

DATA BRIEF:

Free Tax Prep Coalition Completes 300 Tax Returns in 2019

OVERVIEW

Two thousand nineteen marked the ninth year that the Allegheny County Department of Human Services (DHS) offered free tax preparation services at its downtown location for income-eligible County residents (earning less than \$30,000 per year for individuals and less than \$50,000 for households).

Led by the United Way, the Free Tax Prep Coalition is a partnership between DHS and several other community organizations that certifies and trains volunteers to prepare tax returns and ensure that they are filed correctly, on time and with all qualifying credits (e.g., Earned Income Tax Credit [EITC] and Child Tax Credit [CTC]). Families served by the Free Tax Prep Coalition avoid costly tax filing fees and receive any refund to which they are entitled.

This data brief provides a summary of DHS's 2019¹ tax assistance service, the taxpayers using the service and the volunteers who were involved. Data is from participants' tax returns with additional information self-reported by participants.

¹ Tax returns prepared in 2019 were for the 2018 tax year. Except for income eligibility information, data are for 2018.



SJ is a single mother of one, with another child on the way. She worked four jobs in 2018, earning about \$12,000. She is also going to school full-time to earn her degree. She qualified for the Earned Income Tax credit, Child Tax Credit and Education Credit, resulting in a refund of more than \$6,000. She is putting the money toward her family expenses and continuing her education.

BY THE NUMBERS



12 Tax preparers participated



They completed **163 hours** of training and provided **391 hours** of service



300 Tax returns completed (for 284 taxpayers)

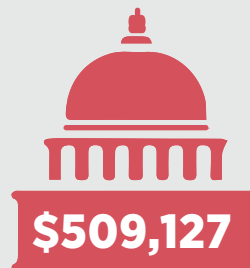
53% were returning customers

31% had an annual income of less than \$10,000

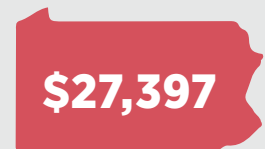
61% had an annual income of less than \$20,000



\$56,400
Total estimated tax prep fees saved



\$509,127
Total federal refunds received



\$27,397
Total state refunds received

2019 TAX SEASON HIGHLIGHTS

2 Drop-off tax preparation service in which the taxpayer has a short intake appointment at the host site; the tax return is prepared elsewhere, and the taxpayer returns to the original site to pick up the return.

- DHS continued outreach and services to underserved communities and populations with tax clinics in McKees Rocks and VALET VITA services² to immigrants and refugees.
- The DHS tax site participated in a panel on fraud, hosted by the DHS Immigrant and Internationals Advisory Board (I&I). The panel presentation included information on how to choose a tax preparer, how to report an unscrupulous tax preparer to the IRS, and how to get assistance from the IRS Taxpayer Advocate Service. The panel also included an FBI special agent from the Economic Crime Unit who provided information on how to report instances of fraud and identity theft to the FBI.
- The IRS Quality Statistical Sample (QSS) team randomly selected the DHS tax site for a site review. During the review, an IRS agent checked the tax site for adherence to IRS standards of conduct and quality requirements. The agent also reviewed a sample of tax returns for accuracy. The DHS tax site was in compliance with IRS requirements and accurately prepared all reviewed tax returns.
- The site signed up 15 taxpayers for PNC refund debit cards. The PNC refund card allows unbanked taxpayers to receive their refunds via direct deposit onto the debit card, which is faster and safer than having refund checks mailed to them.
- The site saved participants an estimated \$56,400 in tax preparation fees.³

3 The estimated savings is based on a 2019 Volunteer Income Tax Assistance estimate of \$188, the average cost of a simple tax return. The estimate does not consider the more complex returns prepared at the site and the additional cost of a state return.

ANALYSIS

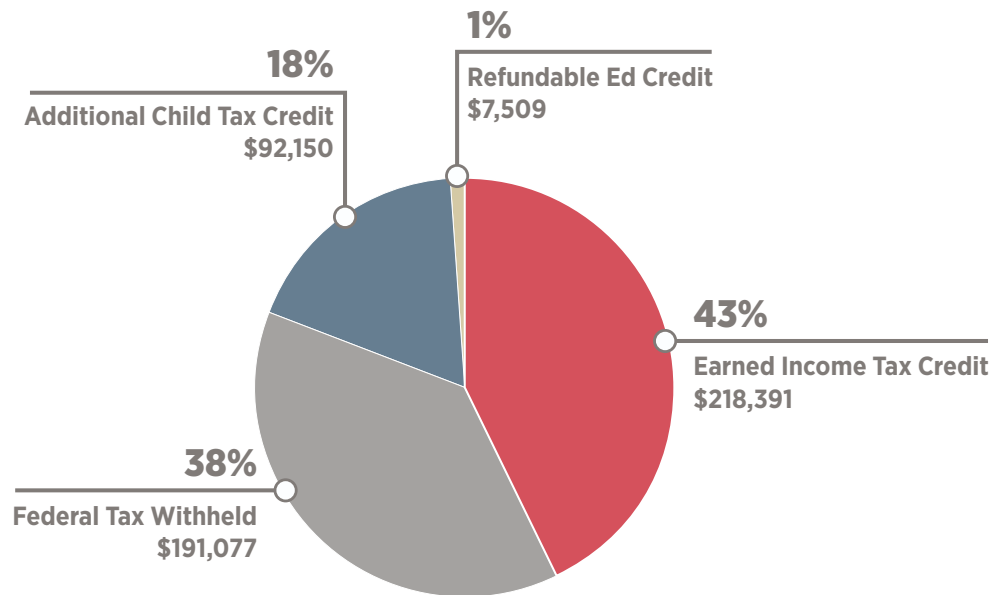
Total Refund

In 2019, 284 participating taxpayers received federal refunds totaling \$509,127 (see **Table 1**). **Figure 1** shows the distribution of the total refund. The Earned Income Tax Credit accounted for the largest percentage of federal refunds (43%).

TABLE 1: Tax Returns and Refunds, 2017 through 2019

	2017	2018	2019
Total Returns Completed	343	313	300
Total Refund	\$519,645	\$538,510	\$509,127

FIGURE 1: Tax Refund Distribution, Received in 2019



Participants received \$27,397 in state refunds due to the Pennsylvania Tax Forgiveness Credit, which allows low-income taxpayers to reduce or eliminate their tax liability.

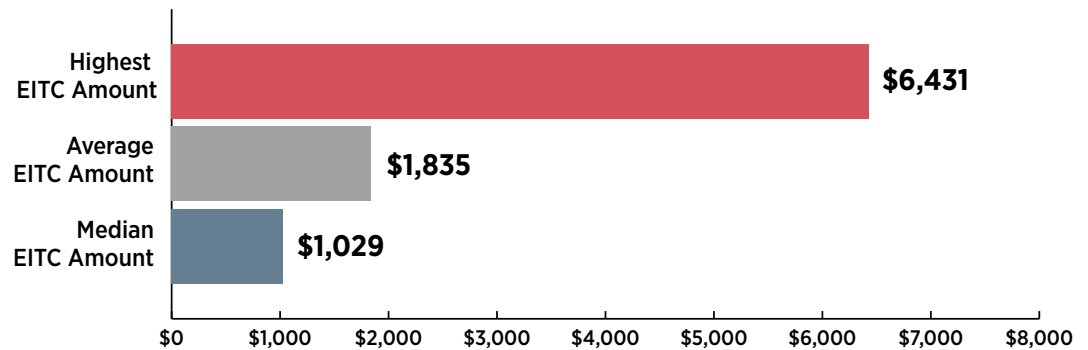
Earned Income Credit

Forty-three percent of taxpayers received the Earned Income Tax Credit (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 DHS tax filers in 2019.



During BJ's tax appointment for his 2018 return, he asked if we could refer him to someone to file previous years' returns. He hadn't filed his 2016 and 2017 taxes and wasn't sure what to do. Because DHS's tax site had the capability to prepare tax returns back to 2015, BJ was able to file his returns for three years, free of fees. He received a refund for each year he filed; and, more important, he is up to date on his tax filing obligations.

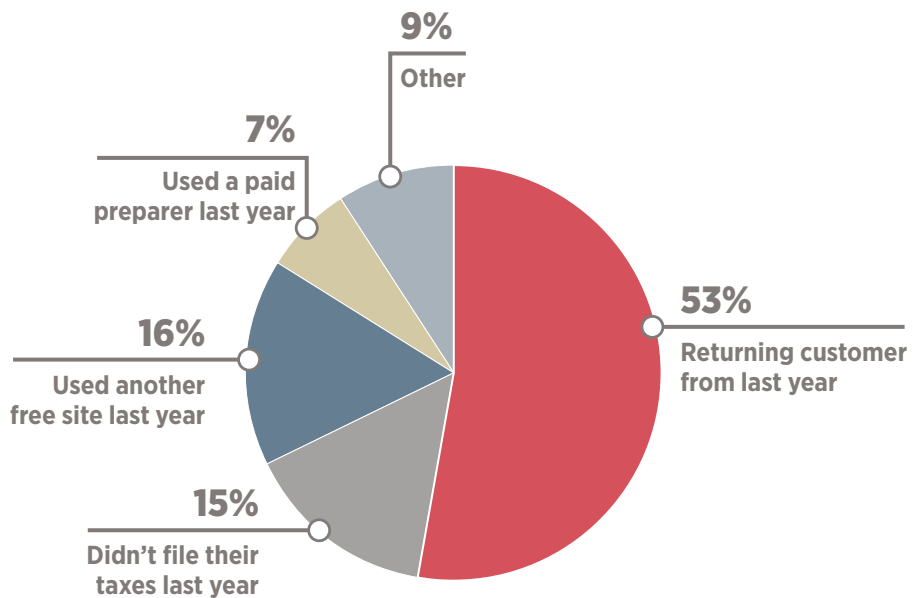
FIGURE 2: Highest, Average and Median Earned Income Tax Credit, from Returns Submitted in 2019



Taxpayer Information

As in past years, the majority of participants in DHS’s tax preparation assistance program (53%) were returning customers (Figure 3). Participation cut across all age groups (Figure 4). The majority of taxpayers (60%) were Black (Figure 5). More than half of the participants (57%) filed as individuals, and 25% represented single-parent households (both male and female).

FIGURE 3: Returning Customers





BC, a single parent, came to the DHS tax preparation site to file an amendment. A paid tax preparer had filed BC's return earlier in the tax season even though BC told the Preparer he was still expecting more W-2s. The Preparer advised BC to file immediately so he could get a refund and they would amend the return later. Even though BC only had a \$5,000 income at the time, the Preparer charged him \$500 to file the tax return. When BC received his additional W-2s and returned to the Preparer, he was told it would be an additional \$90 to file the amendment. A friend told BC about the program; with an annual income of only \$15,000, he qualified for tax preparation assistance. The Free Tax Prep Coalition prepared his amended tax return and he received a \$3,000 refund. BC intends to return for tax preparation assistance with his 2019 return.

FIGURE 4: Age of Taxpayers

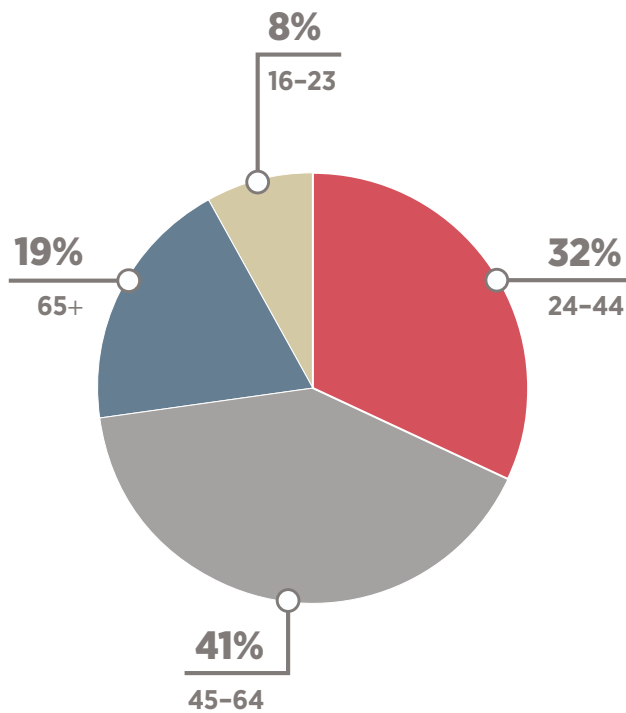
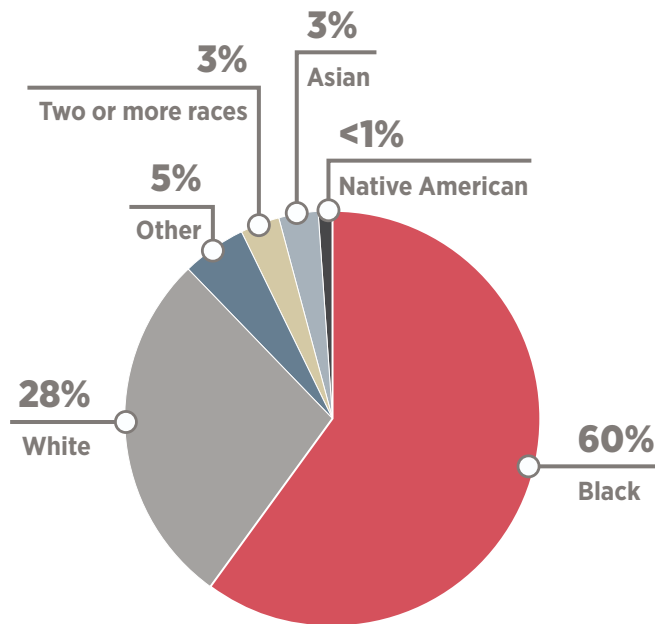


FIGURE 5: Race/Ethnicity of Taxpayers



4 Even though tax returns were prepared for 2018, 2019 income guidelines were used to determine eligibility.

5 \$12,490 for one person; \$25,750 for a family of four.

Thirty-one percent of taxpayers served at the site in 2019⁴ had an annual income of less than \$10,000, and 61% had an annual income of less than \$20,000 (Figure 6). As shown in Figure 7, half had incomes below 100% of the federal Health and Human Services (HHS) 2019 poverty guidelines.⁵

FIGURE 6: Adjusted Gross Income of Taxpayers, 2019

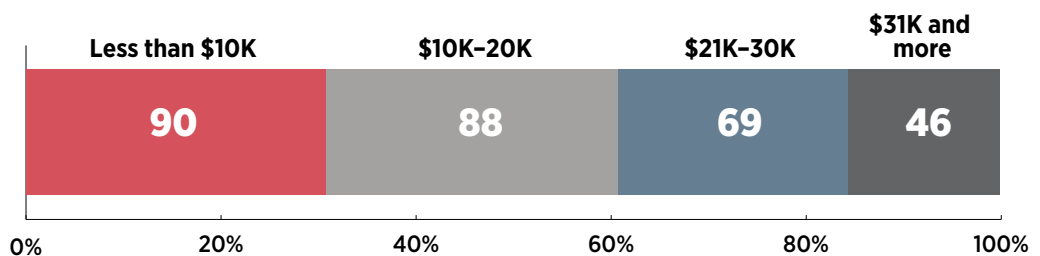


FIGURE 7: Percentage of 2019 HHS Poverty Guidelines

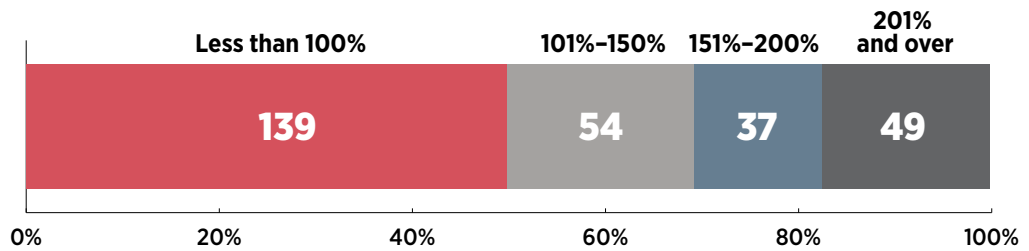
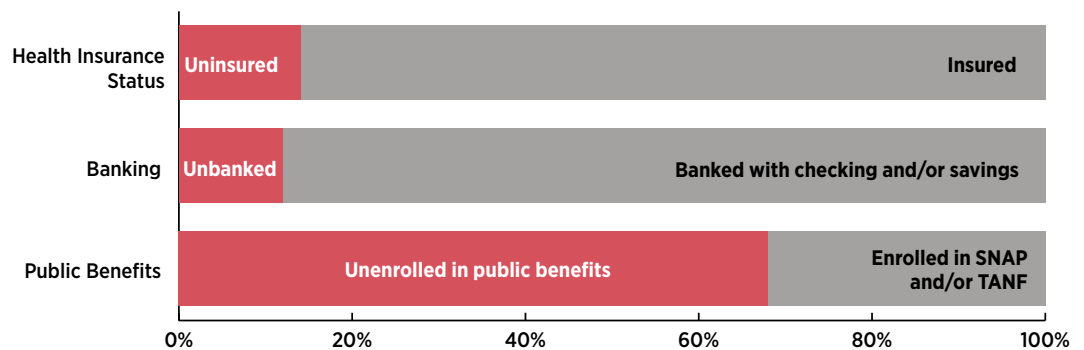


Figure 8 displays health insurance status, bank account status and public benefits utilization of taxpayers. Significantly, given the income guidelines, almost 70% were not receiving public benefits (Figure 8). There are two opportunities to reach out to those individuals. The first occurs when the taxpayer calls 2-1-1 to sign up for tax preparation assistance. 2-1-1 operators are trained to ask about benefit enrollment and offer guidance and referrals. The second opportunity occurs at the end of the process, when each taxpayer can complete a survey about their experience with the tax preparation service. The survey asks if the respondent is interested in learning about benefit enrollment and, depending upon the response, we may refer them to the appropriate entity for enrollment assistance. Although only 74 participants completed the survey, every participant must go through 2-1-1 to make the appointment, meaning that each participant has at least one opportunity to learn about accessing public benefits.

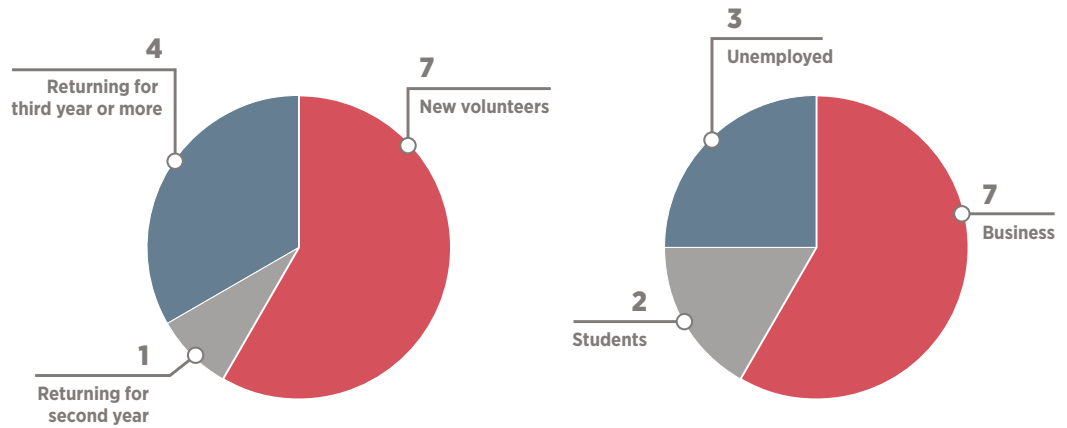
FIGURE 8: Health Insurance, Banking and Public Benefits



Volunteers

Twelve volunteers completed 163 hours of training and 391 hours of service. More than half of the volunteers were young professionals and three were DHS staff.

FIGURE 9: New and Returning Volunteers & Occupations of Volunteers



Satisfaction Survey Results

Of the 74 taxpayers who completed the survey:

- 99% said their tax preparer was friendly, courteous and professional.
- 99% said they would recommend the service to a friend.
- 100% said the amount of time they had to wait was reasonable.

WRITER

Oluşore “Şore” Shields, Program Specialist, Office of Community Services,
Allegheny County Department of Human Services