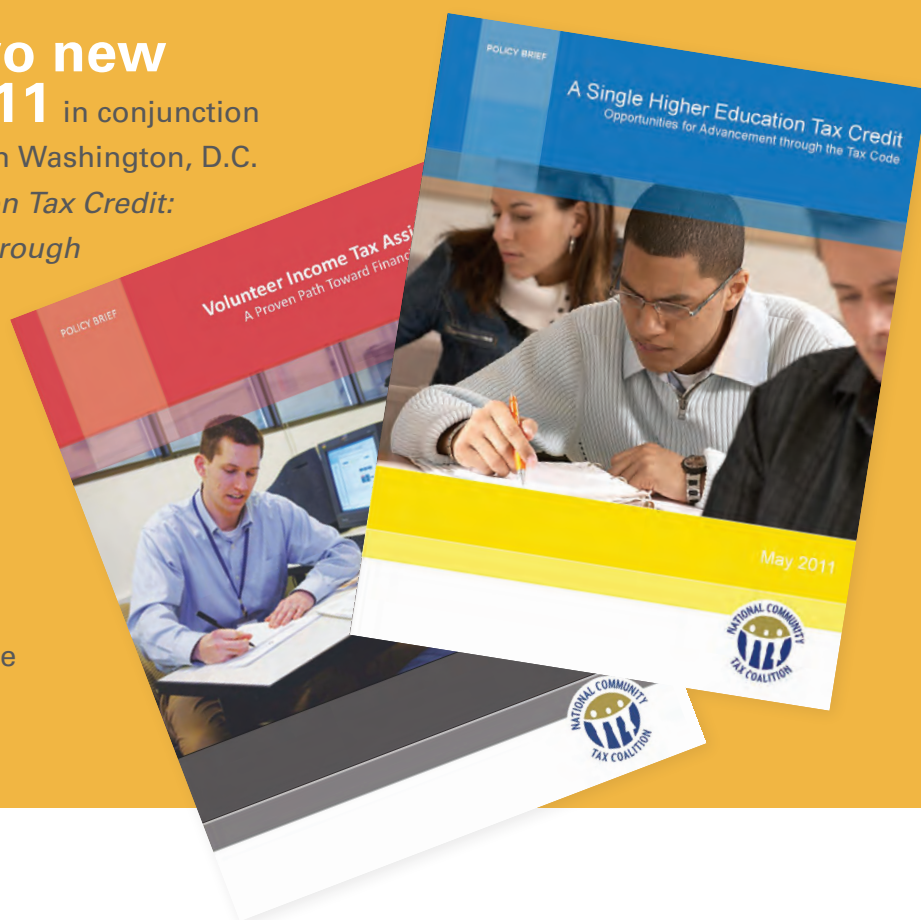
NCTC also continued its commitment to improving the research and knowledge of the financial security of low- and moderate-income individuals and families.

NCTC released two new policy briefs in 2011

in conjunction with our Congressional briefings in Washington, D.C.

The first, *A Single Higher Education Tax Credit: Opportunities for Advancement through the Tax Code*, proposed a new, refundable, higher education tax credit.

The consolidated credit would include the most advantageous features of existing credits while ensuring help is received by the students and families who need the most support.



In October, *Volunteer Income Tax Assistance: A Proven Path toward Financial Security* was released, recognizing the importance of VITA programs

in ensuring that low- and moderate-income taxpayers have access to the most beneficial and supportive services possible with little or no cost to the consumer. It also advocated for the

codification and stronger funding of the VITA grant program.

These two briefs highlight NCTC's ongoing dedication to accomplish the goals laid out in our annual policy agenda while reinforcing our position as a leader on tax policy issues for low- and moderate-income taxpayers and in the VITA field.

OUR PROGRAMS

As always, NCTC remains committed to offering our members the support they need to serve their low- and moderate-income clients as efficiently and effectively as possible.

CAPACITY BUILDING PROGRAM

The Capacity Building Program assists new and emerging programs enhance their operations and improve tax preparation and asset building service to reach underserved communities. For 2011-2012, NCTC granted \$40,000 to five programs from the states of Michigan, Mississippi and New Mexico to enhance their free tax preparation and asset building services.

“

The knowledge sharing from the other grantees, the support and insight from NCTC staff and the financial support made a significant impact on our 2011 tax season that will be felt for years to come.”

JOHN RUSSELL, DENVER ASSET BUILDING COALITION

Programs are focusing on different projects including expanded free tax preparation services, efficient process controls, marketing and client outreach, banking the unbanked, connecting Individual Development Account (IDA) holders to tax preparation, market research on and marketing of asset building products and services.



FINANCIAL AID U

Over the course of three years, Financial Aid U (FAU) has expanded from one tax preparation program in Chicago to 10 unique tax preparation organizations, in 10 cities around the country. These programs have forged partnerships with local high schools and youth organizations, providing a trusted resource for students while educating families about the options available to them to pay for postsecondary education.

In 2011, NCTC was able to give out more than \$620,000 to programs providing free FAFSA preparation to 3,184 low-income students. About 90 percent of clients served in 2011 were first-generation college students and 22 percent of students had already been accepted by a college of their choice. Ninety-two percent of clients who completed the FAFSA were eligible for Pell Grants and had access to an estimated total of more than \$22 million in financial aid.

In February, FAU program partners promoted Financial Aid Awareness Week in their local communities, raising the awareness of local and state legislators of the extreme need for supporting students' dreams of an affordable post-secondary education. Several programs received media coverage, including stories in newspapers and interviews on local network television.

SAVER'S CREDIT RESEARCH PROJECT

Over the course of the 2011 tax season, NCTC partnered with Campaign for Working Families in Philadelphia, PA and AccountAbility Minnesota in Saint Paul, MN to participate in important research.

The Saver's Credit Research Project was designed to observe whether VITA programs are an effective conduit to encourage the use of the Retirement Savings Contributions Credit ("Saver's Credit") among VITA-eligible clients.

This research study, conducted in partnership with Abt Associates Inc., also sought to uncover VITA clients' view on retirement savings in order to better understand whether the Saver's Credit is effective in meeting its goal of increasing retirement savings among low- and moderate-income taxpayers.



A final report on this research study will be released by Abt Associates and NCTC in early 2012.

SCHEDULE C PILOT

For the first year of NCTC's Schedule C Pilot, we partnered with the IRS and the Self-Employed Tax Initiative (SETI), and began work to bring the Schedule C form into scope for community VITA programs.

Twelve programs across the country were able to offer Schedule C services within the pilot parameters in 2011, preparing 5,432 returns for small business owners. Of these business owners, 85 percent earned less than \$30,000 in 2010. Representatives from the Schedule C Task Force also served on the IRS' Schedule C Certification Test Development Team.

The number of pilot programs is expected to expand for the next year of the pilot. Another exciting addition to the 2012 pilot will be a universal online training for Schedule C volunteers, which will be available on NCTC Online University. Pilot organizations will continue to inform the future direction of Schedule C services, possibly including a more expansive rollout to the entire VITA field.

SKILLS BASED VOLUNTEERISM

The Skills Based Volunteerism Program helps to build the capacity of local community-based agencies to deliver financial education and asset building services to low- and moderate-income families. In particular, this initiative helps to strengthen NCTC member organizations in communities across the country through high-quality, standardized training courses that will increase both the numbers and skills of volunteers.



In 2011, NCTC granted more than \$60,000 to 10 programs in nine markets to launch the initiative. More than 130 volunteers were recruited and trained through NCTC Online University. These volunteers served 210 clients, giving back more than 350 hours of service to their communities. For the coming tax season, NCTC will partner with Bank of America and E*TRADE to expand the initiative into different market locations and build on the scalable framework and levels of engagement.

SUSTAINABLE MODELS RESEARCH PROJECT

In a struggling economy, most organizations struggle with smaller budgets.

This has a direct, negative impact on community tax preparation programs, presenting our field with the challenge of serving more clients with less funding.

The Sustainable Models Research Project gathered information from the field about alternative service delivery systems that could serve more people by using more efficient tools and resources. Information was also gathered on different funding stream options so programs could identify more diversified revenue streams.

Research was also conducted to standardize and identify the cost of preparing a tax return. Valuable experience from a range of programs has shown, however, that many clients are willing to pay for services if there is value delivered to the client. In 2012, NCTC will research and test several projects to explore new revenue and service delivery models, including:

- A pilot project to compile and evaluate reactions from program staff, volunteers and clients to a voluntary donation model for generating revenue.
- A collaboration with CCH Small Firm Services to test the PaperlessPlus model, intended to lay the groundwork for a more accurate, secure and efficient way to prepare taxes.
- Feasibility studies on two revenue generation strategies for community tax preparation: the Nominal Fee VITA Model and the Fee-for-Service Franchise Model.

Our goal is to evaluate the potential for each model to be adopted by VITA programs and predict the policy implications as well as the impact each model will have on programs' capacity and bottom line.

SPECIAL THANKS!

As NCTC transitions to being governed by a Board of Managers, we would like to thank those who have served on the NCTC Steering Committee and guided our organization for the past nine years. Your leadership and dedication is truly inspirational and we cannot thank you enough.





National Community Tax Coalition

29 E. Madison Street, Suite 900

Chicago, IL 60602

(312) 346-6282

www.tax-coalition.org