

2012 Policy Agenda

National Community Tax Coalition



Our nation and economy are strong when our working families are strong. Yet in communities throughout our country, millions of families increasingly struggle with the day-to-day costs of rent, groceries and utility bills – let alone any long-term prospects of planning and saving for important goals or unforeseen emergencies. The National Community Tax Coalition and our network of on-the-ground experts understand the challenges facing such low- and moderate-income households. Moreover, we understand how to help families bridge those challenges and move toward financial security. We work hard to help others who work hard, by shaping and implementing public policies that help families achieve greater stability, strength and independence.



Our Coalition

NCTC and our affiliated organizations operate more than 5,700 Volunteer Income Tax Assistance (VITA) sites in communities throughout the country, making us the nation's third-largest preparer of tax returns. VITA programs also help low-income, working families with asset building strategies and financial education. By providing clients with access to safe bank products and services, assistance with college affordability and financial coaching, our programs advance the overall security and stability of working families – the basis of a sound economy.

Strengthening our Families, Nation and Economy

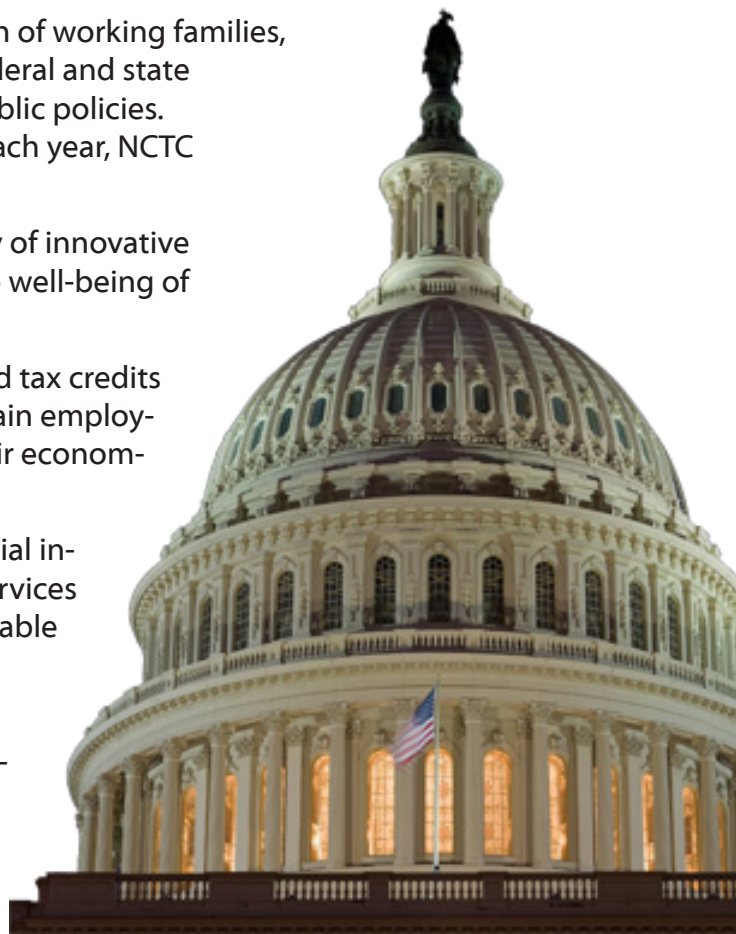
With the goal of improving and stabilizing the financial health of working families, NCTC brings together workers, community-based groups, federal and state agencies, and our nation's elected leaders to pursue good public policies. Working with millions of low- to moderate-income families each year, NCTC asks our leaders to:

Invest in communities – Improve the scale and sustainability of innovative tax preparation and asset building programs that nurture the well-being of our nation's low- and moderate-income working families.

Foster opportunity – Pursue tax policies and bolster targeted tax credits that strengthen working families' incentives to seek and sustain employment, support their educational advancement and boost their economic security.

Protect consumers – Strengthen the regulation of the financial industry and eliminate high-risk and high-cost products and services while guarding against the erosion of affordable and dependable products and services.

Promote savings – Help low- and moderate-income families prepare for handling their many needs through greater short- and long-term savings opportunities.



Invest in Communities

Effective, community-based programs can help low- and middle-income working families identify and pursue a path to greater financial security. Volunteer Income Tax Assistance programs (VITA) help with this, providing families with free, high-quality, tax preparation and asset building services. VITA also increases efficiencies for the Internal Revenue Service and its taxpayers by dramatically increasing the electronic filing of tax returns – saving \$3.10 per return over paper forms. However, without greater investments, VITA programs can neither meet their growing demands nor keep up with current obligations.

NCTC calls on our leaders to:

- Protect and increase appropriations for critical VITA services
- Formally authorize and fortify these services through passage of the VITA Act
- Invest in innovative financial education programs for low- and moderate-income workers



Foster Opportunity

Low- and moderate-income families work hard and play by the rules, but often have little to show for it at the end of the day. The Earned Income Tax Credit and Child Tax Credit help enormously by targeting assistance to such households. Similarly, policy tools such as the American Opportunity Tax Credit help more families deal with the spiraling costs of a post-secondary education. Improvements could make these credits more accessible and helpful to the people who need them. Any consolidations or other tax reforms should be crafted carefully to protect struggling households from falling deeper into poverty. Similarly, we should guard against erosion of these significant supports for working families.

NCTC calls on our leaders to:

- Maintain the strength of tax credits for working families, including improvements achieved through the American Recovery and Reinvestment Act
- Clarify the tax code to make these tax credits easier for families to understand and access
- Shape any tax-reform efforts – including any changes in these credits – in ways that yield the same or greater economic value for low- and moderate-income families

Protect Consumers

Taxpayers' basic rights and financial security should be protected from harm. The creation of the Consumer Financial Protection Bureau represents a significant step toward ensuring greater economic justice. Also important are increasing efforts to fight the use of exorbitant fees or high-interest loans that take advantage of families who turn to commercial tax preparers. We must guard against predatory products and practices that weaken, rather than augment, households' wealth.

NCTC calls on our leaders to:

- Work to discourage the prevalence of Refund Anticipation Loans, Refund Anticipation Checks and similar high-cost, high-risk, tax-time products.
- Ensure the effectiveness of the IRS' new Return Preparer Review regulations through proper funding, oversight and clear authority
- Establish a transparent system for taxpayers to understand the costs of paid tax return preparation
- Pursue low-cost models for direct deposit during paid preparation of tax returns

Promote Savings

Savings opportunities for low- and moderate-income families have long been in short supply. The recent economic downturn has only exacerbated these problems, leading many households to deplete what little savings they had been able to amass. It's critical that we pursue new options to help struggling families save for their futures, as well as protecting and improving those already in place.

NCTC calls on our leaders to:

- Offer incentives to save for retirement, education and emergencies through expansion of the Saver's Credit and/or enactment of a Saver's Bonus
- Create universal direct deposit to ensure all workers have access to checking and savings accounts
- Preserve and improve opportunities for low- and moderate-income individuals and families to access savings bonds at tax time and throughout the year



Our National Impact

- Community VITA programs filed more than 1.5 million federal tax returns in 2011 – about half of all returns filed with free tax preparation assistance – and helped households claim more than \$2 billion in federal tax refunds.
- Community VITA programs saved taxpayers claiming the Earned Income Tax Credit an estimated \$90 million in costs of paid tax return preparation.
- NCTC provided technical assistance that increased direct-deposit rates and the overall quality of VITA-prepared returns, in addition to helping boost electronic filing rates to 92.5 percent – all saving significant money for the IRS and its taxpayers.
- NCTC pioneered asset development services for low-income workers at tax sites across the country.
- NCTC helped students with Free Applications for Federal Student Aid through Financial Aid U services that reached nearly 3,200 clients in 2011, ensuring access to the assistance they need in accessing post-secondary educations.

Our Track Record

Over the years, NCTC has:

- Spearheaded successful efforts to establish and increase federal resources for VITA's community-based tax preparation programs nationwide.
- Supported the establishment of IRS policies and procedures for registering paid tax preparers and monitoring their quality and compliance (2010, 2011).
- Successfully advocated for a stronger Earned Income Tax Credit, Child Tax Credit and higher education tax credits. The American Recovery and Reinvestment Act bolstered these policy tools for advancing education and providing incentives for hard work (2009, 2011).
- Fended-off sustained IRS attempts to require special audits and pre-certification from low-income families claiming the Earned Income Tax Credit (2003-2005).
- Presented on the issues, challenges and opportunities facing low- and moderate-income tax payers before panels advising the President on federal tax reforms (2005).



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