



**best** **DOLLAR WISE**  
**practices**

**Earned Income  
Tax Credit**

2nd Edition



**THE UNITED STATES CONFERENCE OF MAYORS**  
**COUNCIL FOR THE NEW AMERICAN CITY**

*founding  
sponsor*

**Bank of America**



# Earned Income Tax Credit

2nd Edition

## What is the Earned Income Tax Credit?

The Earned Income Tax Credit (EITC) is a federal refundable tax credit that supplements the earnings of low-income working individuals and families by reducing or eliminating their taxes. Millions of American families who are eligible for the EITC do not receive it, leaving billions of additional tax credit dollars unclaimed.

Congress originally approved the tax credit in 1975, in part to offset the burden of Social Security taxes and to provide an incentive to work. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit. To qualify, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough

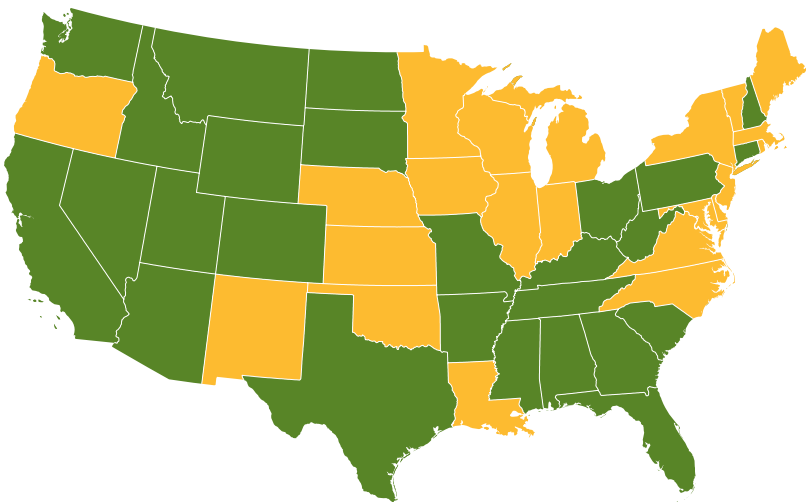
money to be obligated to file a tax return. The EITC is administered by the Internal Revenue Service (IRS).

In addition to the federal EITC, 22 states and the District of Columbia administer their own earned-income credits (EICs). These state EICs are generally modeled on the federal EITC, with recipients receiving a state credit equal to a fixed percentage—usually between 15 and 30 percent—of what they are eligible to receive from the federal credit. San Francisco; New York City; and Montgomery County, Maryland, have their own local EICs.

In 2004, almost 21 million American families received more than \$36 billion in refunds through the Earned Income Tax Credit. These EITC dollars had a significant impact on the lives and communities of the nation's lowest-paid working people, lifting more than 5 million of these families out of poverty.

Economists suggest that every increased dollar received by low- and moderate-income families has a multiplier effect of between 1.5 to 2 times the original amount, in terms of its impact on the local economy and how much money is spent in and around the communities where these families live. Using the conservative estimate that for every \$1 in EITC funds received, \$1.50 ends up being spent locally, low-income neighborhoods are effectively gaining as much as \$18.4 billion annually through the EITC, even with billions unclaimed.

TEXT FROM THE IRS WEB SITE AND ONLINE SOURCES



### States (in gold) with their own version of the EITC

Delaware	Maryland	North Carolina
District of Columbia	Massachusetts	Oklahoma
Illinois	Michigan	Oregon
Indiana	Minnesota	Rhode Island
Iowa	Nebraska	Vermont
Kansas	New Jersey	Virginia
Louisiana	New Mexico	Wisconsin
Maine	New York	

FOR MORE INFORMATION on the Earned Income Tax Credit, please refer to the IRS Web site at [www.irs.gov/eitc](http://www.irs.gov/eitc). Additional information and links are available on the Dollar Wise Campaign's Web site at [www.dollarwiseonline.org/eitc.asp](http://www.dollarwiseonline.org/eitc.asp).

## Irvine, CALIFORNIA

The City of Irvine, in partnership with the Legal Aid Society of Orange County (LASOC), IRS, Orange County United Way, The Irvine Company Apartment Communities, local banks and community-based organizations, promotes the EITC and provides free tax preparation and financial education courses to those who live, work, or attend school in Irvine.

For the 2007 tax year, an extensive marketing campaign was launched to create awareness of both the EITC and the City's free tax-preparation services. Fliers were distributed to schools, community organizations, cultural centers, faith-based groups, and affordable-housing communities. Articles ran in local print media and banner ads appeared on Irvine Community Television and related Web sites. Several press releases were also issued at various stages of the campaign. Additionally, 200 Irvine-based businesses employing low- to moderate-wage earners were invited by the mayor's office to attend an EITC information session which outlined services available to their employees.



MAYOR  
SUKHEE KANG

VITA workers were available four days a week to file returns at no cost for Irvine taxpayers who were EITC eligible or who earned less than \$50,000 for the year. The LASOC's I-CAN!<sup>®</sup> E-File, a Web-based program available in English and Spanish, allowed participants to file their returns electronically on their own. These efforts produced over \$1 million in tax returns, with an average EITC \$1,563 returned to eligible filers.

To build on the success of its previous promotional efforts, the City continues to explore inventive ways to advance program awareness and participation. The threshold for earnings has been expanded: households making less than \$56,000 in 2008 are now eligible for free tax preparation. For increased access and convenience, services to the general public will be provided at an extra site. Additionally, the City of Irvine will be providing worksite preparation assistance to its own employees, and has proposed the same service to local businesses which employ a large number of low- to moderate-wage earners. Cultural centers have also been approached to offer these services to their non-English-speaking members.

The City of Irvine uses the publicity it garners through the EITC and free tax preparation services to further its mission of community outreach as outlined in its *Strategic Plan for Children, Youth and Families*. Various financial education classes are taught by partnering agencies, and offered year-round at community centers and affordable housing communities, free of cost. Course topics include: balancing personal finances, raising a money-smart child, first-time homebuying, and fundamentals of investing. The Community Services Department provides financial assistance which allows families in need to participate in educational and recreational activities at low or no cost. In addition, a Mobile Recreation Program delivers free, daily afterschool programs to children living in or adjacent to affordable-housing communities.

## Wilmington, DELAWARE

Over the last several years, Wilmington Mayor James M. Baker has shared a leadership role with current Delaware Governor Jack Markell, who as state treasurer collaborated with Mayor Baker to educate residents of Wilmington and the rest of Delaware on the benefits of the EITC. Through an annual statewide EITC campaign, Wilmington's efforts were aimed at encouraging eligible taxpayers to take advantage of the financial benefits derived from the EITC while at the same time connecting low-income taxpayers to an array of other needed financial services and programs.

In 2008, the campaign served approximately 5,600 individuals in Wilmington; these participants benefited from a tax savings of about \$8 million. Delaware's annual EITC campaign also offers free e-file tax preparation to eligible low-income citizens both in Wilmington and the rest of the state. Additionally, the campaign offers free savings accounts, certificates of deposit, financial education, and individual development accounts to participants.



MAYOR  
JAMES BAKER

In 2008, the City of Wilmington also launched its Dollar Wi\$e campaign to help citizens achieve better financial security through a series of free financial literacy training classes. Class topics included basic banking, such as setting up a checking and savings account; goal setting and basic investing; getting out of debt; credit history and scores; and shopping for smart credit. The City will televise similar financial workshops on the City's government access television channel.

Wilmington's Dollar Wi\$e campaign is cosponsored by the Metropolitan Wilmington Urban League and the Delaware Money School—two nonprofit agencies that share Mayor Baker's commitment to help underserved populations achieve their financial goals and financial independence.



MAYOR BAKER LAUNCHES DELAWARE'S STATEWIDE EITC CAMPAIGN AT A PRESS EVENT IN 2008.

Across America, mayors are leading efforts to help their citizens file tax returns for free and benefit from the EITC.

## Lewiston, MAINE

Since 2004, the Lewiston-Auburn Tax Credit Awareness Coalition's efforts, through free tax preparation sites staffed by IRS-certified volunteers, have resulted in \$5,709,800 in federal and state e-filed refunds claimed by area residents. Lewiston's leadership secured the City Livability Award from The United States Conference of Mayors in 2006 and was a stand-out aspect of the city's 2007 winning All-America City application.

The Coalition, funded by The Annie E. Casey Foundation and Key Bank, recently received a Maine State VITA grant for \$8,000. The City of Lewiston's partners include the City of Auburn; Internal Revenue Service; Androscoggin County Chamber of Commerce; Androscoggin Head Start & Child Care; United Way of Androscoggin County; Empower Lewiston; Women, Work & Community; Department of Justice Community Capacity Weed & Seed; Maine Family Federal Credit Union; Key Bank; Pine Tree Legal; Consumer Credit Counseling of Maine; Lewiston



MAYOR  
LARRY GILBERT

Career Center; Casey Family Services; Coastal Enterprises, Inc.; Lewiston Adult Education; AARP Tax Aide Program; United Somali Women of Maine; Catholic Charities; Volunteers of America; HUD; and local retired seniors.

In addition to translating EITC flyers into Arabic, Somali, and Spanish for distribution in local schools, the Coalition is working with the New Americans Sustainable Agriculture Program and the Institute for Social Economic Development to host an EITC informational session for 30 Somali, Bantu, and Sudanese farming families. These and other families in the area can receive free tax preparation with Somali and Sudanese interpreters.

The Coalition works with resident coordinators at community housing developments sites where many immigrant families reside. HUD assists the Coalition in reaching out to Hispanic workers who are affiliated with Maine Migrant Health, as well as DeCoster Egg Farms in nearby Turner, using translated flyers and payroll stuffers.

The Coalition promotes asset-building coaches at two tax preparation sites: the Multi-Purpose Center in Lewiston and Auburn City Hall. A mayoral "Take the Money; You've Earned It" press conference kicked off the tax season and spread the word about the importance of the EITC during challenging economic times. Free tax preparation is offered January through March. Lewiston and its partners also celebrated EITC Day at the Hall of Flags at the Maine State House. The Coalition also hosts "Super Refund Saturday," where free tax preparation is done all day, accompanied by an asset-building fair.

## Louisville, KENTUCKY

The Louisville Asset Building Coalition (LABC), a partnership of more than 90 faith- and community-based organization, government agencies, banks, hospitals, profession groups, and employers, runs a local EITC and VITA program as part of the National Tax Assistance for Working Families Campaign. Louisville families need the EITC more than ever. Over 60% of Louisville households (176,236 households of 287,133 total) earn less than \$50,000 annually. A contributing factor in Louisville's large proportion of low-to-moderate income households is the fact that local educational attainment lags behind peer cities and the nation.

While 57,569 filers claimed the EITC, close to 100,000 residents did not take advantage of the valuable credit. Leading up to and during the tax season, an EITC media campaign, led by the mayor, uses Metro TV (185,000 households), morning show appearances, radio shows, bus posters, print ads, and other marketing materials, along with



MAYOR  
JERRY ABRAMSON

outreach by LABC staff, to promote further public awareness. VITA participants all receive information about the asset-building program.

Greater Louisville chamber of commerce, provides outreach to employers to communicate the benefits of EITC/VITA and discuss the long-term rewards for corporations that have economically stable employees. Greater Louisville is a crucial player, enlisting local companies and businesses in asset-building activities.

Through Metro United Way's extensive network of social service organizations, LABC joins with valuable community partners and identifies new, potential collaborators to widen the asset-building circle.

With one of the longest-running VITA sites, the League shares its expertise to galvanize efforts to increase capacity. Through its local representative, the Internal Revenue Service SPEC office partners with Louisville's VITA/EITC Campaign. Resources include TaxWise software and technical consultation to improve efficiency/quality, critical to significant capacity increases while assuring accuracy.

Louisville Metro Human Services serves families through Operation Self-Help, a family self-sufficiency case management program. Operation Self-Help facilitates the transition from welfare to work and includes attendance at financial literacy workshops as well as strong educational and employment components. Case managers provide client referrals to important work supports such as Food Stamps and childcare assistance and strongly encourage use of the EITC.

The General Accounting Office and the IRS estimate that 15 to 25 percent of the families who are entitled to the EITC do not claim their credit. That's between 3.5 and 7 million households.



Mayors' National  
Dollar Wise Campaign

202.861.6759

dollarwise@usmayors.org

www.dollarwiseonline.org