



RESEARCH BRIEF

| JANUARY 2010 | CSD PUBLICATION NO. 10-06 |

Volunteer Income Tax Assistance (VITA) Sites in Native Communities

By Kristen Wagner & Amy Locklear Hertel

Context

Volunteer Income Tax Assistance (VITA) programs offer free tax preparation services to low-to-moderate-income individuals and families (Internal Revenue Service, 2009). These services help reduce the cost of tax preparation and connect households to the financial mainstream, moving them a step closer to financial self-sufficiency (First Nations Development Institute and Center for Responsible Lending, 2009; The Center for Economic Progress, 2007).

There are a number of reasons why eligible households do not claim their tax credits: 1) low-wage earners are not required to file a tax return; 2) new workers are not familiar with the tax filing system; 3) workers do not know they qualify or that they can file for credit up to three years back; and 4) workers do not know they can file for free. For these reasons, VITA sites are essential to providing access and information to low-income families regarding their tax benefits.

During the 2007 tax year, VITA sites throughout the country prepared approximately 900,000 federal income tax returns worth over \$1 billion in federal refunds (The Center for Economic Progress, 2007). Often, low-income tax filers are not aware of VITA services or have the misconception that filing taxes will alert government about their income, endangering their eligibility for social welfare programs. Furthermore, they may not be aware that they are eligible for a refund or the Earned Income Tax Credit (EITC).

Research Methods

During tax season 2007, a collaboration of fourteen VITA sites in Native communities worked in partnership with the Center for Social Development (CSD) and the Buder Center for American Indian Studies (BCAIS) at Washington University's Brown School to gain a better understanding of ways in which EITC receipt might better assist Native families and communities to meet economic needs.¹ A total of 1,847 American Indian/Alaskan Natives/Native Hawaiians, living both on and off reservations, were included in this study. The respondent sample was comprised of 81% individual filers (42% female and 39% male) and 18% joint married filers. EITC recipients in this study claimed approximately \$4,000,000 in refundable tax credits.

An important EITC program development and planning activity that VITA coordinators must undertake is outreach and education in their communities. The primary goal of the study is to explore the effectiveness of outreach and education efforts in Native communities. This information is important when considering expansion of services or outreach to Native communities.

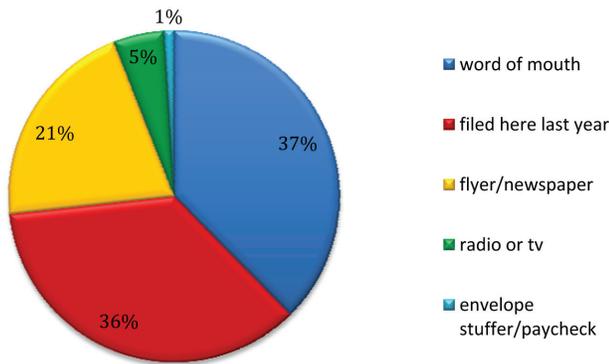
Findings

Survey responses suggest that the primary source of information is word of mouth, followed by interaction at the site during the previous tax season, and media advertisements such as flyers, newspapers, and posters. In this study, nearly half of the respondents (45%) are return customers to



the same VITA site. This is a good indicator that customers may be saving a significant amount of money over time, and that Native-serving VITA programs are building positive relationships with community members.

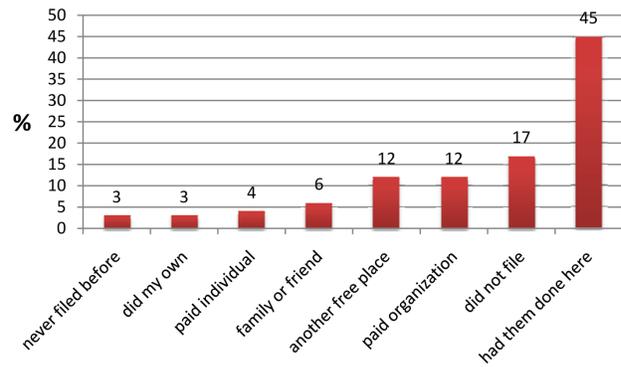
Outreach and communication



However, as indicated above, 16% of Native respondents used paid tax preparation services. Commercial preparers have reduced the economic impact of the EITC by charging high fees for tax preparation and offering high-cost Refund Anticipation Loans (RALs) for filers who want quick access to their EITC refund (First Nations Development Institute and Center for Responsible Lending, 2009; Keckhaver, 2006). In 2007, approximately \$570 million was drained out of the EITC program by RAL fees equivalent to 50%-500% APR. Additionally, there is a disproportionate use of RALs in Native Communities (First Nations Development Institute and Center for Responsible Lending, 2009; Wu & Fox, 2008).

In this study, customers who used commercial preparers paid an average of \$196 for their tax preparation services. Estimating from this average cost and the 16% of Native customers who previously used commercial preparers, VITA sites participating in this study saved their Native customers nearly \$60,000. Thus, both through improved access to tax refunds and through tax preparation-related cost savings, Native-serving VITA sites are improving customers' livelihoods and generating significant funds for potential reinvestment in the local economy.

Past tax preparation



Conclusions and Implications

Considering the substantial tax filing needs of working families in Native communities and the economic boost EITC brings to households and communities, outreach and education efforts around EITC and other refundable tax credits should be expanded to increase the number of Native communities participating in VITA programs. Research indicates that outreach needs to occur early in the tax season and be repeated regularly (CBPP, 2009). In order to accomplish this goal, VITA sites in Native communities need increased supports that include operational expenses, training, and technical assistance.

One way to expand services and leverage supports for VITA sites is through community partnerships. VITA sites included in this study partnered with community organizations, schools, faith-based groups, and local businesses, which provided a source for volunteers and other forms of assistance. In communities where demand for expedited tax refund receipt is high, VITA sites should consider partnering with a local financial institution to provide free or lower-cost refund loans that reduce the amount of money lost to Native households in tax preparation fees.

Endnotes

1. The data presented in this brief is part of a larger research project, titled [Contributions of the Earned Income Tax Credit to Community Development in Indian Country](#).

References

Center for Budget and Policy Priorities (2009). *Your tax credit outreach campaign: What you need to know*. Washington, DC: Center for Budget and Policy Priorities.

Internal Revenue Service (2009). *Volunteer Income Tax Assistance Program*. Washington, DC: United States Department of the Treasury. Retrieved August 21, 2009, from <http://www.irs.gov/individuals/article/0,,id=107626,00.html>

Keckhaver, J. (2006). *Maximizing tax refunds: Putting more money in workers' pockets and into local economies by decreasing reliance on Refund Anticipation Loans*. Madison, WI: Wisconsin Council on Children & Families.

The Center for Economic Progress (2007). *Making the case for community VITA funding* (Policy paper). Chicago, IL: The Center for Economic Progress.

Tumulty, B. (2007). *Tax Refund Anticipation Loans prevalent on Indian reservations*. McLean, VA: Gannett News Service.

Wu, C. C., & Fox, J. A. (2007). *One step forward, one step back: Progress seen in efforts against high-priced Refund Anticipation Loans, but even more abusive products introduced*. Boston, MA & Washington, DC: National Consumer Law Center and Consumer Federation of America.

Wu, C. C., & Fox, J. A. (2008, March). *Coming down: Fewer Refund Anticipation Loans, lower prices for some providers, but quickie tax refund loans still burden the working poor* (The NCLC/CFA 2008 Refund Anticipation Report). Boston, MA & Washington, DC: National Consumer Law Center and Consumer Federation of America.

Acknowledgements

We would like to acknowledge and thank the Annie E. Casey Foundation for continued commitment and support of not only this research, but also their broader support of program and policy development that focuses on ensuring inclusion of and improving the quality of life for American Indian families and communities. We are grateful to our colleagues at the [Native Financial Education Coalition](#), [First Nations Oweesta Corporation](#), and [First Nations Development Institute](#) for setting the standard of asset-building work in Indian Country. Their continued collaborative spirit and support are sincerely appreciated.



Center for
Social Development

GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK



Kathryn M. Buder Center for
American Indian Studies

GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK

This brief is a product of an ongoing collaboration between the Center for Social Development and the Kathryn M. Buder Center for American Indian Studies.

Authors

Kristen Wagner, Project Manager
kwagner@wustl.edu

Amy Locklear Hertel, Research Manager
alocklear@gwbmail.wustl.edu

Contact Us

Kristen Wagner
kwagner@wustl.edu
(314) 935-7076

Center for Social Development
George Warren Brown School of Social Work
Washington University in St. Louis
Campus Box 1196
One Brookings Drive
St. Louis, MO 63130

csd.wustl.edu



Washington University in St. Louis

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

CENTER FOR SOCIAL DEVELOPMENT

George Warren Brown School of Social Work
Campus Box 1196
One Brookings Drive
St. Louis, Missouri 63130-4899