



National Community Tax Coalition

a project of the Center for Economic Progress

FY 2011 APPROPRIATIONS REQUEST

VITA Grant Program: \$30 million

National Center to Promote Quality, Excellence, and Evaluation: \$5 million

VOLUNTEER INCOME TAX ASSISTANCE

The Community Volunteer Income Tax Assistance (VITA) program provides a safe and cost effective alternative to self preparation, paid tax preparers, and tax preparation software. In addition, volunteer tax preparation programs compliment IRS Taxpayer Services by encouraging voluntary compliance and offering an accessible alternative to other IRS service channels. Low- and moderate-income taxpayers should not:

- Pay exorbitant costs to meet their federal income tax obligation, or
- Lose a large share of the tax benefits they earned throughout the year to fees and predatory financial products.

REASONS TO EXPAND GRANT PROGRAM

VITA continues to gain popularity

- ✓ Served 1.2 million clients and over 400,000 EITC recipients [[Table 1](#)].
- ✓ Over the past five years, the VITA program growth (155%) far exceeded the growth in the total number of returns prepared (9%) and the IRS's Free File program (-9%) [[Figure 1](#)].

Disadvantaged communities continue to be underserved

- ✓ Free tax preparation programs served 181,000 disabled persons in 2009, but the IRS estimates there are 13.7 million disabled taxpayers and 7.5 million taxpayers that do not speak English.¹
- ✓ Southern states have the highest incidence of refund anticipation loan (RAL) usage [[Figure 7](#)] and highest percentage of EITC recipients [[Figure 6](#)], but have a relatively low concentration of VITA sites and few grant recipients [[Figure 3](#) and [Figure 4](#)].

Free tax preparation services reduce IRS costs and improve taxpayer services

- ✓ 91% of free tax preparation clients E-File versus 68% for all taxpayers.²
- ✓ Higher-than-average E-File rate saves the IRS \$1.8 million.³
- ✓ Average IRS cost per contact: Taxpayer Assistance Center (TAC), \$28.73; Toll-free (assisted), \$19.46; Free tax preparation site, \$12.01.⁴
- ✓ 40 percent of the population is more than 30 minutes drive time from a TAC location.⁵
- ✓ Very low-income taxpayers are more than **twice as likely to visit an IRS office** in-person and **half as likely to visit the IRS website**, compared to taxpayers as a whole.⁶

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VITA saves workers money and protects the Earned Income Tax Credit (EITC)

- ✓ Average client Adjusted Gross Income (AGI) was \$18,800.
- ✓ VITA Saved clients an estimated \$240 million in return preparation costs in 2009.⁷
- ✓ 5.3 million EITC recipients took out a Refund Anticipation Loan (RAL) in 2008.⁸

2009 VITA grant program was an overwhelming success

- ✓ 360 applicants applied for over \$30 million [[Table 2](#)].
- ✓ \$7.4 million awarded to 147 organizations.
- ✓ Median grant of \$35,000 [[Figure 2](#)].
- ✓ 78.5% accuracy rate for free tax preparation programs during the 2009 filing season.⁹

NATIONAL CENTER TO PROMOTE QUALITY, EXCELLENCE, AND EVALUATION

Why is a National Center necessary?

- ✓ Identify underserved populations and to mobilize resources.
- ✓ Develop the capacity of new and emerging programs.
- ✓ Evaluate VITA Grant program results.
- ✓ Increase access to and knowledge of volunteer tax preparation programs.
- ✓ Streamline training procedures to improve quality of service and accuracy of returns.

The National Center will:

- Promote the adoption of a universally accessible volunteer training platform.
- Provide capacity-building technical assistance to program managers.
- Make sub-grants to organizations serving specific underserved populations, including disabled persons, Native Americans, and limited English proficiency workers.
- Evaluate the grant program's progress toward its objectives.
- Identify gaps in service for low-income and underserved populations.
- Identify and disseminate best practices related to tax site management emerging from States, community-based organizations, nonprofit providers, and local government entities.
- Support outreach and marketing efforts to encourage the use of Volunteer Income Tax Assistance qualified return preparation programs.

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[Table 3.](#) Taxpayer Assistance Center Contacts, FY 2004 – 2007

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[Figure 6.](#) EITC as A Percentage of Total Tax Returns By County, Tax Year 2006

[Figure 7.](#) Percentage of EITC Recipients Applying For a Refund Anticipation Loan by County, Tax Year 2006

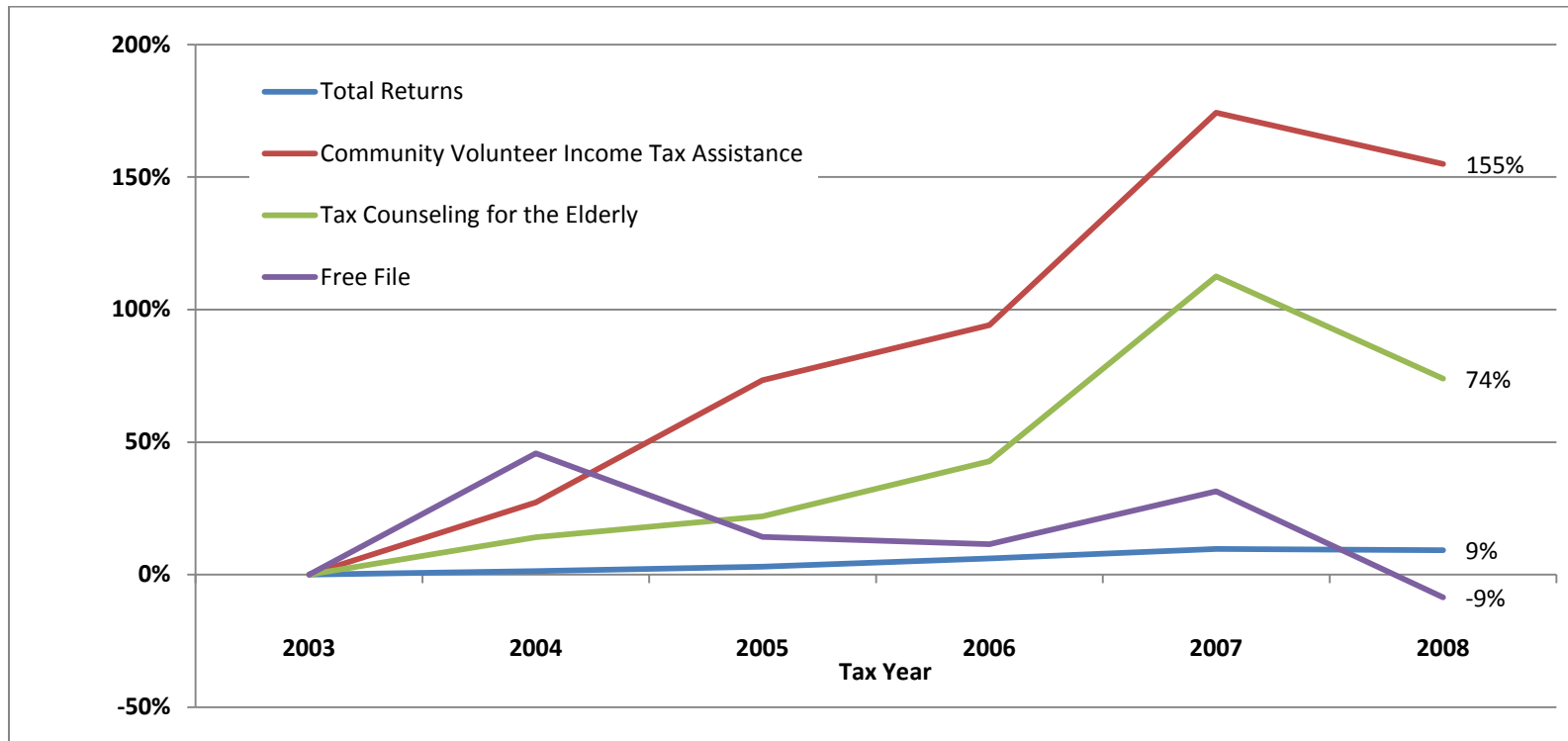
[Figure 8.](#) Number of Volunteer Tax Preparation Sites per Thousand EITC Returns by County, Tax Year 2006

TABLE 1. FILING SEASON RESULTS, TAX YEAR 2009

VITA Program Summary	
Estimated Cost Savings for Low-Income Taxpayers	\$240 million
Number of Tax Sites	4,500
Number of Volunteers	45,000
E-Filed Returns	92%
Direct Deposit	50%
VITA Client Profile	
Average Adjusted Gross Income	\$18,800
Number of ITIN Filers	18,000
Number of Taxpayers with a Disability	98,000
Household Member 60 or Over	220,000
2009 Tax Season Results	
Number of Returns	1.2 million
Refund Amount	\$1.6 billion
Average Refund	\$1,319
Earned Income Tax Credit	
EITC Returns	404,000
EITC Refunds	\$593,000
Average EITC	\$1,465
Child Tax Credit	
Child Tax Credit Returns	211,000
Child Tax Credit Amount	\$264,000
Average CTC	\$1,250
Education Tax Credits	
Education Credit Amount	\$30 million

Source: Author's calculations based on Internal Revenue Service, *TaxWise Results as of April 30 2009*, Spreadsheet received via IRS SPEC, May 14, 2009, stored <S:\Technical Assistance\IRS\Relationship Mgr Communication\2009 Tax Reports\TaxWise results as of april 30 2009.xls>.

FIGURE 1. PERCENTAGE CHANGE IN NUMBER OF RETURNS FROM TAX YEAR 2003

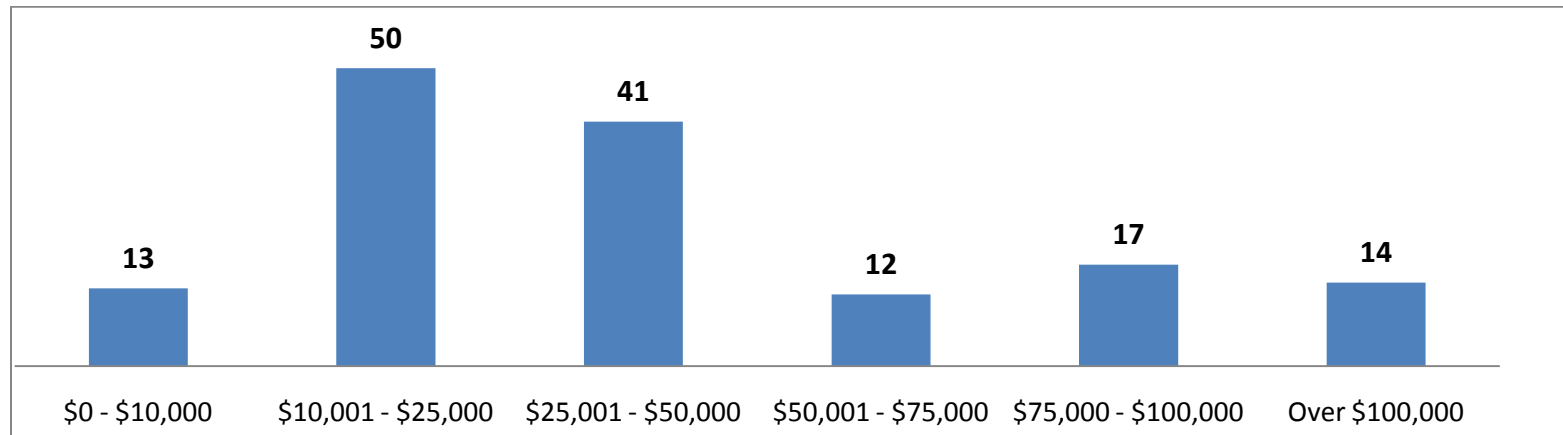


Note: 2007 Economic Stimulus Payments are included in the Community Volunteer Income Tax Assistance and Tax Counseling for the Elderly program figures, but not in Total Returns. Sources: Total returns: Internal Revenues Service, *SOI Bulletin: A Quarterly Statistics of Income Report*, Volume 29, 3 (Table 1, p 12), <http://www.irs.gov/pub/irs-soi/10winbul.pdf> and Internal Revenues Service, SOI Tax Stats - Individual Statistical Tables by Size of Adjusted Gross Income, Individual Complete Report (Publication 1304), Table 1.1, Tax Years 2003 to 2007; Community Volunteer Income Tax Assistance and Tax Counseling for the Elderly: Internal Revenue Service, *SPEC Historical Data: 2000 – 2009*, Spreadsheet received via IRS SPEC, Aug. 4, 2009, , stored S:\Technical Assistance\IRS\Relationship Mgr Communication\2009 Tax Reports\spec historical data2000_2009.xls; Free File: Chu, Michelle S. and Melissa M. Kovalick, *An Analysis of the Free File Program*, Internal Revenue Service (p 417), <http://www.irs.gov/pub/irs-soi/06rpfreefileta.pdf> and Internal Revenue Service, *Electronic Tax Administration Advisory Committee Annual Report to Congress*, 2009 (Table 2, p 9), <http://www.irs.gov/pub/irs-pdf/p3415.pdf>.

TABLE 2. VITA GRANT PROGRAM SUMMARY

	FY 2009	FY 2008
Applications Submitted	360	379
Requested Funding	Over \$30 million	Over \$30 million
Number of Grantees	147	111
Total Grant Amount	\$7.44 million	\$7.44 million
Average Grant	\$50,612	\$67,027
Median Grant	\$35,000	\$56,000
Grant Range	\$3,725-\$551,250	\$731-\$600,000

FIGURE 2. DISTRIBUTION OF VITA FUNDING BY GRANT AMOUNT, FY 2009



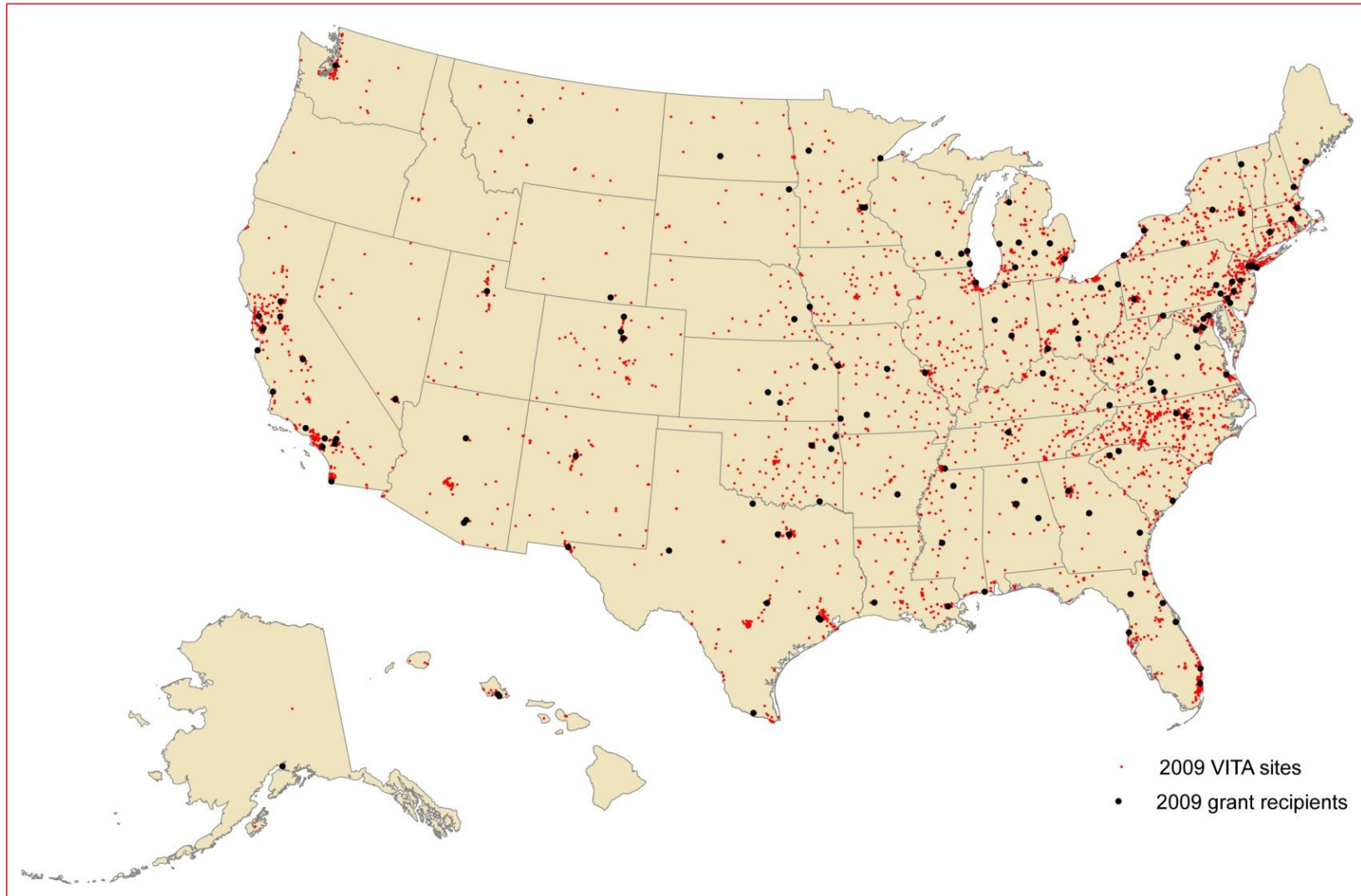
Source: Author's calculations based on Internal Revenue Service, http://www.irs.gov/pub/irs-utl/2009_vita_grant_recipients.pdf.

TABLE 3. TAXPAYER ASSISTANCE CENTER CONTACTS, FY 2004 - 2007¹⁰

(millions of contacts)	2004	2005	2006	2007
Total Contacts	7.7	7.1	6.5	7.0
Accounts Contacts	2.5	2.5	2.7	3.1
Forms Contacts	1.8	1.6	1.4	1.3
Other Contacts	1.5	1.4	1.3	1.3
Tax Law Contacts	1.4	1.2	0.7	0.8
Tax Returns Prepared	0.5	0.4	0.4	0.5

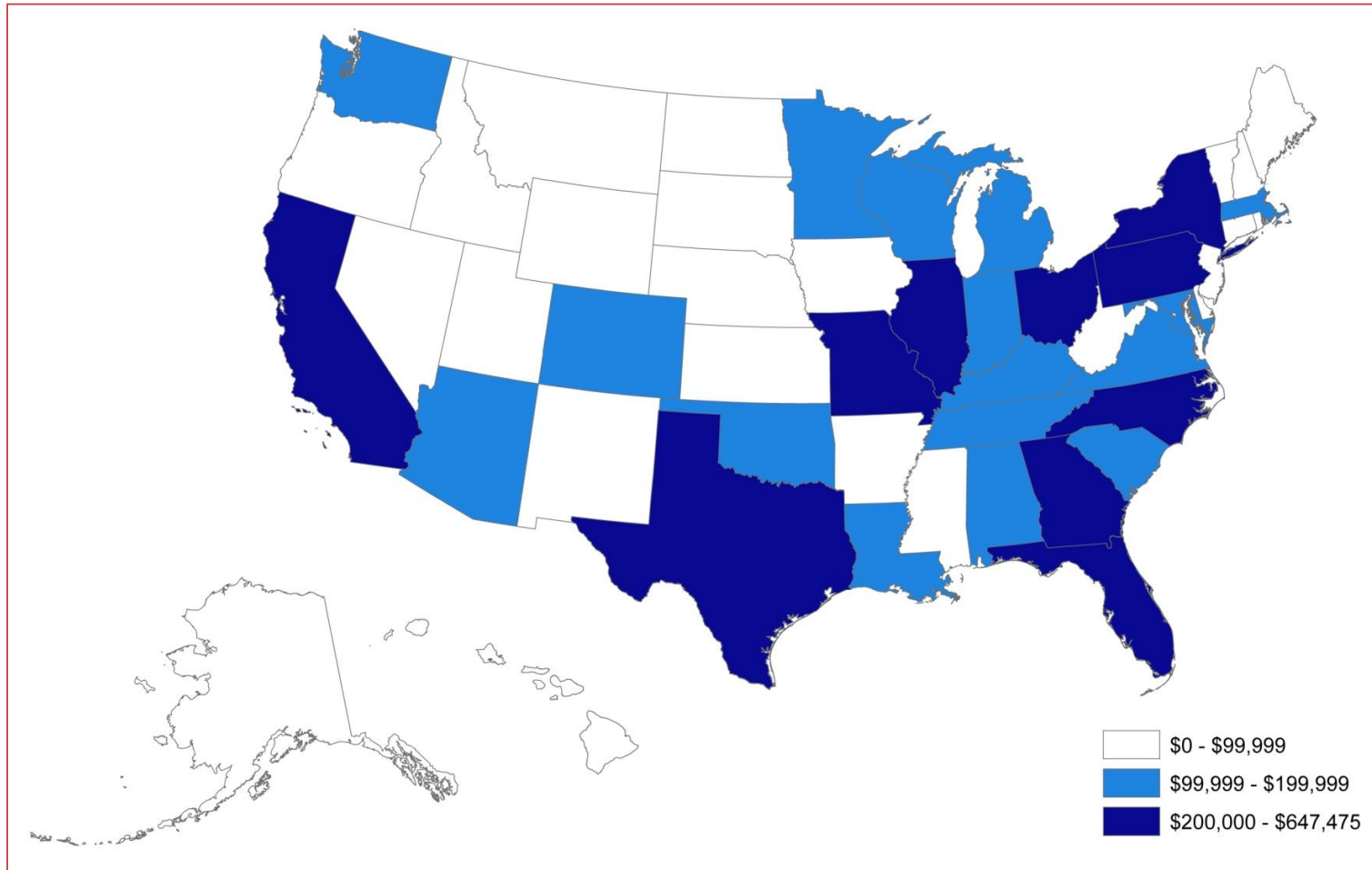
Source: Treasury Inspector for Tax Administration, *Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint*, 2008-40-118, May 2008, Figure 4, <http://www.treas.gov/tigta/auditreports/2008reports/200840118fr.pdf>.

FIGURE 3. FY 2009 VITA GRANT RECIPIENTS



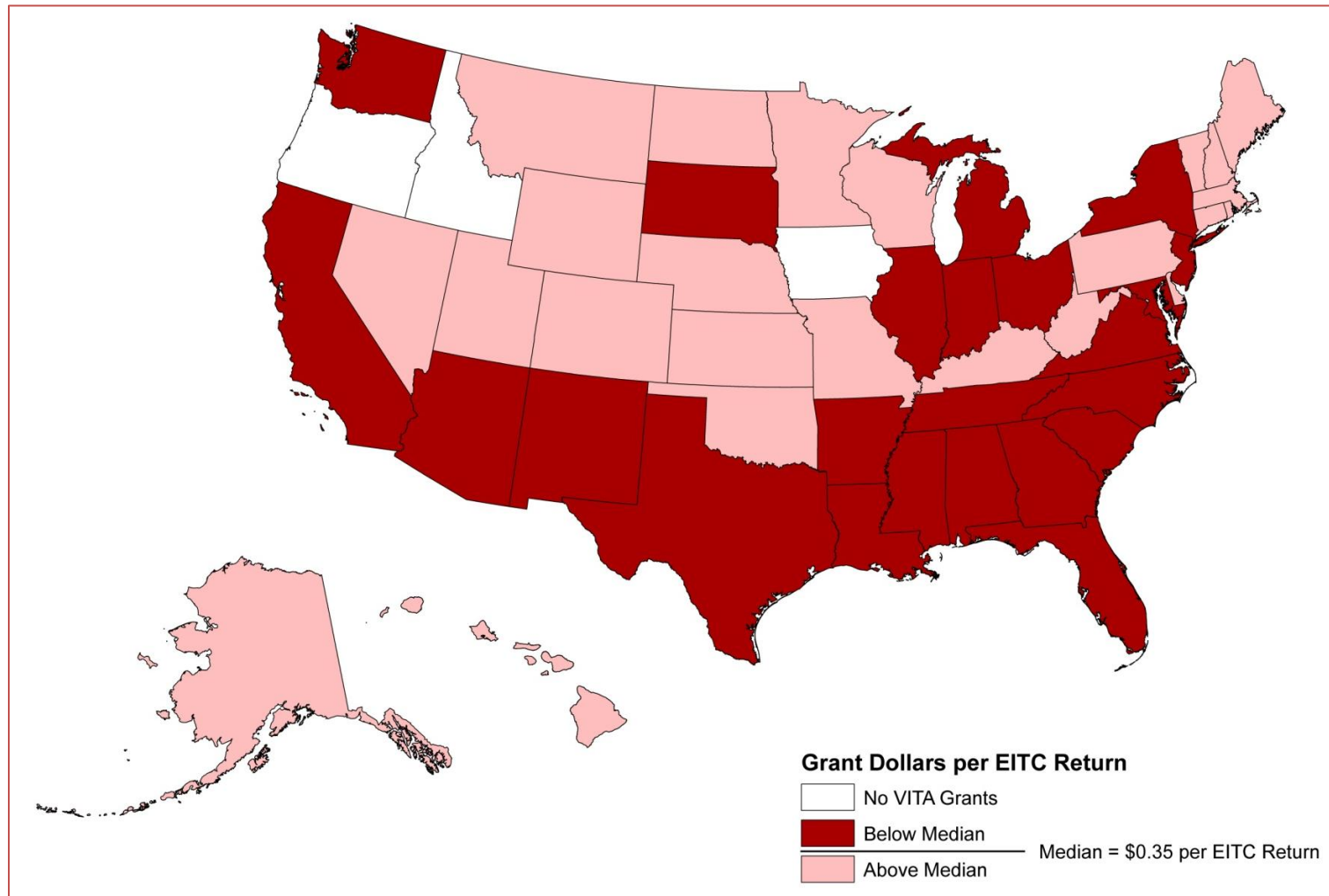
Source: IRS SPEC Returns Database, Tax Year 2006

FIGURE 4. FY 2009 VITA GRANT PROGRAM FUNDING, BY STATE



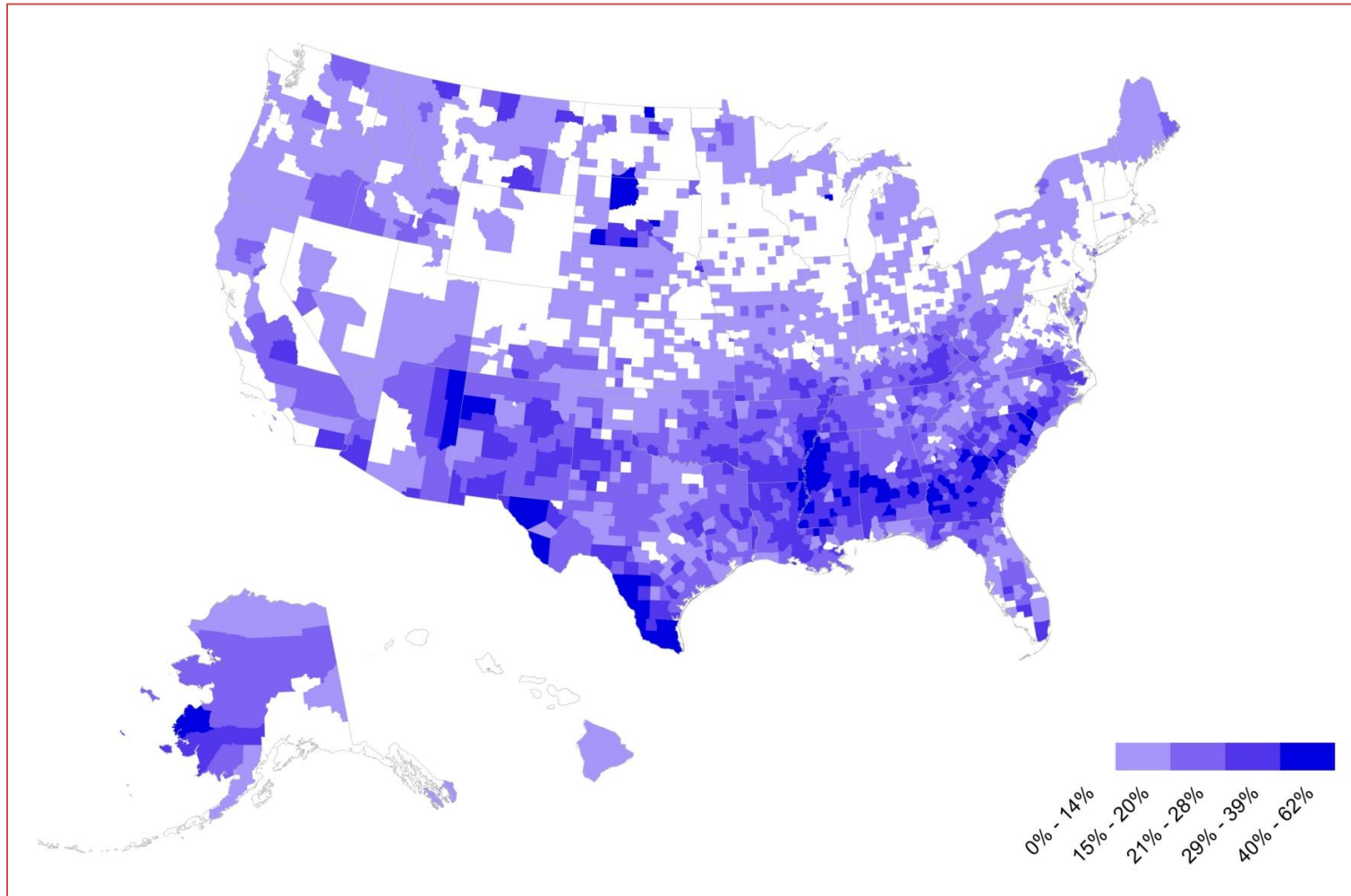
Source: IRS SPEC Returns Database, Tax Year 2006

FIGURE 5. FY 2009 VITA GRANT PROGRAM FUNDING, DOLLARS PER NUMBER OF TAX YEAR 2006 EITC RETURNS, BY STATE



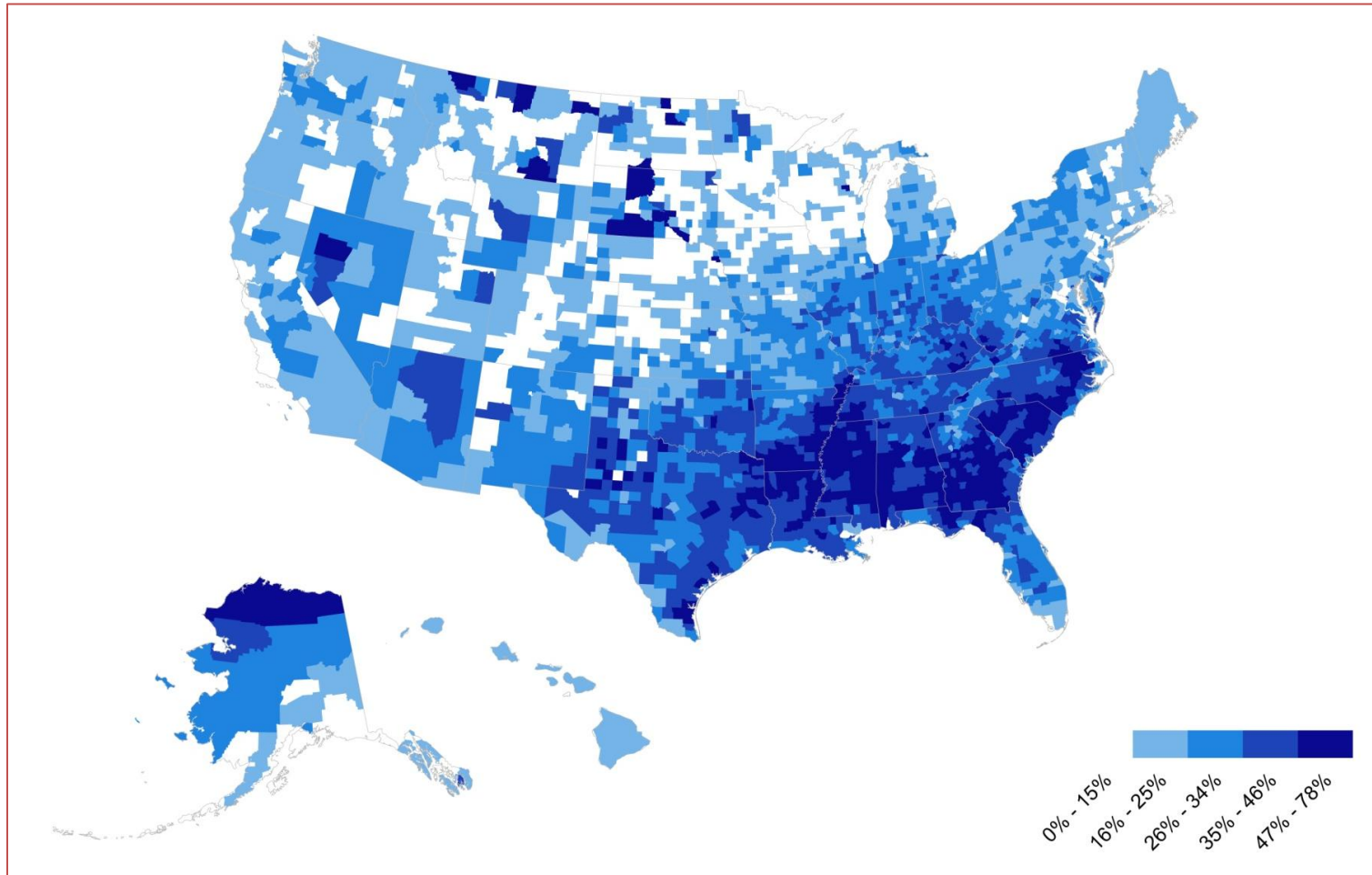
Source: IRS SPEC Returns Database, Tax Year 2006

FIGURE 6. EITC AS A PERCENTAGE OF TOTAL TAX RETURNS BY COUNTY, TAX YEAR 2006



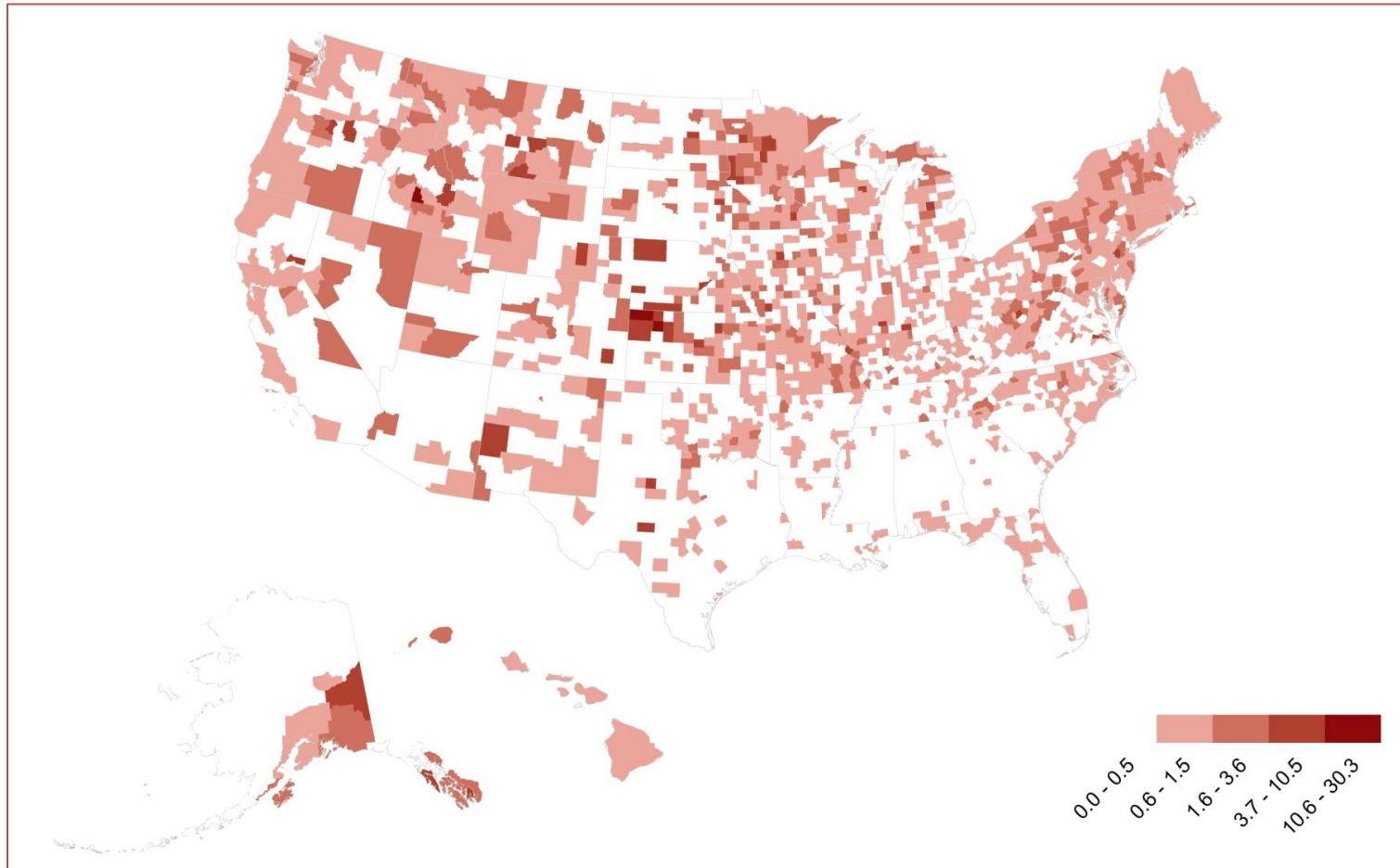
Source: IRS SPEC Returns Database, Tax Year 2006

FIGURE 7. PERCENTAGE OF EITC RECIPIENTS APPLYING FOR A REFUND ANTICIPATION LOAN BY COUNTY, TAX YEAR 2006



Source: IRS SPEC Returns Database, Tax Year 2006

FIGURE 8. NUMBER OF VOLUNTEER TAX PREPARATION SITES PER THOUSAND EITC RETURNS BY COUNTY, TAX YEAR 2006



Source: IRS SPEC Returns Database, Tax Year 2006

Note: Volunteer tax preparation site locations are for the 2009 filing season and include the Volunteer Income Tax Assistance, Tax Counseling for the Elderly, and Military Volunteer Income Tax Assistance programs.

¹ Internal Revenue Service, *2007 Taxpayer Assistance Blueprint: Phase 2*, Figure 2-2, <http://www.irs.gov/pub/irs-pdf/p4579.pdf> and Internal Revenue Service, *TaxWise Results as of April 30 2009*, Spreadsheet received via IRS SPEC, May 14, 2009, stored <S:\Technical Assistance\IRS\Relationship Mgr Communication\2009 Tax Reports\TaxWise results as of april 30 2009.xls>

² Internal Revenue Service, *SPEC Historical Data: 2000 – 2009*, Spreadsheet received via IRS SPEC, Aug. 4, 2009, stored <S:\Technical Assistance\IRS\Relationship Mgr Communication\2009 Tax Reports\spec historical data2000 2009.xls> and Internal Revenue Service, *SOI Bulletin: A Quarterly Statistics of Income Report*, Volume 29, 3 (Table 1, p 12), <http://www.irs.gov/pub/irs-soi/10winbul.pdf>.

³ Estimated amount is based on the all free tax preparation returns, not just the Volunteer Income Tax Assistance program. Author's calculation based on the assumption that free tax preparation clients would have E-Filed at the national rate (68%) had they not used a free tax preparation site and the average cost to the IRS of E-Filed returns (\$0.35) and paper returns (\$2.87).

⁴ Internal Revenue Service, *2007 Taxpayer Assistance Blueprint: Phase 2*, Figure 2-24, <http://www.irs.gov/pub/irs-pdf/p4579.pdf>.

⁵ National Taxpayer Advocate, *2008 Annual Report to Congress*, Dec. 2008, Volume I (p 97), http://www.irs.gov/pub/irs-utl/08_tas_arc_intro_toc_msp.pdf.

⁶ Internal Revenue Service Oversight Board, *IRS Oversight Board Taxpayer Customer Service and Channel Preference Survey*, Nov. 2006, Table 1, http://www.treas.gov/irsob/reports/2006_channel_survey_report.pdf.

⁷ Estimated amount saved assumes an average cost of tax preparation of \$200. The average preparation fee for [H&R Block](#) in 2009 was \$187.

⁸ Wu, Chi Chi and Jean Ann Fox, *Major Changes in the Quick Tax Refund Loan Industry: The NCLC/CFA 2010 Refund Anticipation Loan Report*, Feb. 2010, (p 12), http://www.consumerlaw.org/issues/refund_anticipation/content/Report-RAL-2010.pdf.

⁹ Treasury Inspector General for Tax Administration, *Accuracy of Volunteer Tax Returns Continues to Improve, but Better Controls Are Needed to Ensure Consistent Application of Procedures and Processes*, 2008-40-177, Sep. 2009, <http://www.treas.gov/tigta/auditreports/2008reports/200840177fr.pdf>.

¹⁰ Treasury Inspector for Tax Administration, *Inaccurate and Incomplete Data Have Adversely Affected Implementation of the Taxpayer Assistance Center Geographic Footprint*, 2008-40-118, May 2008, Figure 4, <http://www.treas.gov/tigta/auditreports/2008reports/200840118fr.pdf>.