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Promoting the EITC in Your District: **An Overview for Elected Officials**

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An Overview for Elected Officials

David Marzahl, Executive Director, Center for Economic Progress
December 3, 2003 Congressional Staff Briefing

Introduction: The EITC: An Underused Resource for American Families

Every year across the United States, millions of taxpayers miss out on a tax credit specifically designed for them: the Earned Income Tax Credit.

Created by Congress with bipartisan support in 1975 under President Ford, and greatly expanded since then during the administrations of Presidents Reagan, Bush, and Clinton, the Earned Income Tax Credit, or EITC, provides a lump-sum payment to working individuals and families below certain income levels. The program puts real "money in the pockets" of workers with modest incomes.

The EITC is an economic development tool not just for individuals but also for local economies. The credit brought an estimated \$36 billion into the national economy in tax year 2002. State total refund amounts in 2001 ranged from \$41 million to 30,000 taxpayers in Alaska to \$3.1 billion going to 2.2 million taxpayers in California*. As that money was spent in neighborhood stores and deposited at local banks, it was recirculated through the region's economy.

Who is eligible for the credit? Working people.

- Workers earning less than \$33,692 in 2003 (or less than \$34,692 for married workers) who have two or more qualifying children can receive up to \$4,204 in EITC refunds
- Individuals without children who earned less than \$11,230 in 2003 (or less than \$12,230 for married workers) can receive up to \$382 in EITC refunds

Promoting the EITC in Your District: The Chicago Example

The City of Chicago, under Mayor Daley's leadership, began an EITC Outreach Initiative in the late summer of 1999. Between 1999 and 2000, **the increase in EITC claims was five times higher** in Chicago than in the other one hundred largest U.S. cities.

We encourage you to maximize this powerful economic development tool for your community too!

* To find data on EITC refund amounts in your community, go to www.brookings.edu/urban/eitc to view and download zip code-level data for states, metro areas, counties, cities, and towns. For 2001 EITC return data by state, see <http://www.cbpp.org/eic2003/participation.pdf>

How Chicago's Initiative Helped Working Residents Claim the Credit

Chicago's EITC campaign was put together on a tight schedule and with a modest budget, but it had the leadership and program management resources of the Mayor's Office, two non-profit organizations, the foundation community and three local business groups. That was enough to get things started.

The two major objectives were:

- To recruit corporations to help promote the EITC and
- To build up the volunteer tax-preparation network so that it could handle an influx of new filers.

Hundreds of details also had to be addressed: budgets, timelines, event management, media relations, and design, printing and distribution of materials. With so many partners involved, coordination was key, as was keeping the message direct and consistent. Standard wording was developed, scripts and sample letters were distributed, and a graphic identity was applied to all materials.

Planning shifted to implementation as the outreach campaign kicked off in December. The pace picked up in January and reached a crescendo in February and March, when it seemed the whole city was inundated with the EITC message.

Step 1: Creating Partnerships

The partners in Chicago's successful campaign are listed below:

- **Mayor's Office**

Mayor Daley's office provided leadership, coordination, management support, resources of city departments and use of the city's 311 telephone information service.

- **Business Groups**

Three organizations were full partners: the Chicagoland Chamber of Commerce, Chicago Partnership for Economic Development and Civic Committee of the Commercial Club. Each promoted the EITC to members and signed up businesses as partners.

- **Local Companies**

Seven firms became major partners. Hundreds of other promoted the EITC to their employees through paystub messages, videos, newsletters and other methods. Many made donations and/or recruited volunteer tax preparers.

- **Tax Experts**

Two non-profit groups, the Tax Counseling Project (TCP) of the Center for Economic Progress and the Tax Assistance Program - It Adds Up, provided their expertise of the tax system, as did

the Internal Revenue Service. The non-profits recruited volunteers and managed 22 Chicago-area tax preparation centers.

- **Foundations**

Three philanthropic organizations provided operational funding: the John D. and Catherine T. MacArthur Foundation, the Steans Family Foundation and the Woods Fund of Chicago. The Annie E. Casey Foundation supported documentation of the campaign.

- **Media Specialists**

June Rosner Public Relations helped with media strategy, placed news stories and arranged interviews and talk shows. Website developer Zefer created the initiative's website.

- **Community Groups**

Non-profits including the Jewish Federation of Metropolitan Chicago, the United Way Campaign of Mercy and Catholic Charities distributed information to member agencies. Hundreds of churches, neighborhood organizations and public agencies promoted the EITC to their members, clients and employees.

- **Government Agencies**

The Illinois Department of Human Services helped develop and distribute customized outreach materials for target audiences including elderly and disabled taxpayers and women making the transition from welfare to work. The Department of Children and Family Services mailed a tax booklet developed by the Center for Economic Progress' Tax Counseling Project to more than 40,000 foster and adoptive parents. The Chicago Park District, Chicago Public Schools, Chicago Housing Authority, Mayor's Office on Workforce Development and other City departments helped with outreach.

Step 2: Outreach, Outreach, Outreach

The goal of the Chicago outreach campaign was to increase the number of people claiming the credit by reaching as many residents as possible with the EITC message. From December to April, Chicago-area residents repeatedly heard and saw the information about the EITC and how it could mean real money for them or someone they know.

- **Kicking Off the Campaign**

It all started with a corporate kickoff breakfast on Dec. 14, 1999 at LaSalle Bank. The standing-room-only crowd of 125 business leaders listened as Mayor Daley, LaSalle Bank CEO Norman Bobins and Chicagoland Chamber of Commerce President Jerry Roper explained how the credit could help employees, customers, and the local economy. The Mayor's Office staff, Chicagoland Chamber of Commerce and Chicago Partnership for Economic Development followed up with letters and phone calls to ask what outreach methods would be used and to offer help with company outreach efforts.

Press notice was triggered by the kickoff, with advance stories in the *Chicago Tribune* and *Chicago Sun-Times*. Supportive editorials appeared in the *Tribune* and in *Crain's Chicago Business*, which said "a critical step is to get local employers involved in this worthwhile effort." Articles appeared in specialty newspapers serving teachers, African-Americans, Lithuanian-Americans and public housing residents.

The City's sister agencies also were helpful. The Chicago Public Schools arranged for a holiday letter to be sent home with students, urging families to apply for the tax credit. It included phone numbers for the volunteer tax preparation centers, and those phones started ringing. A briefing for the city's 50 aldermen was held January 12 and followed up with distribution of 50 information packets and 25,000 fliers. Paystub messages and inserts were included in the pay envelopes of 100,000 public-agency employees, and EITC information was sent home with January report cards for nearly half-a-million Chicago school children.

The second major campaign event was a community organization breakfast hosted by Hilton Hotel and Towers on January 19. The 150 attendees learned how they could bring EITC dollars back into their communities through outreach to their employees and clients. A news conference the next day at the Center for Economic Progress' Tax Counseling Project's site at the Rudy Lozano Library featured the Mayor and five of the project's partners. It triggered articles in four newspapers and stories on three television stations, and announced the launch of the initiative's dedicated EITC website.

- o **Outreach through the Media and all the Partners**

The campaign continued to gain momentum in February. Corporate partners launched their campaigns to reach an estimated 790,000 employees, using paystubs, video and audio messages, e-mails, newsletters and fliers. Thanks to advance work by a partner at WGN-AM, 21 radio stations began airing EITC public service announcements based on scripts provided by the initiative. Information and program materials were distributed at events such as Minister's Census Breakfast, which reached about 300 faith-based organizations.

The largest-scale information vehicles of the campaign made their appearance in February. Millions of Dominick's grocery bags were distributed each week. Distinctive red EITC fliers were included in the electronic bills of 3.2 million ComEd customers, and in case that wasn't noticed, ComEd's monthly customer newsletters included a story about the Tax Assistance program's services. Another million newsletters arrived with People's Energy gas bills, featuring a reproduction of the IRS Form EIC and phone numbers for more information.

At the same time, the public relations partner was lining up EITC speaker appearances on more than a dozen TV and radio talk shows. Key members of the team appeared on the 30-minute People to People show on super-station WGN-TV reaching across the Midwest and beyond. They also pitched the EITC on a drive time segment on Moody Broadcasting's Prime Time America. One of the biggest hits was an interview with a tax assistance partner on the call-in show *Carina: Su Mejor Amiga*. Listeners on two Spanish-language radio stations lit up the program's phone lines and prompted a one-hour extension of the show so the tax assistance expert could answer more EITC questions.

Fliers and information packets were distributed to businesses and non-profit partners. DePaul University used 18,000 fliers for distribution on its campuses. City Colleges of Chicago handed

out 72,000 fliers. Chicago State University needed 9,000 and University of Illinois at Chicago used 18,000. Community agencies and ethnic organizations distributed hundreds of thousands of fliers in more than a dozen languages, including Polish, Vietnamese, Korean, Laotian and Spanish.

- **The Final Push**

A campaign expansion was launched in March. Paid advertisements aired on four radio stations and appeared in newspapers with community or ethnic audiences. Transit advertisements were posted on 3,000 buses and trains, exposing 1.2 million riders per day to the campaign slogans of "Money In Your Pocket" and "It Makes Dollars and Sense." The same slogans were projected on the screens at 73 movie theaters.

The initiative's website saw a surge in traffic in March, with more than 80,000 "hits." The attractive, easy-to-use site offered potential filers a quick way to check on eligibility and provided employers with information on how they could promote the credit.

Building on this multi-media blitz, campaign partners made presentations at another series of community meetings, including a minister breakfast sponsored by Dominick's, several meetings of local business councils and a gathering of human resources professionals in the hotel industry, which has many employees who would qualify for the credit.

- **Outreach Results**

Outreach results showed that virtually every one of Chicago's 2.7 million residents "got the word" about the EITC:

- 4.2 million notices went out with utility bills.
- 1 million other fliers were distributed.
- Employers reached an estimated 900,000 of their employees.
- Community organizations and government agencies passed the word to about 500,000 people.
- Hundreds of radio spots reached millions of listeners.
- Tens of millions of eyes read the EITC messages on transit cards, movie trailers and grocery bags.

Step 3: Linking the EITC to Economic Opportunity

No matter how good the outreach, an EITC campaign won't be effective if taxpayers don't file for the credit. 80% of EITC taxpayers have their taxes done by someone else. That's why coordination with tax preparation service providers is crucial to any outreach campaign.

- **Ensuring People File their Taxes**

Free Services - The Internal Revenue Service supports thousands of Volunteer Income Tax Assistance projects (called VITA sites) sponsored by churches, organizations and local governments. The Chicago initiative partners, the Center for Economic Progress Tax Counseling Project and the Tax Assistance Program, are large-scale VITA programs, and dozens of smaller VITA projects provide services in Illinois. The main advantage of VITA programs is they provide free service by trained tax preparers. A disadvantage is that most

sites have limited hours and the busier ones usually have a line that can mean waiting an hour or more for service.

The **National Community Tax Coalition**, a project of the Center for Economic Progress, provides materials, technical assistance, training, and other support to organizations who are providing or wish to provide free tax preparation services and EITC outreach to low-income taxpayers. The Coalition's website is www.tax-coalition.org.

Do-it-yourself and Friends - This method is used by many taxpayers, who pay no fees and have the satisfaction of preparing their own taxes and learning about the tax system in the process. Many now use the computer tax-preparation software that asks the filer a series of questions to determine if the taxpayer qualifies for various credits including the EITC. A disadvantage to self-prepared forms is that the complexity of the tax system can lead to mistakes or unclaimed credits.

Paid Tax Preparers – 67% of EITC taxpayers nationwide use paid tax-preparation experts such as accountants, attorneys or national companies like H & R Block. Costs for a basic return at H & R Block are about \$125 and can be higher if additional forms are required. The main disadvantage to using paid preparers, especially for lower-income taxpayers, is that a substantial percentage of the refund can be forfeited in fees. This is especially true if filers choose a "Refund Anticipation Loan" (RAL) from the preparer, which have interest rates up to 700%. It is estimated that over \$2 billion of the Earned Income Tax Credit annually goes to paid preparers in fees and RALs.

- **Banking the Unbanked**

Unbanked workers are more vulnerable to high fees at currency exchanges and other alternative financial institutions. Low-income taxpayers who are unbanked are:

- At greater risk of being victims of financial crimes
- Targeted for predatory loans and rip-off financial products
- Unable to access necessary credit for buying homes, building business, higher education, and other assets.

Many community residents have lived for years without bank accounts; the large size of EITC refunds provides an excellent opportunity to open an account and put some money aside for the future.

Opening a bank account also allows for:

- direct deposit of refunds
- speeding the receipt of refunds, thus reducing the need for Refund Anticipation Loans (RALs)

The Center for Economic Progress' Tax Counseling Project has partnered with ShoreBank and other banks to open hundreds of accounts on-site as taxpayers receive free tax preparation service, allowing for direct deposit and increased savings opportunities. Indeed, the Center for Economic Progress has had the largest number of first bank accounts opened in the Department of Treasury's First Accounts program – 760 in the last year - due to this program model.

- **Linking to Financial Education**

Financial education helps community residents access the knowledge, tools, and resources they need to link tax refunds to building assets and climbing the economic ladder. The Center for Economic Progress' financial education programs helped 853 residents. link tax refunds to savings and asset-building. The programs provide connections with Individual Development Accounts (IDAs) and home-buying opportunities.

The Center for Economic Progress also provides workshops on taxes to foster care families, small businesses, and immigrant workers.

- **Building Assets and Income**

Free tax preparation programs across the country are linking tax preparation to asset-building in creative ways, including linking to:

- Individual Development Accounts, providing matching savings for purchasing homes, cars, starting and growing businesses, and paying for education;
- Low-cost car loans;
- Small loans for computers;
- Home ownership opportunities through community development programs, to name a few.

Free tax preparation programs also are beginning to link to workforce development programs, for example by operating in One-Stops and creating formal linkages with job searching, coaching, and training. Referrals can be made in both directions, so that participants in job training and welfare to work programs receive the EITC and can be retained in employment – the EITC can increase low-wage workers' income by as much as 25%.

- **Linking to other Benefits**

Access to other benefits helps low- and moderate-income workers meet their monthly bills, stay employed and put more money aside for savings. Benefits now offered at many of the Center for Economic Progress' Tax Counseling Project's sites include:

- Low-income Heating Assistance (last year, 1500 clients signed up for these services at tax preparation sites)
- Food stamps applications
- Kidcare and Medicaid applications

Additional services offered at tax preparation sites around the country include:

- Voter registration
- Individual Taxpayer Identification Numbers (ITIN) applications: the ITIN is a number provided by the IRS to workers who do not have a social security number to use on their tax return

We wish you the best of luck in maximizing the benefit of the Earned Income Tax Credit in your District to spur individual, family, and community economic development and success!

Much of this briefing was adapted from the booklet *Mayor Daley's Earned Income Tax Credit Outreach Initiative – It's Money in Your Pocket*. Other sources include the Center for Economic Progress, the National Community Tax Coalition, the Center on Budget and Policy Priorities, and the Brookings Institution.

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The National Community Tax Coalition, a project of the Center for Economic Progress, provides materials, technical assistance, training, and other support to organizations who are providing or wish to provide free tax preparation services and EITC outreach to low-income taxpayers.

Visit the **National Community Tax Coalition** website at www.tax-coalition.org.