

# DATA BRIEF: Free Tax Preparation Services at the Allegheny County Department of Human Services

1 In 2018, the income qualifications for in-person tax prep assistance are \$25,000 per year for individuals and \$45,000 for households.

Since 2011, the Allegheny County Department of Human Services (DHS) has assisted residents in need<sup>1</sup> through free tax preparation services offered at its downtown location. The service is offered through the Free Tax Prep Coalition, an initiative led by the United Way of Southwestern Pennsylvania in partnership with DHS and several other community partners who offer free tax preparation in several locations throughout the County.

The Coalition certifies and trains community volunteers to prepare tax returns and ensure that the returns are filed correctly, on time, and include all qualifying credits. Tax credits such as the earned income tax Credit (EITC) and the child tax credit (CTC) often make up substantial portions of low-income families' yearly earnings. Families served by the Free Tax Prep Coalition also save money by avoiding costly tax filing fees and are assisted to ensure that they receive their full refund at tax time.

2 This data brief analyzes data for tax returns completed by DHS only; it does not include data for the other partner organizations in the Free Tax Prep Coalition.

This data brief provides information on the results of DHS's 2017 tax assistance service,<sup>2</sup> the taxpayers using the service, and the volunteers who were involved. Data was collected from participants' tax returns with additional information self-reported by participants.



**J hadn't filed her income taxes since 2013. She came to her tax filing meeting with a little anxiety about the whole process. The tax volunteers sat with her, explained the process, then worked as a team to complete her 2013, 2014, 2015 and 2016 income tax returns. J received a total of \$2,915 in federal refund dollars and, more importantly, is up to date on her federal filing requirements.**

## 2017 OVERVIEW



**13** Tax preparers participated



They received **262 hours** of training and provided **583 hours** of service



**343** Clients' tax returns completed

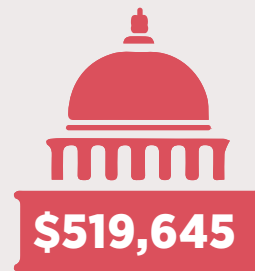
**48%** were returning customers

**44%** had an annual income of less than \$10,000

**74%** had an annual income of less than 20k



**\$60,400**  
Total estimated tax prep fees saved



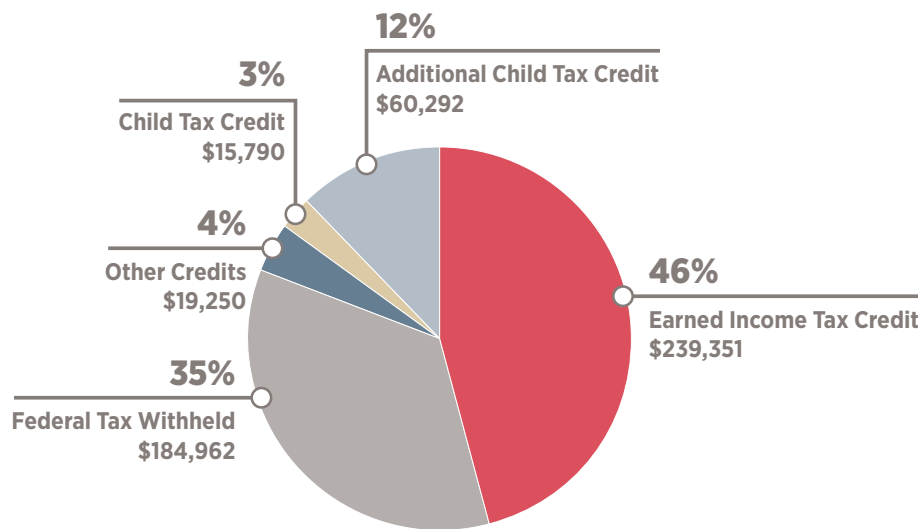
**\$519,645**  
Total federal refunds received

## ANALYSIS

### Total Federal Refund

In 2017, taxpayers assisted by DHS’s tax prep service received a total federal refund of \$519,645, free of charge. **Figure 1**, below, shows how the total refund was distributed. The largest amount of refunds came from the EITC (earned income tax credit), which accounted for 46 percent of the year’s refunds.

FIGURE 1: Tax Refund Distribution, 2017



The total refund amount for 2017 was a small increase (4%) compared to 2016, while the number of tax returns completed was down slightly from the year prior.

TABLE 1: Tax Returns and Refunds, 2015–2017

	2015	2016	2017
Total Returns Completed	347	374	343
Total Refund	\$526,394	\$500,256	\$519,645

### Earned Income Tax Credit

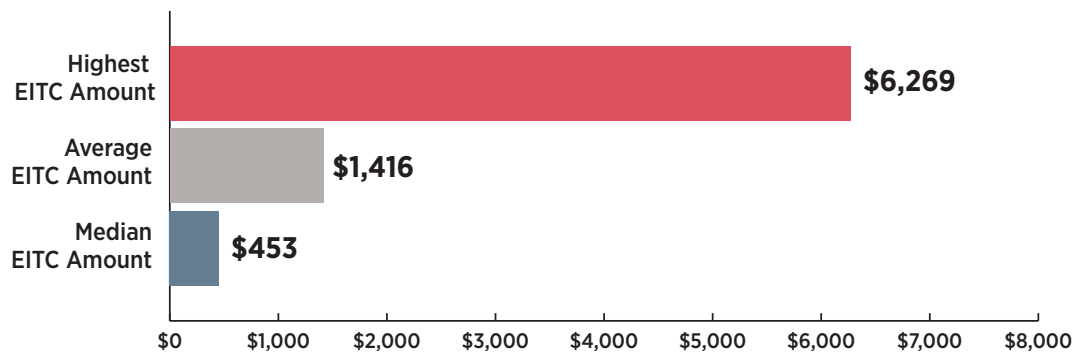
Fifty percent of taxpayers received the EITC, a tax credit for low- to moderate-income working individuals, particularly those with children. This credit is considered one of the largest national anti-poverty programs. For many families, EITC is their largest source of income for the entire year. **Figure 2** displays EITC amounts for people who filed their taxes with DHS in 2017.



**M’s mother passed away in late 2014, and she began caring for her disabled adult sister. When DHS told her that her refund for 2015 would be \$5,000, she broke down in tears. She never imagined that she would be able to claim the EITC and that her disabled sister was a qualifying dependent for the credit. The EITC alone added more than \$3,000 to her refund. M and her sister joked about possibly using a portion of their refund for a vacation, so they could have a chance to relax together after a very difficult year.**

**M came back to the tax prep location in 2017 and was excited to have the same volunteer from last year. She and her sister had taken the vacation, and she brought pictures from the trip to show the tax prep volunteers.**

FIGURE 2: Highest, Average and Median Earned Income Tax Credit, 2017



**Taxpayer Information**

Almost half of taxpayers were returning customers. More than half (67%) filed tax returns as “Single,” while 20 percent filed as “Head of Household.” Most of the taxpayers using DHS’s services were either black (60%) or white (26%). The most common age groups were 24–44 (32%) and 55–69 (32%). Fifty-six percent of taxpayers planned to use their refund for necessities like food, housing or paying bills.



**L, A and their three children entered the United States as refugees three years ago. They never filed their taxes because they didn't know how. With the help of an interpreter and a tax preparer, the family completed taxes for the current year and the two years prior. The total refund for all three years was \$23,385, enough money to make a down payment on a home.**

FIGURE 3: Race of Taxpayers, 2017

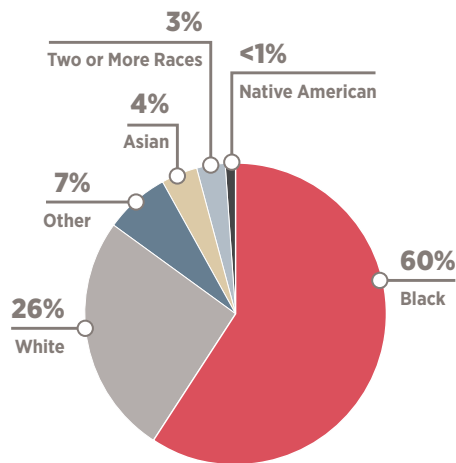


FIGURE 4: Age of Taxpayers, 2017

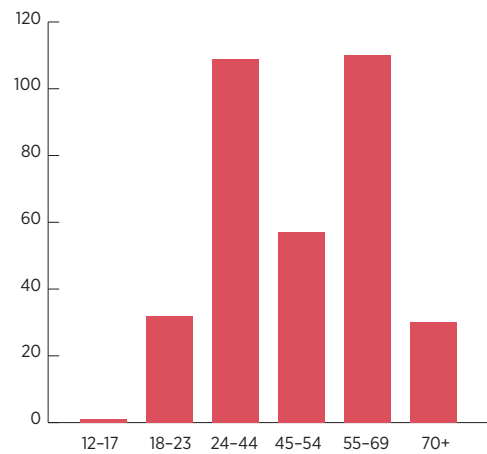


FIGURE 5: New and Returning Tax Prep Customers, 2017

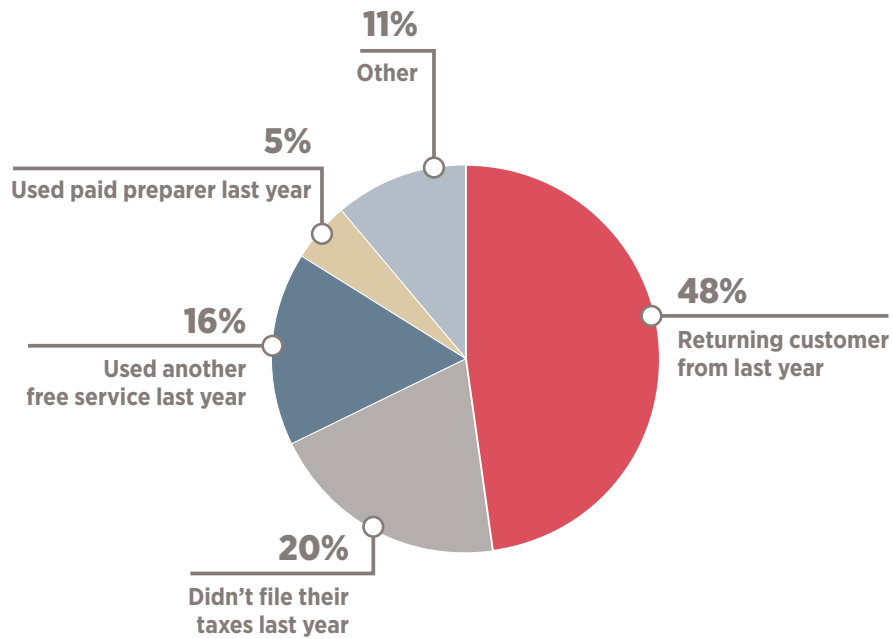
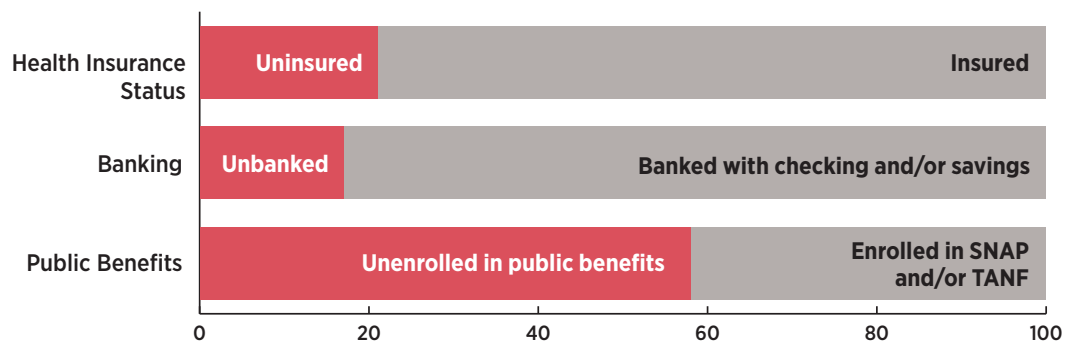


Figure 6 displays health insurance status, bank account status and public benefits utilization of taxpayers.

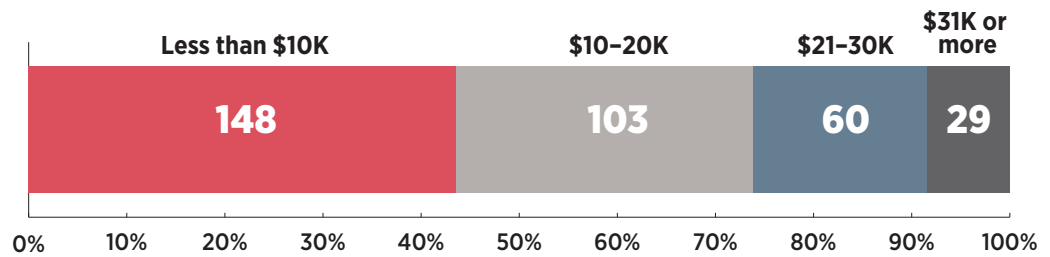
FIGURE 6: Health Insurance, Banking and Public Benefits, 2017



Source: Tax returns (health insurance status) and tax filers' self-report (banking and public benefits)

Forty-four percent of taxpayers who were served at the site in 2017 had an annual income of less than \$10,000. Seventy-four percent had an annual income of less than \$20,000 (Figure 7).

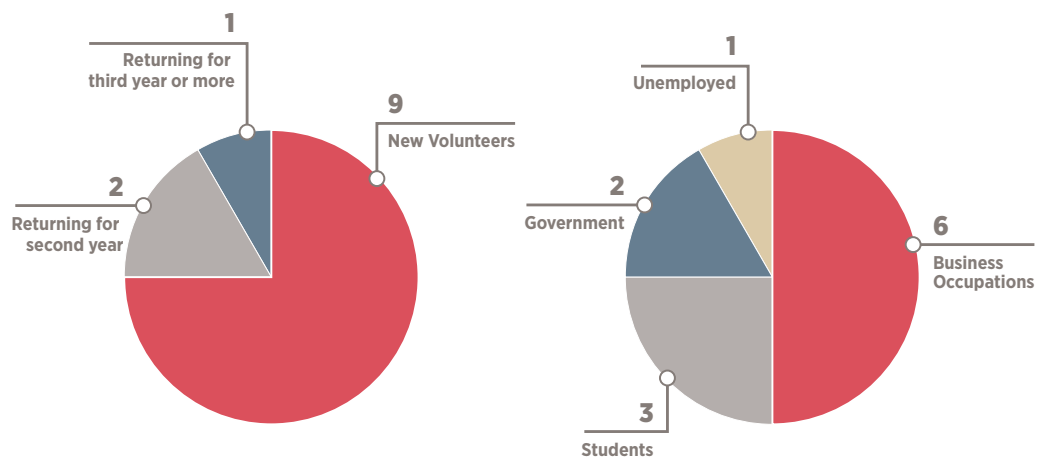
FIGURE 7: Adjusted Gross Income of Taxpayers, 2017



**Volunteers**

Twelve community volunteers and one intern completed a total of 262 hours of training and 583 hours of service. Three quarters of volunteers were new in 2017.

FIGURE 8: New and Returning Volunteers and Occupations of Volunteers



**Satisfaction Survey Results**

200 people (58%) completed satisfaction surveys.

**100%** of survey responders said their tax preparer was friendly, courteous and professional.

**98%** of survey responders said they would recommend our service to a friend.

**98%** of survey responders said the amount of time they had to wait was reasonable.

**Site Improvements**

The tax prep service run by DHS expanded on previous years' efforts to improve the experience of volunteers and taxpayers:

- A "required documents" list was added to the 2017 taxpayer welcome back letter. The list was developed to help taxpayers gather all required tax documents and to inform them of the updated rule requiring both ID and Social Security cards at all tax appointments.

- This year, the program offered a paid internship through funding from the United Way. The intern was certified at the advanced tax level and assisted the site coordinator with greeting taxpayers, answering volunteers' questions, and other site operations.
- For the third year, DHS offered Valet Volunteer Income Tax Assistance (VITA) services, which allows the taxpayer to complete a 15-minute intake appointment at a host site, then return several days later to review and sign their paperwork after a volunteer has prepared the tax return. This service is beneficial for taxpayers whose schedules do not allow them to stay at the tax prep center for an entire appointment. This year, DHS partnered with student volunteers at Robert Morris University (RMU) to complete the returns. Through this successful and unique partnership, DHS and RMU completed 28 tax returns for a total refund of \$24,121. Interpreters assisted DHS to complete taxes for immigrants and refugees from Iraq, Nepal, Burma, Somalia, Kenya and elsewhere.
- New in 2017, DHS piloted two tax clinics, held on a Thursday morning and a Saturday, at the Carnegie Library of Pittsburgh Downtown. The pilot allowed the program to reach taxpayers who might be unable to access tax preparation services during DHS's evening hours at its downtown Pittsburgh location. Thirteen households completed tax returns during these clinics.

### 2017 Tax Season Challenges

The 2017 tax season was different from previous tax seasons in that the IRS introduced a new tax preparation software nationwide for all VITA programs and announced refund delays for taxpayers receiving the EITC. These changes impacted the number of appointments and returns the site could complete.

- New nationwide VITA tax software presented some challenges this tax season. The software package did not include local tax forms so volunteers completed local taxes by hand, and navigating through the actual software took longer than expected. These challenges added 30 to 45 minutes to the standard tax appointment. The DHS tax prep location, with guidance from the Free Tax Prep Coalition, changed standard appointments from one to one and a quarter hours to accommodate the increased tax preparation times.
- The IRS announced that refunds for taxpayers receiving the EITC and the additional child tax credit would be delayed until after February 15, 2017. Taxpayers receiving both credits generally file early, and tax sites nationwide were concerned that taxpayers would forgo the free VITA services for commercial services offering loans against expected tax refunds. The IRS reported about 5 million fewer tax returns filed by the end of February 2017 compared to February 2016. The tax refund delay may account for some changes in site traffic. The refund delay is expected to become a permanent change in the coming tax years, and the site will have a better understanding of the impact on site traffic.



**NEXT STEPS**

Even with the 2017 challenges, the DHS tax service exceeded its tax return goal of 335, and half of the volunteers are interested in returning next season.

In 2018, DHS will continue to offer its free tax preparation program while exploring innovations and partnerships in order to offer taxpayers a convenient, quality service.

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## ANALYST

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## REVIEWERS

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