



Earned Income Tax Credit

A City Practice Brief

Fall 2008

For millions of low-income working families, the struggle to make ends meet is harder than it has to be. One way city officials can help low-income working families is by informing them of, and helping them to file for the federal Earned Income Tax Credit (EITC).

For eligible workers, the EITC offsets federal payroll taxes withheld from their pay. For the lowest-paid workers, the EITC refund amount may exceed their payroll taxes and put extra money in their pockets as an income supplement. Workers with two or more children can qualify for up to \$3,888 . an amount that can go a long way toward paying job-related expenses such as child care and transportation, utility bills, rent, and other costs of living. Unfortunately, up to 20 percent of working families eligible for the EITC (and an even larger proportion of families moving from welfare to work) do not claim their EITC on their federal income tax return, or don't file a return at all.

This City Practice Brief presents examples of municipal programs that inform and assist eligible citizens in filing for the federal Earned Income Tax Credit (EITC).

For more information see NLC publication **Helping Working Families**, and for more examples, visit the City Practices Database. Both resources are available on the NLC website, www.nlc.org.

Family Economic Success Program

City: **San Antonio, Texas**

Population: 1,144,646

For more information, contact: Dennis Campa
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In an effort to move low and moderate income taxpayers away from paid tax preparers and high interest rate Refund Anticipation Loans (RALs), the San Antonio Department of Community Initiatives worked with the Employees Federal Credit Union to offer a zero interest rate+ alternative refund anticipation loan to Earned Income Tax Credit (EITC) recipients, issuing more total loans in excess of \$2.8 million and saving these taxpayers an average of \$138 each in loan fees. Combined with the high predatory interest rates of refund anticipation loans, offering an alternative RAL would save each taxpayer an average of more than \$300 in RAL and tax preparation fees. More than 1,100 interest-free loans were issued with a combined value of over \$2.8 million. Through the process nearly 200 un-banked taxpayers were also able to open their first bank account.

Working Families Credit

City: **San Francisco, California**

Population: 776,733

For more information, contact: Tara Cohen, Program Coordinator
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The Working Families Credit (WFC) is a locally funded and administered tax credit for employed low-income tax filers with children who qualify for the federal Earned Income Tax Credit (EITC) and live in the city of San Francisco. WFC applicants whom the city verifies as eligible receive a check from the city and county of San Francisco equal to a percentage of their federal EITC. In its first year (2005), checks equaled to 10 percent of applicants EITCs, averaging \$220, were mailed to nearly 10,000 San Francisco families. The program administers a website at www.workingfamiliescredit.org.

Lewiston Tax Credit Awareness Coalition

City: **Lewiston, Maine**

Population: 35,690

For more information, contact: Dottie Peeham-Whittier,
Community Relations Coordinator
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The city of Lewiston advocates on behalf of the Earned Income Tax Credit (EITC) through the Tax Credit Awareness Coalition. Between 2003 and 2006, the Coalition returned over \$2 million to the Lewiston community; monies that go directly into the pockets of residents and subsequently back into the local economy. The Coalition annually establishes free tax preparation sites, recruits volunteers to prepare/e-file tax return; provides volunteers with IRS training, and provides asset building informational opportunities for those seeking financial literacy.

Asset Building Campaign

City: **Indianapolis, Indiana**

Population: 791,926

For more information, contact: Ellen Quigley
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Indianapolis' Asset Building Campaign, started in 2002, encourages low-income working families to apply for the federal Earned Income Tax Credit (EITC). In Indianapolis, as many as 20,000 families failed to receive the credit in 2001. To help these families receive the benefits to which they are entitled, the city offers free tax preparation services, electronic filing, and financial counseling, all done by volunteers, and at multiple sites throughout the city including law firms, universities, hospitals, financial institutions, utilities, and public libraries. In its first two years, \$2 million in tax credits were returned to the local economy. Information is available online at www.indyfamilies.org/eitc/.

Earned Income Tax Credit Promotion

City: **Fort Collins, Colorado**

Population: 118,652

For more information, contact: Wanda Krajcek
(970) 221-6515

Fort Collins informs eligible residents about the Earned Income Tax Credit (EITC) and helps them sign up for the federal program. The city started the program after finding that thousands of residents were losing out on over \$1,500 each because they had failed to apply for the program, and as a result over \$4 million was unnecessarily leaving the community. In the program's first year, the city helped over 1,200 individuals and families by doing their tax returns for them or answering their questions. Volunteers donated over 3,000 hours to the effort, providing assistance at churches, banks, and city buildings. The program includes at-home tax preparation assistance for homebound seniors and a 211 hotline that serves as a general clearinghouse of information.

Mayor's Financial Education Initiative

City: **Hattiesburg, Mississippi**

Population: 44,779

For more information, contact: Beth Baugh, Public Relations Coordinator
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The Mayor's Financial Education Initiative educates Hattiesburg families about the federal Earned Income Tax Credit (EITC) and provides free tax assistance. The program was founded when the mayor learned that about \$5 million in EITCs was going unclaimed by eligible filers. To educate residents about the funds available to them city, council members and staff conducted radio interviews, issued news releases, appeared on television, spoken to neighborhood associations, and distributed pamphlets to businesses, schools, and churches in the community.

Earned Income Tax Credit Education Campaign

City: **Los Angeles, California**

Population: 3,694,820

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To encourage eligible city residents to file for the federal Earned Income Tax Credit (EITC), the City of Los Angeles joined with the county and the IRS to launch a broader outreach effort. Led by the Los Angeles Community Development Department and Private Industry Council, the campaign enlisted the help of such partners as the Mayor's Office of Economic Development and the chamber of commerce. EITC information was distributed to all city employees and to the city's "one stop" public benefit eligibility determination offices. The campaign also expanded the capacity of the city's "Info Line" so that it could respond to 6,200 EITC-related calls generated by these outreach efforts between March 1998 and May 1999.

Earned Income Tax Credit Information Campaign

City: **Chicago, Illinois**

Population: 2,896,016

For more information, contact: Myer Blank, Executive Director
Chicago Tax Assistance
(312) 744-1000

In response to reports that thousands of eligible Chicago city workers and residents were not claiming the federal Earned Income Tax Credit (EITC), a citywide outreach campaign was launched, enlisting business, philanthropic, and grassroots leaders in planning and conducting a multi-pronged campaign, highlighting the potential infusion of hundreds of millions of dollars into the Chicago economy if more workers file for EITC. In the campaign's first five years, between 2000 and 2005, the city aired public service announcements on local radio and TV stations, mounted placards on buses and subways, distributed notices to city employees, and created a web site with EITC information for workers, employers, and campaign sponsors. Public schools insert EITC information in 400,000 report cards. Utility companies include flyers in bills mailed to more than three million families. Business partners make cash and in-kind donations to help support the campaign and nonprofit groups also play a major role in the campaign, providing free tax assistance with tax returns to more than 19,200 low-income residents.

Anti-Poverty Campaign

City: **Miami, Florida**

Population: 362,470

For more information, contact: Javier Fernandez
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Miami's Anti-Poverty Campaign seeks to help working families in the city. The campaign features an outreach program that increases awareness about the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). The city sends out direct mailings and has a media campaign to increase awareness. To ensure that all eligible residents claim their credits, the city provides and advertises free tax preparation services and information, including a tax hotline in cooperation with the U.S. Internal Revenue Service and local businesses.

This Brief was developed by Caterina Bumbara, Project Associate, Poverty Reduction Program, National League of Cities.

City Practices Briefs contain examples from NLC's City Practices database, available at www.nlc.org. Series editors: Bruce Calvin and Larry Foxman. For more information contact the NLC Municipal Reference Service at (202) 626-3130 or email mrs@nlc.org.