

HHS COMMITTEE #1
November 12, 2009
Discussion

M E M O R A N D U M

November 10, 2009

TO: Health and Human Services Committee

FROM: Vivian Yao, Legislative Analyst 

SUBJECT: Discussion - Commission for Women's Single Mothers and Poverty
Recommendations on the Earned Income Tax Credit

Today the Health and Human Services (HHS) Committee will discuss recommendations related to the Earned Income Tax Credit (EITC) from the Montgomery County Commission for Women's Single Mothers and Poverty report. The HHS Committee has been interested in following up on the report's recommendations that could be addressed at the local level.

Community Action Agency representatives Lizzie James, Executive Director, and Sharon Strauss, Program Manager, will present to the Committee on the agency's Voluntary Income Tax Assistance program and other financial literacy services for low-income clients. These efforts include outreach to educate the community about the benefits of the EITC and assistance in applying for the EITC to eligible individuals.

Executive Director Judith Vaughan-Prather is expected to attend today's session on behalf of the Commission for Women (CFW).

COMMISSION FOR WOMEN'S SINGLE MOTHERS AND POVERTY REPORT

Earlier this year, the Commission for Women published "Single Mothers and Poverty: Agenda for Action." The report recommended policy changes to help move low-income mothers and their families out of poverty. In the section on income supports, the report highlighted that the EITC is an effective anti-poverty program which "rewards work, leads to greater labor force participation, and partially mitigates the impact of other taxes on low-income workers." Consequently, the report advocated for conducting a public outreach campaign to inform eligible workers about the EITC and require employers to inform eligible employees about it. See ©2.

VOLUNTARY INCOME TAX ASSISTANCE (VITA) PROGRAM

The Community Action Agency (CAA) within the Department of Health and Human Services encourages the use of public and private resources to enable low-income people to become self-sufficient; to reduce poverty in the County; to involve the low-income population in developing and

carrying out anti-poverty programs; and to make government more responsive to the needs of low-income people. The CAA administers the VITA program, an IRS sponsored program that provides free tax assistance to low income individuals and families through trained volunteers.

The CAA reports that:

- For Tax Year 2008, VITA served 1173 clients from Montgomery County, the District of Columbia and Prince Georges County and other areas, pursuant to federal requirements. The large majority of clients were Montgomery County residents.
- For Tax Year 2008, the majority of clients self-identified as African American or Latino. The ages of clients ranged from 16-75 with average income levels of \$15,000.
- The VITA program assisted clients in receiving almost \$1.5 million in refunds from federal and Maryland returns with approximately \$340,000 coming from the federal EITC. Clients also realized savings by avoiding tax preparation fees and high interest rates associated with rapid refund services.
- For Tax Year 2009, VITA will serve clients who earn \$49,000 or less, up from \$42,000 for Tax Year 2008. For 2009 and 2010, the maximum EITC will be \$457 for workers that cannot claim dependents and \$5,657 for workers with three or more dependents.
- Using ARRA funding, CAA is expanding its programming to meet the growing community demand and to include increased employment training and financial literacy services for individuals referred by Special Needs Housing. See ©10.
- The budget for the VITA program is increasing substantially from Tax Year 2008 to Tax Year 2009 (\$45,000 to \$763,334) due to grant funding. See ©12-13 for more information about the use of this additional funding.

Outreach

The VITA program performs outreach to educate the community about the program and the EITC as described at ©7. Outreach is made to the general public through multi-media public service announcements and information distributed at public venues including libraries, recreation centers post offices, public transportations, and schools.

Targeted outreach is made through the Montgomery County Housing Fair, financial literacy events, and dozens of partners including the Maryland Committee for Children, Montgomery County Coalition for Financial Literacy, Linkages to Learning, Head Start, Interfaith Works and the Emergency Assistance Coalition, Family Services Agency, Interagency Coalition on Adolescent Pregnancy, Identity, Impact Silver Spring, and the Muslim Intercommunity Network.

The Committee may want to explore whether additional targeted outreach by the CAA could reach additional low-income employees that could benefit from the VITA program and the EITC (e.g, Department of Economic Development website and business listserve, Montgomery Works, the Workforce Investment Board, local chambers of commerce, business sectors that employ high percentages of low income workers, local unions including Service Employees International Union, Montgomery College, and the Montgomery County Child Care Resource & Referral Center).

Single Mothers and Poverty

Agenda for Action

HOUSING
CHILDREN
EDUCATION
HEALTH CARE
JOB TRAINING
COUNSELING
LEGAL SERVICES
MENTAL HEALTH
SUBSTANCE ABUSE
DOMESTIC VIOLENCE
ELECTRICITY
HEATING
INSULATION
REPAIRS
MAINTENANCE
PROPERTY
MANAGEMENT
COMMUNITY
DEVELOPMENT
CIVIL RIGHTS
DISCRIMINATION
INTEGRATION
AFFORDABLE
HOUSING
PROGRAMS
SUPPORTIVE
SERVICES
FOR
TENANTS
AND
PROPERTY
OWNERS
TO
IMPROVE
QUALITY
OF
LIFE
AND
STABILITY
FOR
ALL
RESIDENTS
AND
COMMUNITIES

Montgomery County

CFW
Commission
for Women



POLICY RECOMMENDATIONS:

- Modify child care subsidy programs so that an eligible family is required to spend no more than 10% of its income for child care.
- Support the federal Family Tax Relief Act of 2009 (S. 997) which would improve the federal Child and Dependent Care Tax Credit for many low- and moderate – income families.
- Implement the recommendations of the Montgomery County Universal Preschool Implementation Work Group to expand the availability and enhance the quality of affordable preschool programs for families of low income.
- Remove the child support cooperation requirement from Montgomery County’s child care subsidy program.
- Provide tax credits or other incentives to encourage the business community to provide child care benefits.

INCOME SUPPORTS

Income supports help alleviate hardship for struggling women with families. The Earned Income Tax Credit (EITC) is the federal government’s most effective anti-poverty program.³² It rewards work, leads to greater labor force participation, and partially mitigates the impact of other taxes on low-income workers. Child support is also a vital source of income for single mothers and children, who need and deserve support from both parents. Millions of children nationally rely on the federal-state program to collect the child support they are owed.³³

EARNED INCOME TAX CREDIT

The Challenge

- Many workers who are eligible for the EITC are not aware of it.
- 35.8% of eligible workers do not know about the EITC.³⁴
- Only 43.2% of eligible workers receive the credit.³⁴
- 26.5% of eligible workers with less than a high school education have ever received the credit.³⁴

POLICY RECOMMENDATIONS:

- Conduct a public outreach campaign to inform eligible workers about the EITC.
- Require employers to inform eligible employees of the EITC.

CHILD SUPPORT

The Challenge

- 33.5% of the child support owed in Montgomery County in FY 2008 was not collected.³⁵
- Maryland child support guidelines are based on estimates of child rearing costs established in 1972 – 73, indexed to 1988 levels. The median income for Maryland is the highest in the U.S., yet the guideline amounts for child support awards rank 40th in the nation.³⁶
- The recently-passed federal American Recovery and Reinvestment Act (ARRA) of 2009 will help protect child support enforcement services for over 17 million children and their single parents, mostly mothers, by restoring, through September 30, 2010, federal funds cut from the child support enforcement program in 2005. In addition to costing custodial parents and their children \$1 billion a year or more in uncollected child support and forcing states to cut back on the services they provide, the 2005 cuts threatened state options for distributing collections to the family rather than to the government to reimburse welfare costs.³⁷

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PREVIEW SUMMARY
FOR COUNCIL WORKSESSION OR BRIEFING

Date	November 12, 2009
Committee	HHS Committee
Subject	Commission for Women's Single Mothers and Poverty Report recommendations on the Earned Income Tax Credit
Reason for Worksession/Briefing	The Committee is interested in having the Community Action Agency make a presentation on its Volunteer Income Tax Assistance (VITA) Program and financial counseling services
Executive Staff Participants	Lizzie James, Executive Director, DHHS, Community Action Agency (CAA)
Other Participants	Sharon Strauss, Program Manager, Community Action Agency
Written Materials	Written materials describes the CAA's VITA program including information about EITC, numbers of customers served, federal and state refunds, outreach, community partners and program volunteers
Sensitive or Controversial Topic	No
CAO/CE Review or Approval	Not required
Staff Contact	Lizzie James

Please describe the tax assistance and financial counseling services offered.

Overview:

The Voluntary Income Tax Assistance (VITA), an IRS sponsored program, provides free tax help, delivered with the assistance of trained volunteers, to low income individuals and families, including persons with disabilities, the elderly, and those with limited English language skills. For the Tax Year 2008, customers earned \$42,000 or less. For the coming Tax Year (2009), VITA will serve customers earning \$49,000 or less. The VITA threshold is linked with the Earned Income Tax Credit (EITC). Through ARRA, the maximum EITC for Tax Year 2009 has been raised for both years 2009 and 2010 to \$457 for workers that cannot claim dependents; \$5,657 for workers with three or more dependents.

An important aspect of the VITA program is its concurrent outreach effort to educate the community about the benefits of EITC and to assure that eligible customers apply for the EITC. VITA provides a free and safe alternative to commercial tax preparation chains and to untrained and uncertified preparers. VITA helps its customers pocket this savings to use on other basic needs, and reports the tax fraud it uncovers to the IRS. Many VITA customers are first time filers or lack understanding of tax related issues. The education VITA delivers to its customers is especially valuable as the EITC has expanded and other legislation has increased financial resources available to low and moderate wage earners through the tax law.

Community Action's VITA program has special certification from the IRS to work in partnership with HHS and community case managers to address the complex needs of residents experiencing homelessness, domestic violence, mental illness, dementia and other disabilities, as well as aging and limited English populations.

Besides helping individuals during the tax season, our agency's VITA program continues to deliver services year-round, resolving outstanding issues, preparing amended returns, and preparing returns for prior years. VITA also assists customers in obtaining the ITIN (Individual Tax Identification Number), helping residents to avoid tax problems and build financial records essential to establishing housing and credit.

Understanding that providing free tax assistance is the gateway to mainstream financial education, Community Action is broadening its program to include expanded financial literacy services, working with a variety of partners, including the Montgomery County Coalition of Financial Literacy, Bank On Gaithersburg and its financial institutions, the agency's nonprofit partners, and the Maryland CASH campaign.

How many Individuals/Families have been served?

In the last three years, Community Action's multi-site VITA program has served 2,170 customers from Montgomery County, the District of Columbia, Prince Georges County, and other areas. During Tax Year 2008, 1173 customers were served. A composite report from VITA's three sites for tax years 2006-08 is attached. (**Attachment #1**). As noted, from 2006 to 2008 (Tax Year), the range of customers eligible for the EITC at the three Community Action's VITA sites was between 28% and 48%.

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What are the demographics (e.g. age, race/ethnicity, geographic location, income levels) of clients being served?

The majority of customers self-identify as African American (including customers from African, the Caribbean, or from other countries) or Latino. Ages of customers range from 16 to 75, with an income level on average of \$15,000 per year. More information about customers' ethnic diversity by site is attached. (**Attachment #2**).

A brief history and Community Action's VITA Partnerships:

The agency's historic VITA program at The Takoma Park- East Silver Spring Services (TESS) Center was developed over 20 years ago to meet the unique language needs of the areas' growing Latino community. A number of years ago, the City of Rockville provided its own VITA program, and, when it was unable to continue to provide the service. They then worked with DHHS' Early Childhood Services to initiate VITA services at the Children's Resource Center in Rockville through its Resource and Referral program, with some funding from PEPCO. As the grant ended, in 2005 the Community Action Agency expanded its own services, offering VITA at Progress Place in downtown Silver Spring, with support from the Bank of America. Since then, the program has expanded, using its Community Services Block Grant (CSBG) funding.

Last year, the agency partnered with the City of Rockville to once again provide VITA services to customers living in the central and upcounty areas for Tax Year 2008. This year, it is expected the partnership will continue. With increasing demands for services upcounty, the agency is now working with the City of Gaithersburg and its Bank On collaboration and Family Services to provide services in Gaithersburg.

The agency is using its ARRA funding to meet the growing demand in the community, and to fund increased employment training and financial literacy services to individuals referred by Special Needs Housing, as well as to expand the delivery of VITA and financial literacy to other community members. (**Attachment # 3**).

What are the outcome measurements for the program? How many income tax returns has the program helped to file? (Attachment #)

Outcome measurements tracked at each site and for the program include: **Outreach efforts and partnerships**

- **Number of customers served**
- **Total \$ Federal Refunds**
- **Total \$ Maryland Refunds**
- **% of EITC Returns**
- **Average \$ EITC Refund**
- **Accuracy of Returns**

Regarding the accuracy rates, for Tax Year 2008, the agency's rate was 97.45% for returns submitted. This accuracy rate reflects that filers receive all credits they are entitled to and that their returns were e-filed.

How much money has the program saved for clients on average and in the aggregate for the last 2-3 fiscal years?

As previously reported (Attachment 1), VITA's competent, well-trained preparers assure customers quickly access the maximum amount of monies to which they are entitled to through e-filing accurate returns. The program further yields savings realized as customers are able to retain their limited household income rather than pay the high-fees often charged for the

preparation of returns. Nor are they duped into paying exorbitant interest rates often charged to access a Rapid Refunds (**Attachment # 4**),. Anecdotaly, a majority of first-time customers report they previously paid \$300 to \$600 (and more) prior to coming to Community Action's VITA program, for tax preparation and Rapid Anticipation Loans.

What is the total budget for the program? What are the funding streams that support it?

The total budget for the program has varied over the past 3 years and has been dependent on finding funding in the Community Services Block grant (CSBG), a federal grant awarded to the Community Action Agency (CAA) from the State's Department of Housing and Community Development, which is formula based. The state's total allotment of federal CSBG funding to Community Action has been \$446,791 for a number of years. These funds covered personnel (4.1 WY) and operating costs for CAA. In FY09 the CSBG allotment was increased by \$26,723 to \$473,514. We have been able to support the VITA program on a small scale since its inception as a result of using CSBG funds that were unspent during the fiscal year, either because fewer personnel expenditures were needed due to retirements, or because staff left county government. In FY10 CSBG/ARRA funding will be used to greatly increase the VITA and financial literacy programs. After the CSBG/ARRA funding ceases to exist, CAA will have to either reduce the size of the program or find additional funding to support it.

- **Year # 1 (Tax Year- 2006) FY07** Budget -\$ 20,000 of CSBG funding and \$ 10,000 donation from Bank of American. Hired a part time VITA Coordinator. In-kind services: 1) CAA staff, Internal Revenue Services (IRS) and community volunteer tax preparers, 2) office space, computers, printer use and supplies.
- **Year # 2 (Tax Year-2007) FY08**-Budget - \$ 36,000 of CSBG funding for Site Coordinator. In-kind services : 1) CAA staff, IRS and community volunteer tax preparers; 2) office space, computers, printers (Non-Profit organization- Reboot) and supplies.
- **Year # 3 (Tax Year-2008) FY09**- Budget- \$ 45,000 of CSBG funding for a Site Coordinator. In-kind services: 1) CAA staff, IRS and community volunteer tax preparers; 2) office space, computers and printers and supplies.
- **Year # 4 (Tax Year- 2009 Upcoming) FY10**- Budget- CSBG/ARRA funding – \$763,334. 1) Personnel (1.5 WY-Term) - \$ 162,603; 2) Operating- Contractual services- \$ 577,643; 3) Supplies, travel, computers and printers, outreach, marketing printing and other miscellaneous costs- \$23,088. (**Attachments # 5 and # 6**).

How is outreach to clients performed?

Information is made available in English, Spanish and other languages through:

- Multi-media PSA announcements.
- Envelope stuffers, posters, bulletins, 75,000 flyers sent to all County and federal government agencies (including recreation centers, libraries, post offices), and to partners.
- Emails to nonprofit partners and "HHS ALL" announcements to HHS employees and case managers.
- Distribution of information at flyers to school, housing and health fairs, including the Montgomery County Housing Fair, the County Fair, and financial literacy events.
- IRS VITA/EITC information is posted on Metro and Metrobus, schools, colleges and universities.

Partners include but are not limited to, IRS, Maryland Committee for Children, Montgomery County Coalition for Financial Literacy, Maryland Cash, Montgomery County Volunteer Center and AARP Tax Aide, MCPS, Linkages to Learning, Head Start, Community Action's partners (through annual partners/contractor meetings), InterfaithWorks and the Emergency Assistance Coalition, Cities of Gaithersburg and Rockville; Family Services, ICAP, The Arc of Montgomery County, Chase Partnership, Identity, Islamic Center, Latino Health Initiative, Latino Lions Clubs, Latino Chamber of Commerce, Impact Silver Spring, Montgomery College, Organization of American States, the Muslim Intercommunity Network.

Do you collaborate with any community-based nonprofit or for profit agencies to deliver or publicize services? Which ones? As noted above.

Have you partnered with the various Chambers of Commerce to let employers know about your services? Have you performed outreach to specific employers in the County? Not specifically, just through general community outreach as noted above.

Have there been recent efforts to expand or enhance the program? If so, please describe. Previously described

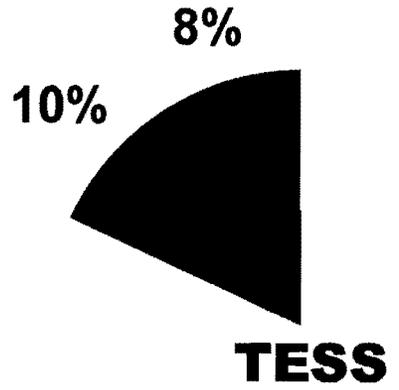
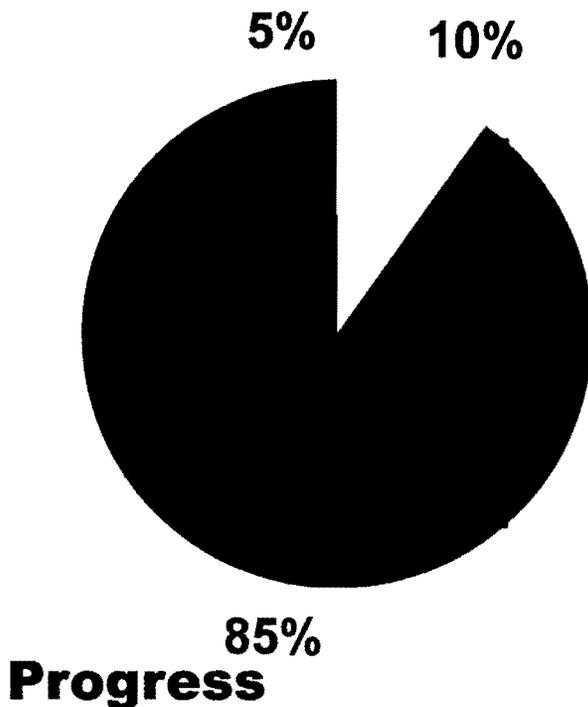
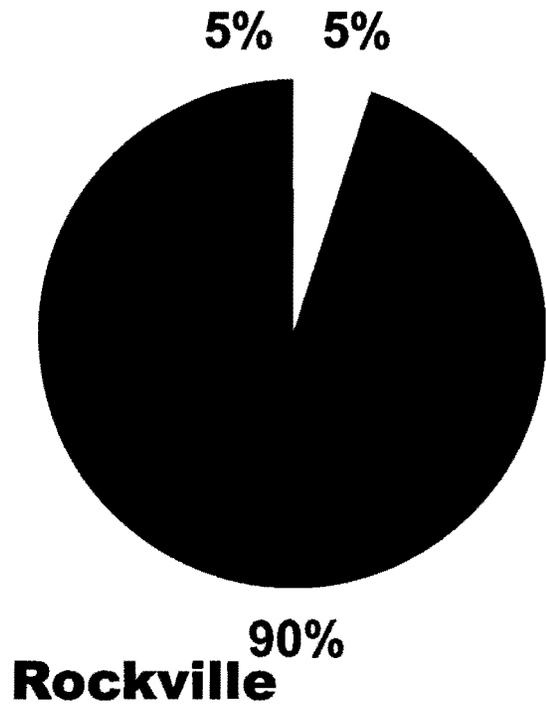
Community Action Agency's VITA Partnerships TY2006-08

Tax Year 2008	Total # Returns	Total \$ Federal Refunds	Total \$ Maryland Refunds	Total # EITC Returns	Total Federal EITC Refund	Average \$ EITC Refund	% EITC Returns
TESS	319	\$203,563	\$ 96,562	53	\$56,356	\$1,063	35%
Progress/Rockville	854	\$873,921	\$293,268	249	\$283,384	\$1,140	34%
ALL TY08 RETURNS:	1,173	\$1,077,484	\$389,830	342	\$339,740	\$1102	34.5%

Tax Year 2007	Total # Returns	Total \$ Federal Refunds	Stimulus Refund Amount	Total Stimulus Refunds Prepared	Total \$ Maryland Refunds	Total # EITC Returns	Total Federal EITC Refund	Average \$ EITC Refund	% EITC Returns
TESS	140	\$127,365	\$66,200	46	\$38,493	22	\$41,580	\$1,890	28%
Progress	653	\$683,310	\$324,900	186	\$280,394	186	\$236,899	\$1,274	35%
ALL TY07 RETURNS:	793	\$810,675	\$391,100	232	\$318,887	208	\$278,479	1582	31.5%

Tax Year 2006	Total # Returns	Total \$ Federal Refunds	Total \$ Maryland Refunds	Total # EITC Returns	Total Federal EITC Refund	Average \$ EITC Refund	% EITC Returns
TESS	126	\$187,735	N/A	48	\$ 86,729	\$ 1,807	33%
Progress	109	\$156,479	N/A	43	\$ 66,760	\$ 1,553	48%
ALL TY06 RETURNS:	135	\$344,214	N/A	91	\$153,489	\$1,680	40.5%





Latino

■ **African American**

■ **Other**

■ *Other: Includes Whites, Asian American/Pacific Islanders and other groups.*

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**Community Action Agency's
2008 VITA Customers**

87%

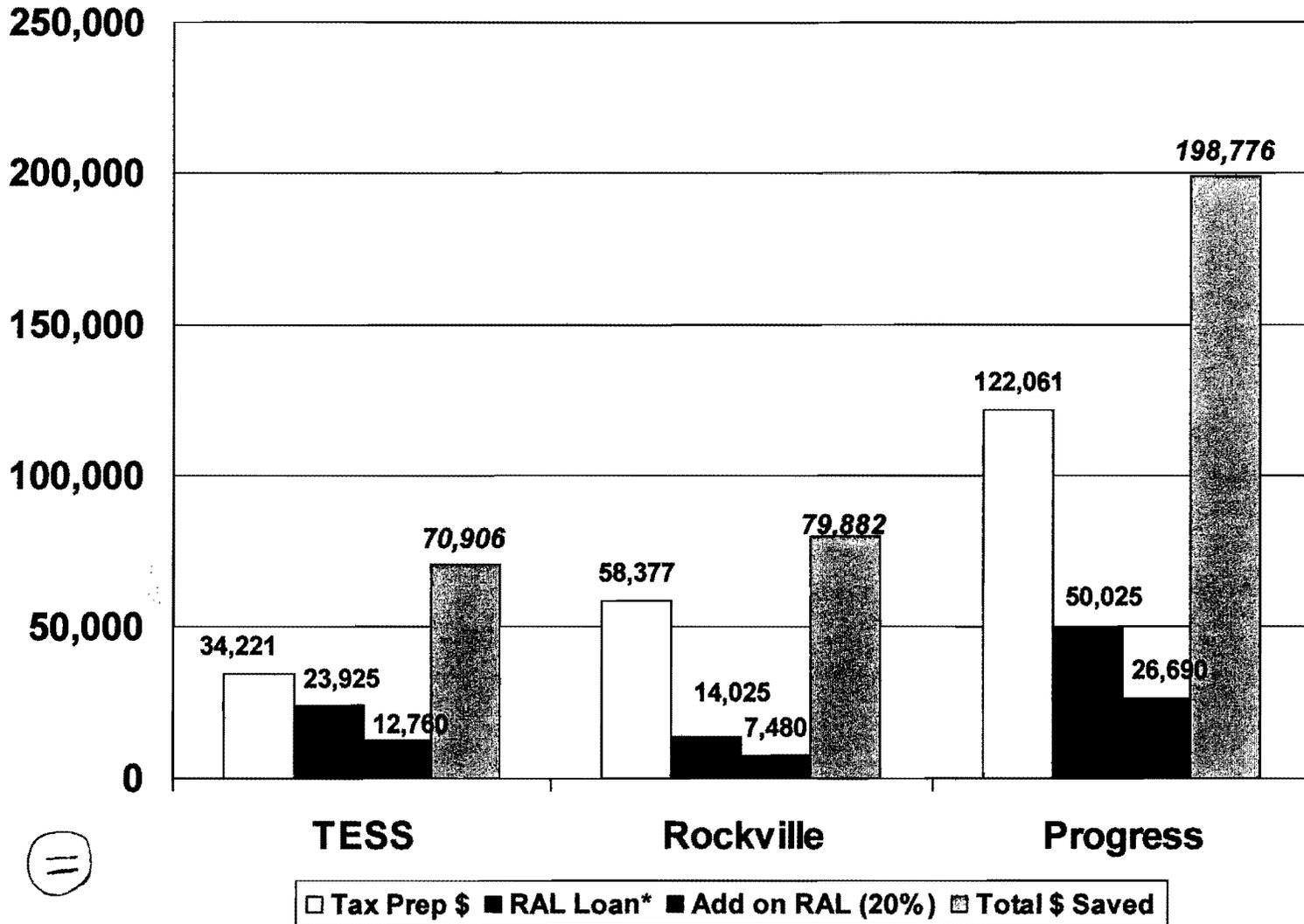
Economic Opportunity Initiative

Under the Economic Opportunity/CSBG-ARRA Initiative, the Employment Program administered by Arbor E&T will provide employment-related services to customers referred by Montgomery County's DHHS Housing Stabilization Program.

Employment Services will include job readiness, job placement and job retention for the target population. Customers will receive intensive services to assist and prepare them for economic independence through work. Employment activities will include behavioral and skill assessment, employment plan, case management, work preparation workshops, support groups, individual skills training, certificate courses, structured job search, job placements and 90-day job retention services for workplace adjustment and to assure employee/employer satisfaction.

Customers referred by the Housing Stabilization Program and other low-income community members will be linked with Community Action Agency's Voluntary Income Tax Assistance ("VITA") and Financial Literacy programs at no cost. Customers will receive free tax preparation by trained volunteers at locations in Gaithersburg, Rockville, Silver Spring, Takoma Park, through Community Action's partnerships. Eligible customers participating in VITA receive the Earned Income Tax Credit. Opportunities will be available to open free/low-cost savings accounts at local banks and credit unions. Community Action's Financial Literacy programs will offer workshops such as: Learning about Basic Budgeting; How to Save and Build Assets; The Dangers of Pay Day Lenders, Rapid Refund loans and Predatory Lending; How to Manage and Repair Credit; How to Avoid Bankruptcy; and How to Protect Your Identity. Eligible customers may have the potential to participate in an Individual Development Account, where they will have the opportunity to save toward home ownership, starting a business or obtaining college credits.

Estimated \$349,564 Saved



Tax Preparation & EITC, 2008

Source: National Community Tax Coalition
www.consumerlaw.org/issues/refund_anticipation/content/2009_RAL_Report.pdf

American Recovery and Reinvestment Act (CSBG/ARRA)

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Page__ ofContractual Services, Itemization of Cost Category #1.4
Budget Justification

DESCRIPTION OF LINE ITEM	TOTAL COST	TOTAL COST TO CSBG/ARRA	% TO CSBG /ARRA	BREAKDOWN OF COST CHARGED TO CSBG/ARRA		AMOUNT AND PERCENTAGE TO OTHER PROGRAMS		
				ADMIN.	OPERATING	AMOUNT	%	PROG. NAME
Arbor Employment and Training	\$ 350,000	350,000	100		\$ 350,000			
(Arbor E&T for comprehensive employment services offering intense individual behavioral and skills assessments, targeted job search, skills training and job placements as well as service integration and collaboration within the department and the wider community)								
Greentree shelter (support services to homeless families who have jobs and are at risk of becoming dislocated workers)	\$ 70,000	\$70,000	100		\$ 70,000			
Clerical & Other Supports	\$ 58,000	\$ 58,000	100	\$ 58,000				
*Family Services, Inc. Professional Staff : 1, Management Spec- Coordinate activities for ARRA fiscal management, program monitoring and reporting 2. Site Coordinators (3) run free income tax sites -1/2010-4/2010) *Security Staff person	\$ 54,873	\$ 54,873	100	\$ 54,873				
	\$ 39,270	\$ 39,270	100		\$ 39,270			
	\$ 5,500	\$ 5,500	100	\$ 5,500				
PAGE TOTAL	\$ 577,643	\$ 577,643	100	\$ 118,373	\$ 459,270			

(12)

EXHIBIT A

CSBG SCOPE OF WORK AND BUDGET

1. The Grantee will perform the activities as shown on the Scope of Work and in accordance with the Budget shown below:
2. The Grantee will provide a Cost Allocation Plan as a part of the Budget.
3. A "Budget Revision Request" (BRR) report shall be submitted by the Grantee as needed in case of budget modifications. Approval from the CSBG Program Director must be received by the Grantee before budget line items can be changed. Budget line items requested to be changed must be explained thoroughly.

GRANTEE: Montgomery County, Maryland
101 Monroe Street
Rockville, MD 20850

PROGRAM LOCATION: Serves Montgomery County.

GRANT AMOUNT: \$763,334.24

APPROVED ACTIVITIES:

PROGRAM	DESCRIPTION	POPULATION
Employment Training	Program to assist participants to acquire broad array of skills needed to obtain employment in the current market	Unemployed, under employed. New job seekers
Financial Literacy	Better Use of Income	Low income individuals and families
Adequate Housing	Stabilization services, rental assistance, home energy assistance and homeless shelter services	Low income individuals and families

BUDGET:

01 Salaries and Wages	\$ 116,927.00
02 Fringe Benefits	\$ 45,676.00
03 Communications	
04 Travel	\$ 3,500.00
05 Rent & Utilities	
06 Food	
07 Supplies/Materials	\$ 4,750.00
08 Equipment Replacement	\$ 5,500.00
09 Equipment Additional	
10 Motor Vehicle(s)	
11 Grants, Subsidies, Contributions	
12 Contractual Services	\$ 577,643.00
13 Fixed Charges	\$ 3,500.00
14 Other Costs	\$ 5,838.24

TOTAL FFY 2010 BUDGET: \$ 763,334.24