



You Earned It! You Keep It, Michigan!

# Michigan's Statewide Earned Income Tax Credit Initiative

## 2008 Evaluation Report

Prepared for the Michigan Statewide EITC Coalition  
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# Introduction

The Earned Income Tax Credit (EITC) is a popular and proven method for raising the household income of the working poor. The Federal tax credit allows millions of dollars to flow back into the pockets of workers and subsequently into the local economies in Michigan.

In 2002, the Government Accounting Office estimated that EITC-eligible Michigan workers left nearly \$400 million in unclaimed EITC refunds. Recognizing the importance of this issue to low income families in Michigan and to the State overall, Governor Granholm through the Department of Human Services (DHS) initiated several efforts to increase EITC filing in the State. Among these efforts were contracts to support a Statewide EITC Coalition (Statewide Coalition) along with Local Tax Coalitions with the goal of publicizing the EITC and increasing the claim rate among the eligible populations.

The first State contract from DHS was awarded to Michigan State University (MSU) to convene a Statewide EITC Coalition and included efforts by all three of the current State EITC Coalition convening partners – MSU, Michigan League for Human Services (MLHS), and Legal Services of South Central Michigan (“LSSCM” through its statewide Michigan Poverty Law Program (“MPLP”) office.” The first contract was extremely successful increasing the amount of EITC credits claimed, establishing the I-CAN! E-File system and annual Learning Exchange, along with several other smaller pilot initiatives.

In March of 2007, the Statewide EITC Coalition was awarded a new contract. The

contract was awarded to Legal Services of South Central Michigan to provide the administrative services for the Statewide Coalition. LSSCM is the lead on the contract however, the duties of the Statewide Coalition are divided between three managing entities. LSSCM and the Michigan Poverty Law Program administer the contract and also provide the technical oversight. Michigan League for Human Services convenes the Statewide Coalition and provides much of the outreach and interaction with local coalitions. Michigan State University manages the financial education and asset building strategy and activities. The transition between contracts took several months because of the revenue shortages at the State level at the time, however, the strong working relationship between the three entities and the fact that all three had been active in the first grant made the transition very smooth.

As part of the statewide efforts, Reed Consulting Services were selected to conduct an evaluation of the 2007-2009 Michigan Statewide Coalition activities. This evaluation documents activities that have taken place in 2008 (tax year 2007), identifies outcomes from these activities, make conclusions and recommendations, and provides information that will assist stakeholders in planning for future years. This evaluation report should be read in conjunction with the 2008 Gaps Analysis Survey Report. Additional efforts for the 2008 evaluation will include assistance with strategic planning in 2008 and 2009. After the 2009 tax season (2008 tax year) a comprehensive evaluation including activities and outcomes from 2007-2009 will be completed.

## **Brief Overview of 2008 Statewide EITC Coalition Activities:**

The following are brief descriptions of the 2008 activities and initiatives for the 2007 tax season covered in this evaluation report.

### **Convening and Outreach**

The Statewide Coalition functions to provide guidance and leadership. The Statewide Coalition acts as the convener for local coalitions, holding statewide meetings and providing outreach, assistance, and information sharing to local coalitions.

### **Annual Learning Exchange**

The Learning Exchange is a one-day conference that brings together a diverse group of professionals who assist low-income wage earners and promote the EITC. The conference allows for networking and information sharing among different practitioners from state policy makers to local tax preparers.

### **Free Tax Preparation Services**

Local tax coalitions provide free tax preparation services for the EITC eligible population as a way to assist low income wage earners and allow them to keep more of their refund. Free tax preparation is considered one of the key activities to assisting low income taxpayers claim the EITC.

### **Technology**

The Statewide Coalition provides several tools in its statewide efforts including a listserv and the Michiganeic.org website.

### **ICAN! E-FILE Tax Preparation Services**

I-CAN! E-FILE is a web-based application developed in 2002 that empowers anyone to complete and e-file their federal and state tax returns on their own for free. I-CAN! E-FILE was available in many Michigan credit

unions and Michigan Works! offices and its use in Michigan has expanded dramatically since 2003.

### **Financial Education and Asset Building**

Michigan State University is leading efforts to increase the participation in financial literacy activities of EITC eligible clients statewide. An asset building workgroup was created and is working to promote existing asset building models and develop successful new financial education and asset building programs.

## **Methodology**

The evaluation of 2008 activities relied on interviews with members of the management team, conversations with select local coalitions, and data collection from each of the initiatives. Most of the data in this report was provided by leaders of the Statewide Coalition or local coalitions. The data was supplemented by additional meetings or phone interviews with the management team. The goal of this evaluation is to document and evaluate 2008 activities. At the conclusion of 2009, a comprehensive evaluation of all three years will be completed.

The 2008 evaluation efforts also included a gaps analysis project in which the Statewide Coalition surveyed local coalitions to determine how they can be more effective. The survey data for the gaps analysis was supplemented by interviews with a sample of stakeholders. These results are available under separate cover.

## **Findings**

The following sections discuss the objectives and activities of the 2008 EITC initiative. Each section will then document the outcomes, conclusions, and recommendations. Overall conclusions and

recommendations follow the outcomes for each of the individual initiatives.

# Section I: Convening and Outreach

## Objectives

To provide effective statewide leadership, strategy and facilitate communication among coalitions. To increase the number of local coalitions and provide assistance to existing coalitions.

## Summary of Issues

The Department of Human Services has funded the Statewide Coalition for several years with the purpose of convening local coalitions, guiding statewide efforts and providing assistance to local coalitions. The Michigan League for Human Services generally handles convening.

## Activities

The Convener organizes and runs Statewide Coalition meetings, provides support and outreach efforts to existing and new coalitions. In addition, the convener also plans the learning exchange (see section II). The outreach efforts are various and include information packets regarding the EITC, tool kits for the local coalitions, and alerts about State and Federal policy.

## Outcomes for 2008

The Statewide Coalition held seven meetings in 2008. In addition to the Statewide Coalition meetings, the management team occasionally meets to discuss and plan strategy.

The Statewide Coalition also provides outreach to existing coalitions or areas interested in starting a new coalition. A new coalition was set up for Luce and Chippewa Counties in 2007. A representative from the Statewide Coalition was in constant contact with the local

coalition's coordinator throughout 2008 and provided assistance when necessary. On March 27, 2008, a representative visited the Capital Area Asset Independence Coalition and took part in a press conference. The MLHS has made it a goal to visit more local coalitions in 2009.

The MLHS also distributes a large amount of information through the Michigan EITC listserv. The distribution of this information is reported to be very helpful to local coalitions providing updates and information on the EITC, events, legislation, and other information necessary for local practitioners.

Another task of the MLHS is to update the local coalition toolkit and publish it on the Michiganeic.org website. The website currently uses the Center for Budget and Policy Priorities toolkit for outreach. The toolkit is linked on the website for local coalitions to access.

The MLHS also promotes the EITC through other outreach efforts. One example is the Money back in Michigan report. This pamphlet contains information about the EITC and other tax credits and programs to benefit low income tax payers. These pamphlets are distributed every year in the beginning of January. The MLHS also monitors Federal and State legislation and research to provide updated information to local coalitions. In addition, The MLHS provides advocacy efforts in regards to the EITC including a large role in the establishment of a State of Michigan Earned Income Tax Credit.

As part of its EITC outreach efforts, the MLHS produced a fact sheet on the new Michigan EITC. The fact sheet details how

the State EITC will work and gives an example of common EITC scenarios.

The Statewide Coalition continues to run and operate Michiganeic.org. The site serves as an information hub for local coalitions and taxpayers (See Section IV). Most of the volunteer information has been updated on the website and new promotional materials have been created for the EITC.

## **Conclusions and Recommendations**

**Enhance Future Strategy.** The Statewide Coalition has accomplished a tremendous amount during its existence. There has been dramatic growth in the volume of EITC related returns in Michigan. The use of e-filing and I-CAN! E-FILE has grown exponentially. Local tax coalitions have grown in their sophistication of their services to EITC eligible taxpayers. The Statewide Coalition needs to build on its successes by actively promoting I-CAN! E-FILE and other web resources, tailor its services to meet the new and ever changing needs of the growing local tax coalitions. For example, asset building has become a new generation policy area in which many local coalitions would like to focus some effort. The Statewide Coalition through its asset building workgroup is poised to continue to expand the activities in this area as well as to address other policy areas as they arise.

**Site visits.** The State Coalition and local coalitions can benefit from State Coalition site visits and having State Coalition representatives attend local meetings. These visits are appreciated by the local coalitions and allow the State Coalition to remain in touch with local issues and continue to build on its strong relationships at the local level.

The visits should be encouraged and expanded if possible in future years.

**Address Dichotomy of Coalitions.** There are vast differences between many of the local coalitions. However, the essential difference is that some coalitions are larger and well established while others are smaller and worry about sustainability and day-to-day survival. These coalitions have different needs. The Statewide Coalition should work to facilitate assistance to the smaller struggling coalitions while continuing to move broad statewide EITC issues forward.

**Provide outreach.** As resources are stretched, local coalitions will look to the Statewide Coalition for leadership and assistance. The Statewide Coalition should continue its efforts to communicate by sharing information and best practices in addition to providing assistance to local coalitions.

**Publicize Efforts of Local Coalitions.** Local Coalitions provide a valuable service interfacing with the EITC eligible population. There are many examples of innovation and creativity at the local level. The Statewide Coalition should continue to publicize the successes of local coalitions and demonstrate the value they provide at the local level to the State Legislature and State Agencies.

## Section II: Learning Exchange

### Objectives

As part of its yearly efforts, the Statewide Coalition hosts an annual Learning Exchange to examine the current EITC efforts, network and share ideas and information on national, state, and local EITC efforts, and give thoughts and recommendations for the next year's efforts.

### Summary of Issues

The Annual Learning Exchange is the biggest networking and information sharing event for those involved with EITC in Michigan.

### Activities

The fifth annual Statewide EITC Learning Exchange took place on Friday, June 13, 2008. The all-day event was held at the Plymouth Congregational Church in Lansing.

The Learning Exchange provides an opportunity for practitioners from Community Action Agencies, tax coalitions, the IRS, and several other relevant organizations who work with low income wage earners to share information from their projects or region with others. The 2008 Learning Exchange included a lively sharing session in which each coalition could share with the participants their accomplishments and challenges. Nancy Lindman, the Director of Public Policy and Partnerships for the Michigan Association of United Ways presented on the 2-1-1 and its first year of Statewide Tax Assistance Referral. Mark Skidmore, Professor of Economics with Michigan State University presented on Michigan's Foreclosure crisis and what it means for Tax assistance and Financial

Literacy Services. There was a panel discussion on Effective financial and asset building programs across the state. Scott Darragh, Economist for the Office of Revenue and Tax Analysis for the Michigan Department of Treasury spoke about Michigan's new State EITC. Peter Ruark had a web and data update, and Lisa Nuskowski, Chief of Staff for Majority Floor Leader, Michigan House of Representatives presented on engaging elected officials in EITC outreach.

### Outcomes for 2008

The turnout for the 2008 learning exchange was down slightly from previous years, having just more than 60 people present.

**Figure 1: Participation in the 2008 Learning Exchange\***

Private, Nonprofit Agency	22
Government Organization	8
No answer	2
Evaluation Forms Returned	35

\* Approximately 25 participants did not fill out an evaluation form.

Participants were asked what attracted them most to the Learning Exchange, and 28 of the 35 respondents said the agency/organization interaction. Participants in the learning exchange were asked to share their opinions on an evaluation form before leaving for the day. Figure 2 shows feedback on the overall value of the Learning Exchange as well as the value of each session.

**Figure 2: Learning Exchange Ratings**

	Excellent	Good	Fair	Poor
Usefulness of the Learning Exchange	21	13	0	0
Materials that were distributed	14	17	3	0
Facility	16	16	2	0
<b>Presentations:</b>				
United Ways – 2-1-1 Connect	20	14	1	0
Foreclosure	25	9	1	0
Michigan EITC	23	11	0	0
Engaging Elected Officials in EITC Outreach	16	13	2	1
Panel Discussion: Effective Financial and Asset Building Programs Across the State	23	9	1	2

The Learning Exchange continues to receive excellent marks on the usefulness of the event. The ratings for the various presentations were very good.

Figure 3 displays the miscellaneous comments that were received.

**Figure 3: Learning Exchange Comments (Miscellaneous)**

Its good to share ideas to experience—keep up the good work!
Great exchange—best yet!
More Connie Costner.
Great program.
Request that Connie Costner be a topic presenter. For the second year, she has been a panelist and has so much more that she can share.
More on getting more volunteers—bring materials, messages, branding, job descriptions, state contacts for local groups that supply materials. Get a better relationship, working agreements with AARP.
The stats help our presentations at home—and not easy to find. More about blending and adding services via 211—more outside speakers with unique perspectives.
Every presenter that has a PowerPoint or any type of handout needs to have copies for everyone!
This was my first EITC Learning Exchange meeting. I found it very worthwhile and enjoyed learning from the very diverse group. The meeting was well run and an excellent use of my time. Thank you!
Would like to see actual hard copy of financial literacy programs as an example to possibly use or copy. Enjoyed very much, very useful!!
Specific ideas for recruiting volunteers.
Needed cold water all day.
Please strongly encourage copies of PowerPoint slides from each presenter who is utilizing the program. It is very difficult to follow along while trying to see the overhead.
The 211 PowerPoint should have been in the folder as well as the one on foreclosure. Be sensitive to making the name tags, just as the names were submitted on the registration. Connie Costner’s presentation was remarkable!!! Information on how to get people who come to a VITA site and need a guardian to get one.

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**Figure 3: Learning Exchange Comments (Miscellaneous)**

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Obviously it was a bit hot in the room during the afternoon. Talk/session about coalition growth contact me for more thoughts & details. (name and contact information deleted)

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Funding, best practices.

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All of the speakers and presentations were great. Offered great information to help all of us continue to improve our services. Thank you for putting this event together and giving us the opportunity!

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Thanks for all the suggestions.

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## Conclusions and Recommendations

**Learning Exchange is very popular.** The Learning Exchange provides a great avenue to exchange information. The Learning Exchange continues to be a very popular and effective vehicle for the exchange of information on a statewide basis. The participants in the learning exchange give the program high marks every year and find it very informative.

**Continue the Learning Exchange.** All the data indicates that the Learning Exchange has been a tremendous success over the last four years. Participants rated nearly every aspect of the Learning Exchange highly. Organizers should continue to seek feedback from stakeholders and work to continuously improve the Exchange as it is clearly valued by nearly all the participants.

**Emphasis on attracting additional diversity.** The Statewide Coalition has made an effort each year to bring diverse participants to the Learning Exchange and the participants all benefit from these different perspectives. The Statewide Coalition should continue its efforts to involve private sector organizations such as banks, employment services, housing professional, and small business associations in this annual event.

**Continue networking opportunities.** Each year, participants rate the networking and talking amongst coalitions as one of the most valuable functions of the learning exchange. Organizers should continue to include time for informal networking and sharing among coalitions.

**Provide information for smaller coalitions.** Each year, there are coalitions who indicate that they would like to learn more about recruiting volunteers, data collection, and sustainability. A breakout session or special session should be considered for outreach to smaller coalitions.

## Section III: Free Tax Preparation

### Objectives

To provide EITC eligible taxpayers free tax preparation services to increase EITC uptake rate and as an alternative to predatory tax preparation services.

### Summary of Issues

Free tax preparation services have been provided for several years by different Michigan organizations. These organizations include, Community Action Agencies (CAA), AARP, and Senior Volunteer Tax Services. Groups such as the Accounting Aid Society of Detroit provide tax preparation services as well as a host of other financial literacy and support assistance. With the support of the Detroit office of the Internal Revenue Service – Stakeholder, Partnership, Education and Communication office and the Statewide Coalition, local Coalition models have emerged. To date, almost 20 coalitions compliment the CAAs and other volunteer tax preparation services by offering Volunteer Income Tax Assistance (VITA).

### Activities

Local tax coalitions are organized at the county or regional level in order to provide tax preparation services. The local coalitions generally include different combinations of organizations including public agencies, non-profits, community action agencies, and even credit unions. Tax preparation volunteers are recruited and trained to provide tax preparation services to low income tax payers. Sites are managed locally. Those sites that offer electronic filing use Taxwise software, which not only generates an electronic tax return but captures data into a final report.

### Outcomes for 2008

Throughout the current contract, collecting tax preparation data has been a challenge. The data is collected by local coalitions through Taxwise and each coalition submits a Taxwise Summary report to the IRS at the conclusion of each tax season. The IRS analyzes and cleans the data to ensure accuracy. The IRS willingly provides data to the Statewide Coalition, however there is a substantial time lag. The lag is typically one to two years. For the purposes of the evaluation, we have attempted to collect as much data as possible from the local coalitions.

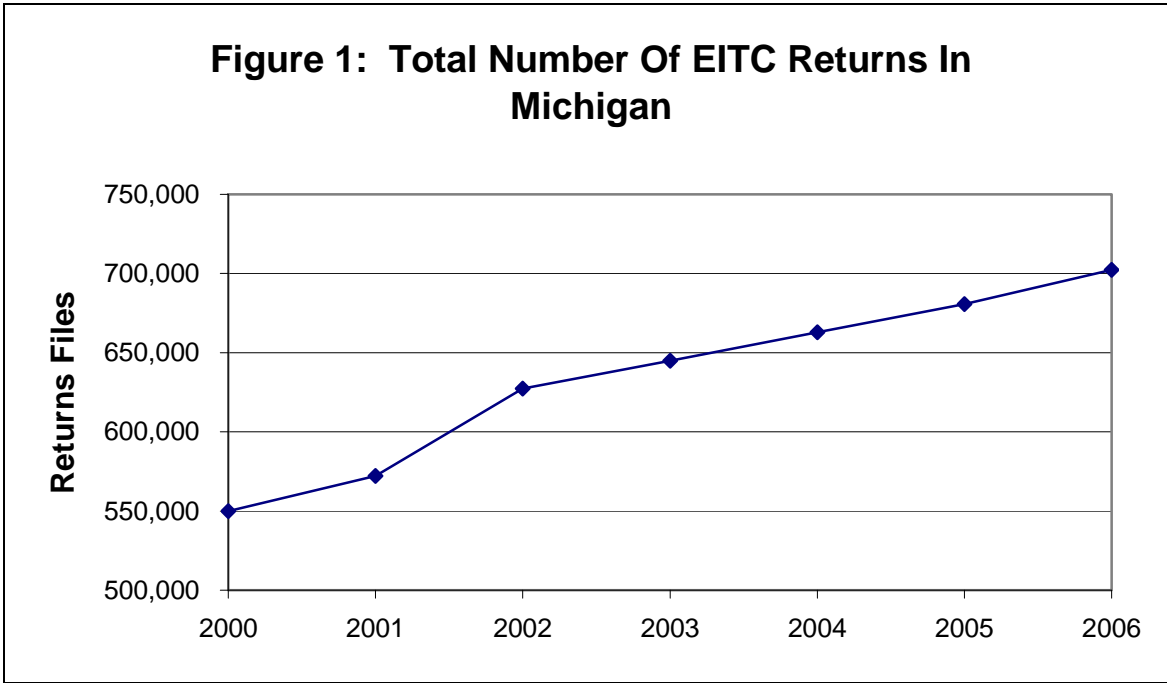
Nearly all of the local coalitions have been cooperative in these efforts, however, coalitions have different levels of staff and expertise in order to pull the necessary data. The IRS has also been very helpful by helping to coordinate the collection of data from each of the free tax preparation sites.

The data itself creates additional challenges. While the Taxwise data itself is easy to analyze, some of the sites prepare paper returns and it is unknown how much of that information makes it into Taxwise initially. In addition, the data often includes additional VITA sites from AARP or other organizations that are not necessarily a part of the Statewide Coalition but have similar activities. The Statewide Coalition has continued to work with local coalitions and the IRS and has had made significant progress standardizing the collection of data.

Despite the challenges collecting data, the trends for tax preparation services show that efforts have been very successful. The data presented below gives us a representative

picture of how free tax preparation services have evolved during the time of the Statewide Coalition. Figure 1 displays the

number of EITC Returns prepared Statewide from 2000 to 2006.



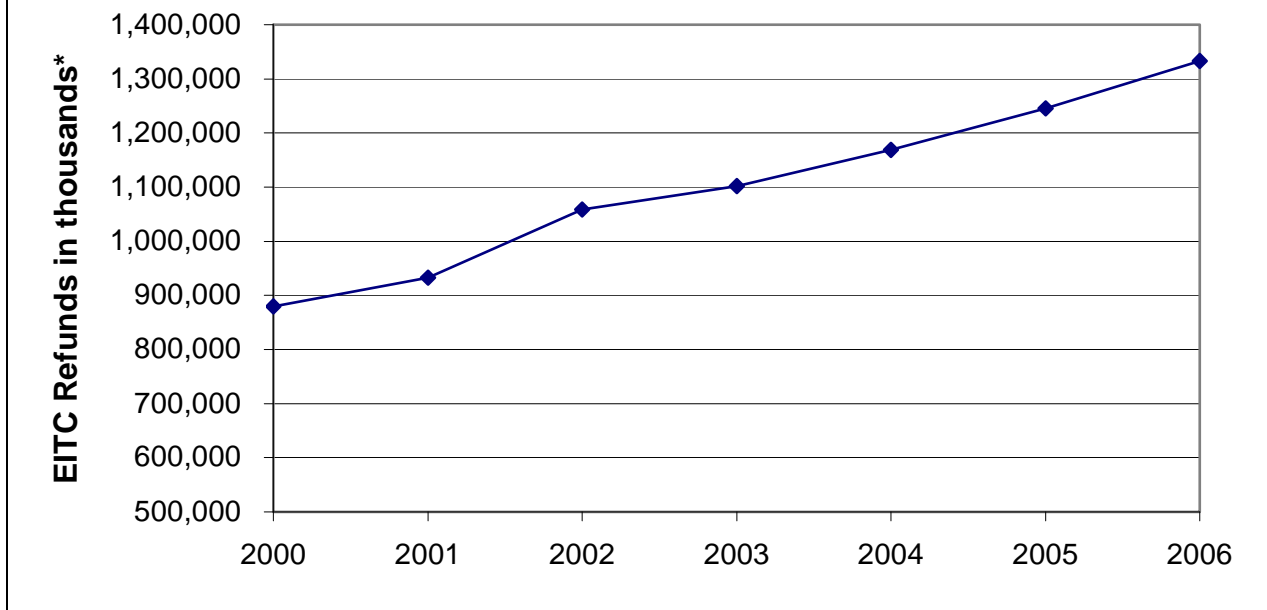
Source: IRS Data. Individual Income and Tax Data, by State and Size of Adjusted Gross Income. Available at: <http://www.irs.gov/taxstats/article/0,,id=171535,00.html>

Although not all EITC returns can be attributed to free tax preparation services or other Statewide Coalition activities, it clearly shows an upward trend each year for the number of EITC returns filed. There are many economic factors that can influence

these numbers, but clearly statewide EITC efforts have had a positive impact.

Figure 2 displays the amount of EITC refunds for the State of Michigan from 2000 to 2006.

**Figure 2: EITC Refunds In Michigan**



\* EITC refunds are for the State of Michigan

Source: IRS Data. Individual Income and Tax Data, by State and Size of Adjusted Gross Income. Available at: <http://www.irs.gov/taxstats/article/0,,id=171535,00.html>

The amount of EITC refunds continued to grow in a similar trend with the amount of EITC returns listed in Figure 1. In 2006, taxpayers in Michigan received more than \$1.3 billion in EITC returns.

Figure 3 displays the EITC refunds and total returns prepared by select local coalitions in Michigan.

**Figure 3: Total Returns and EITC Refunds by Selected Local Tax Coalitions**

Coalition	2006		2007		2008	
	Total Returns	Total EITC Refunds	Total Returns	Total EITC Refunds	Total Returns	Total EITC Refunds
Accounting Aid Society	8,925	\$2,265,014	8,354	\$2,478,114	12,573	\$3,413,861
Kent	3,636	\$1,226,827	3,852	\$1,755,470	2,948	\$1,884,210
Genesee	4,379	\$779,394	4,098	\$842,541	4,928	\$830,995
Saginaw	1,501	\$444,661	5,250	\$596,810	2,660	\$696,963
Oakland/Livingston	747	\$505,319	1,095	\$476,589	1,021	\$491,096
Kalamazoo	551	\$219,256	438	\$118,091	666	\$223,829
Van Buren	324	\$54,246	513	\$173,233	433	\$136,036
Cheyboygan	140	\$93,546	143	\$102,460	456	\$115,500
Berrien	347	\$244,508	412	\$217,182	329	\$115,088
Washtenaw	71	\$20,062	284	\$62,611	260	\$89,482

**Figure 3: Total Returns and EITC Refunds by Selected Local Tax Coalitions**

Coalition	2006		2007		2008	
	Total Returns	Total EITC Refunds	Total Returns	Total EITC Refunds	Total Returns	Total EITC Refunds
Cass	126	\$55,902	254	\$150,810	460	\$81,448
Chippewa	NA	NA	66	\$11,091	129	\$17,917
<b>Totals</b>	20,747	\$5,908,735	24,759	\$6,985,002	26,863	\$8,096,425

- Some numbers are adjusted through the year

- Capital Area, Midland, Macomb, Northwest Michigan, and Wayne local tax coalitions are not included due to the inability to obtain accurate data for one or more years. As these data become available, findings will be updated.

- Data was collected from local coalitions, regional IRS data offices, and from the IRS

In most cases, the amount of EITC refunds increased each year from 2006 through 2008. These increases signify the efforts of each local coalition.

Several coalitions reported that the economic stimulus package approved by Congress and the President in 2008 resulted in increased traffic to the Statewide Coalition. The economic stimulus refund also increased the amount of taxpayers visiting local tax sites throughout the Summer and Fall of 2008. The data provided above represent data submitted by the coalitions for taxes prepared during the regular tax season and most do not include any returns prepared after April 15, 2008.

Although most coalitions increased their impact each year, several did not. There are many factors that influence the impact that local coalitions have on tax preparation. The number of volunteers is a significant factor in how many taxpayers a coalition may serve in a given year. Volunteer recruitment is a subject that is often discussed at the Learning Exchange greatly affects the effectiveness of local coalitions.

## Conclusions and Recommendations

**Continue to measure and assess free tax preparation services.** By all anecdotal and quantitative accounts, tax preparation services are a resounding success. The number of people served continues to grow each year in most communities. The coordination and assistance provided by the Statewide Coalition has been of great value to the local tax coalitions as they evolve and serve more low income taxpayers.

### **Communicate early and often with local coalitions about data collection needs.**

The Statewide Coalition should continue to work with the IRS and local tax coalitions to develop a system where data can be made available on a more timely basis for analysis and program improvement.

### **Work with the IRS to revise Taxwise Data Collection to include additional fields.**

The IRS is already aware of the data needs of the Statewide Coalition and local coalitions. The relationship between the parties has been strong and one of collaboration. It is important to continue to work towards a data collection solution that

will enable everyone to log and collect the data that is necessary for a full evaluation.

**Catalog efforts of local Tax Coalitions.**

The levels of success among the different tax coalitions have been diverse. Some coalitions have been in the business for years while some are new. In addition, there are differences in the demographics of each community. Indicators such as the percentage of EITC returns prepared, average EITC refund, contrasted with the total number of returns and refunds illustrate major differences between tax coalitions. In order to provide data that can help each coalition improve, there needs to be a better coordinated effort to catalog each of the efforts beyond collecting pure quantitative data. Some of this information is shared annually at the Learning Exchange. However, a series of short case studies documenting the efforts of some of the more successful tax coalitions can give other coalitions valuable guidance on how to restructure their services.

**Continue to incorporate financial education into the free tax preparation services for the EITC eligible population.**

For EITC recipients, it is often the only time of the year that they will have discretionary income at their disposal. This appears to be a window of opportunity to provide information on and direct access to safe, affordable financial service options. Studies have shown that the optimum time to engage the tax payer is during the time when taxes are being prepared. Tax payers become aware of the amount of their refund, which has been found to be a turning point in their openness to options such as direct deposit or saving a portion of their return for future financial security.

**Support local coalitions in their efforts.**

Determine what support local coalitions need from the Statewide Coalition for Tax preparation. With few resources, it has become very challenging for local coalitions to continue tax preparation services and to recruit enough trained volunteers. The Statewide Coalition should continue to assess ways to support the local coalitions including facilitating technical assistance.

**Gain Support of Legislators.** The Statewide Coalition should focus on getting more legislators involved in EITC efforts. EITC data could be presented by legislative district. This is an effective way to illustrate what is happening in each district and often catches the eye of legislators when they are compared to other districts. In addition, there have examples of legislators sponsoring a VITA site. If more legislators could be convinced to get involved in tax preparation activities, it would create a pool of advocates in the State legislature.

**Visit Local Coalitions.** The Statewide Coalition should visit local tax sites during the tax season to observe the tax preparation activities. By understanding the process the Statewide Coalition can improve its services and better plan strategically.

## Section IV: Technology

### Objectives

To provide tools that will assist the Statewide Coalition in its outreach and communication efforts and increase the overall effectiveness of the overall statewide effort.

### Summary of Issues

The Statewide coalition provides several tools that enhance opportunities for outreach and communication with local coalitions. These tools are necessary given the geographic distribution of the local coalitions and the increasing reliance on technology.

### Activities

In 2007, the MPLP helped to expand the use of I-CAN! E-FILE (see Section V). The Statewide Coalition continued the distribution of information through the listserv created in 2007. In addition, the Statewide Coalition management continued to update and upgrade the website to provide more information.

### Outcomes for 2008

The Michiganeic.org website is a key interface with local coalitions and the general public. The website hosts a tremendous amount of information. To this point, the management team continually updates different sections of the website.

The use of the website was tracked using Webtrends. Figure 1 displays various statistics from the Michiganeic.org website for 2008.

**Figure 1: Website Trends for Michiganeic.org – 2008\***

Total Visits	41,801
Average visits per day**	176
Unique Visitors	19,194
Average number of visits per person**	1.69

\* Website trends represent data collected January through August 2008

\*\* Approximate statistics

The website received 41,801 total visits through August of 2008. Of the visits, there were 19,194 unique visitors. The top pages accessed during 2008 were the “Free tax preparation sites in Michigan” page and the link to I-CAN! E-FILE.

In addition to the website, the management team utilizes its listserv which was developed in 2007. At the end of 2007, the listserv had nearly 90 professionals who subscribed. In September of 2008, the listserv had grown to 105 members. The recipient list includes professionals from government agencies, local agencies, non-profits, and for profit entities. The listserv is used for information distribution, information sharing, and reminders about upcoming meetings. It has been reported to be a very effective and necessary communication tool.

### Conclusions and Recommendations

#### Utilize website to its full potential.

Michiganeic.org provides information to the general public as well as tax assistance practitioners at the local level. The website is a tremendous tool for the Statewide

Coalition and should be updated and used as extensively as possible. The website statistics show that there is significant traffic to the website.

**Have all partners update information on their particular initiatives.** With different responsibilities and areas of focus, the partners can each take ownership in providing information to the website.

**Continue to strategically use the listserv.** The listserv has proven to be very successful as a communication tool. The listserv is a quick way to distribute information to practitioners at the local level, get feedback, and provide information. The Statewide Coalition should continue to use the listserv as it has generated a great amount of positive feedback.

## Section V: ICAN! E-File Software

### Objectives

To provide “gap” coverage for users and encourage new entities to provide free tax preparation access across Michigan using tax preparation software created by the Legal Aid Society of Orange County. I-CAN! E-FILE allows all taxpayers to electronically file their Federal and State income taxes and apply for the EITC online at no charge.

### Summary of Issues

The Michigan Poverty Law Program (MPLP) has led efforts to promote the availability of I-CAN! E-FILE in Michigan. While the State continues to develop needed community based free tax preparation services to assist low-income filers the traditional brick and mortar cannot reach all of the needy. Many rural areas such as the Upper Peninsula are without affordable tax preparation assistance. I-CAN! E-FILE is intended to help fill these gaps. I-CAN! E-FILE has become increasingly useful as State of Michigan returns are also filed using I-CAN! E-FILE. The State Coalition working with the Michigan Credit Union League created the I-CAN! E-FILE State of Michigan tax return software in 2006.

### Activities

The I-CAN! E-FILE initiative has primarily focused on outreach the last several years

with the goal of increasing utilization. I-CAN! E-FILE is available online to anyone and is free to use. In past years, the Michigan Poverty Law Program sought out partners including credit unions. These partners generally provide kiosks in their place of business or a link on their website so that their clients can access I-CAN! E-file. In addition, partners have established several other methods of outreach. The Michigan Credit Union League provides documents available for download and use by its member credit unions on its website.

### Outcomes for 2008

The utilization of the I-CAN! E-FILE increased again in 2008 as it has every year since 2003. EITC claims more than doubled in 2008 (2007 filing year). In addition, the State of Michigan refunds filed using I-CAN! E-FILE increased from \$441,683 in 2007 to \$1.83 million in 2008.

In 2008, more than 100 partners participated by offering internet stations in their place of business or by providing a link on their website for their customers. Approximately 95 separate groups had at least one referral that resulted in a processed return filed using I-CAN! E-FILE. Figure 1 illustrates the increased usage of I-CAN! E-FILE with both Federal and State returns.

**Figure 1: I-CAN! E-File Returns**

<b>Year*</b>	<b>Total returns</b>	<b>Federal Dollars refunded</b>	<b>EITC</b>	<b>State of Michigan refunds</b>
2008	7,825	\$8,781,545	\$2,312,193	\$1,845,688
2007	2,495	\$2,629,565	\$1,087,248	\$441,683
2006	708	\$1,413,865	\$1,009,367	N/A
2005	91	\$ 159,851	\$ 105,787	N/A
2004	54	\$ 95,864	\$ 71,295	N/A

\* Year represents the tax preparation season. For example 2008 figures represent taxes prepared for wages earned in 2007.

## **Conclusions and Recommendations**

preparation site. I-CAN! E-FILE should be promoted through all levels of the State and Local coalitions.

**I-CAN! E-File has increased EITC Refunds.** The data is clear that I-CAN! E-File program is an effective vehicle for increasing EITC refunds. Each year the amount of returns and the amount of EITC refunds has increased dramatically.

**Continue to expand outreach.** Because most feel that I-CAN! E-FILE is a valuable tool, the access to I-CAN! E-FILE should continue to be expanded. The Michigan Poverty Law Program and the Michigan Credit Union League have been very active in promoting and expanding the I-CAN! E-FILE program. This outreach strategy should continue and work to include other groups with high percentages of EITC-eligible constituencies such as Michigan Works! and the Michigan Library Association.

**Publicize the successes of I-CAN! E-File.** The utilization of I-CAN! E-FILE has grown dramatically over the last five tax years. It is obviously a useful program that can be utilized by many taxpayers. I-CAN! E-FILE can be more convenient for many taxpayers than traveling to an appointment at a tax

# Section VI: Financial Education and Asset Building

## Objectives

Work with local coalitions and other key stakeholder groups to inventory, assess, and develop financial education and asset building tools. Use this assessment to market financial products and services to low income populations and maximize the value of income supports of EITC eligible clients.

## Summary of Issues

Many view tax time as a valuable opportunity to increase asset building among low income workers because often it is the only time that they will have a large amount of discretionary cash on hand. Low income taxpayers typically have very little saved either for emergencies or for other purposes such as buying a house or retirement.

There are several reasons why low income wage earners are not represented in traditional financial savings type products. First, low income taxpayers are often just keeping up with bills and rarely have extra money to use to cover bills much less save. Second, in order to receive various types of assistance, taxpayers' allowable assets are very limited. Those on assistance may worry about losing their assistance if they begin to accumulate savings. Third, low income taxpayers are often not aware of opportunities to save money.

The Statewide EITC Coalitions' goals are to increase the participation of EITC eligible recipients in financial education activities statewide by partnering with

local coalitions and financial service organizations to develop and provide asset building programs.

## Activities

The financial literacy activities under this grant are managed by Michigan State University. In 2007, the group began to develop a strategy for a statewide approach to connect financial education and financial services to the local tax coalitions in the three year grant period. The group planned to enlist the support and assistance of local coalitions to test incentive-based approaches to reach low income tax payers. The goal is that these tax-payers will purposefully reach out to free tax preparation sites for both tax preparation and the possibility of connecting directly with a financial institution for on-going savings assistance.

The group focused 2007 on creating an asset building workgroup that would inventory financial education materials and efforts currently used by local coalitions and develop additional strategies. This inventory was completed in 2008. In the latter half of 2008, the asset building group turned towards more detailed planning to determine the best ways to increase financial education, combat predatory lending, and help low income wage earners build assets.

## Outcomes for 2008

The asset building workgroup created in 2007 was very active in 2008.

The group identified two pilot sites for a financial literacy campaign and tested incentive-based approaches to reach tax payers. Van Buren and Cheboygan Counties were identified as the pilot sites.

The Cheboygan VITA site invited participating taxpayers to a one-hour financial education class every Friday. Despite consistent advertising in the local newspaper and local radio stations, attendance was very low. The VITA site coordinator indicated that the banking and budgeting education may not be the best fit for VITA patrons, and that education about the real costs of “instant cash” may be a better strategy to educate VITA patrons.

The Van Buren County Financial Education and Financial Service Plan had some more positive results. That group created a series of financial education seminars, including a credit recovery seminar, and seminars on identity theft, checkbook management, and budgeting. Overall, there were over 250 taxpayers who received some type of financial counseling and/or training through these initiatives.

Throughout the State, local coalitions have reported that financial education services are a critical need among the low wage taxpayer population. In the 2008 Gaps Analysis Survey, local coalitions reported that they have a desire to increase the financial education at their sites. The Statewide Coalition through the Asset Building workgroup is strategically working to determine the best ways to deliver this component. Despite the different levels of success of the pilot efforts, there was certainly some positive impact from the

partnership of private industry, government, non-profits, and public education at the local level.

Another goal of the asset building workgroup was to increase the awareness of appropriate financial products for EITC filers. An inventory of appropriate tested financial education materials is available and is linked on the Michigan EITC website. The information includes information about Individual Development Accounts and Michigan 529 program.

Another task of the asset building workgroup was to increase the promotion and awareness of the EITC and other financial education opportunities. The workgroup worked with two local coalitions (Oakland-Livingston and Cheboygan) to help them profile their taxpayers and assess their interest in financial education and financial services needs. A survey was developed and administered at each of the tax sites.

The findings were valuable in profiling the taxpayers at each coalition and determining their interest in financial education and financial services. The survey was able to assess the degree in which taxpayers using the VITA sites also had anxiety about monthly income, unpaid bills at the end of the month, used refunds to pay bills, used check cashing outlets, use foodbanks, saved regularly, and whether they had health insurance. These data have been used by the asset building coalition and some local coalitions to help determine the types of financial education that would be appropriate for VITA taxpayers.

The work reported above was in addition to many of the accomplishments made in 2007 including an invitation to join the Michigan Credit Union League's Modest Means Council and the creation of an inventory of all financial education materials and tools currently used by local coalitions. The asset building coalition also produced an asset building framework that was provided to local coalitions to assist them with information on reaching households with different levels of personal income.

The asset building workgroup has continued work on two other projects in 2008. One project is an effort to have the Governor produce public service announcements for the EITC and asset building activities.

Another project included working with the Van Buren ISD which is a member of the local coalition in Van Buren County to produce a consumer information video. The video was produced by students of the Michigan State University Communication and Arts program and contains information about savings opportunities, options for taxpayers and other EITC related content. The goal is for the video to play in DHS offices and other multipurpose collaborative bodies that reach taxpayers around the State. The video was completed in December 2008.

Additionally, there have been discussions within the management team regarding some focused strategic planning for asset building and financial education efforts in 2009. These discussions have grown out of the findings from the 2008 Gaps Analysis survey in which many coalitions reported that they were interested in

taking the next step in serving low income taxpayers, and wanted to reach beyond tax preparation and begin building on the financial education and asset building efforts.

## **Conclusions and Recommendations**

**Financial literacy is supported locally but is limited on resources.** Local coalitions often distribute information about asset building and are interested in doing more. The challenge remains that most local coalitions are spread very thin and are competing with for profit entities that specialize in tax preparation and refund anticipation loans along with other financial products. With the exception of the larger coalitions, it is very challenging to build the level of effort and expertise needed to have a successful asset building program.

**Financial organizations are hesitant to take lead on Asset Building products.** The Michigan Credit Union League and Michigan Bankers Association are hesitant to develop asset building tools, possibly due to the higher transaction costs of working with the lower income population. Both groups have expressed interest in assisting with developing a tool for the State of Michigan and/or the coalition to use.

**Statewide tool for financial savings would enhance asset building efforts.** While there are some innovative asset building tools that have been developed by local coalitions, non profits, and individual credit unions, many are looking to the State of Michigan to provide leadership. The development of an asset building tool that could be utilized by organizations statewide

would greatly enhance the asset building efforts because it would provide a centralized and standardized model.

**Collect info on what is working.** The Asset Building Workgroup inventoried the asset building activities of local coalitions in 2007. The workgroup should continue to track and follow the local efforts. As part of future evaluations, case studies of these efforts should be included.

**Continue asset building efforts.** It is evident that nearly all local coalitions are providing some type of financial education or asset building information to tax payers. However, the services each coalition offers are at different levels of intensity. Through the Gaps Analysis survey, local coalitions reported that they were interested in providing financial education and were looking for leadership from the Statewide EITC Coalition to assist local coalitions in advancing these efforts.

**Engage in Strategic Planning.** The management team or the Asset Building Committee should include financial education and asset building as a major focus of the strategic planning for the future of the Statewide EITC Coalition.

## Section VII: Overall Conclusions and Recommendations

The Statewide Coalition was able to convene meetings throughout the year and provide outreach and assistance to local coalitions. The 2008 Learning Exchange was largely successful. Despite the continued challenge of data collection, the free tax preparation activities in 2008 generated more EITC dollars for Michigan than in years past.

The financial education and asset building activities continued to progress and resulted in positive momentum heading into 2009.

The Statewide Coalition continues to reach out and gain new partners through its efforts. The United Way has been an integral partner in EITC efforts through its 2-1-1 connect program and has connected many low income taxpayers to VITA sites. Throughout its other initiatives, the Statewide Coalition has also included banks, schools, Michigan Works! and several other partnerships.

A gaps analysis survey was conducted in 2008 and provided feedback from nearly all of the local coalitions. The *Gaps Analysis* report provided several recommendations for the Statewide Coalition on how it could enhance its efforts and provide assistance to local coalitions. The Statewide Coalition has already begun to implement findings from the *Gaps Analysis*. Throughout this contract, the Statewide Coalition has used evaluation aggressively to analyze its progress, measure its success, and to examine ways to continuously improve its services. The real-time use of evaluation has allowed the Statewide Coalition to make

adjustments quickly that has greatly improved their level of success.

Looking forward into 2009, the Statewide Coalition will continue most of its current activities that are highly valued by local coalitions. The challenge will be to plan strategically for the future and how to incorporate more financial education and asset building activities in the work currently being done by local tax coalitions.

### Recommendations

**Continue to work with IRS to improve data collection standardization.** The benefits of the standardization of data collection through TaxWise currently are realized primarily by the IRS. Currently there is a significant lag between the time when data is collected and when the data becomes available through the IRS. This places a burden on the State Coalition and local coalitions to pull together enough data to analyze and guide decision making. The Statewide Coalition's efforts to work with the IRS and with local coalitions have significantly improved data systems and these efforts should be continued.

**Continue to utilize *Gaps Analysis* findings.** The findings from the Gaps analysis survey were made available in the summer of 2008. The analysis included feedback from a large selection of stakeholders and provides valuable information to the Statewide Coalition. The management team has analyzed these findings and has already begun to respond to these recommendations and make program changes based on them.

The Statewide Coalition should continue to implement the recommendations contained in the Gaps Analysis.

**Market findings.** There are a number of lessons learned from the 2008 efforts as well as preceding years. These efforts need to be marketed, especially to legislators on both the Republican and Democratic sides. The EITC is a unique policy that has often has a degree of bipartisan support. Among those in social services, it is viewed as a critical piece to assist the working poor. In the view of some businesses and local economic development organizations, the EITC infuses disposable money into the local economies. This year's evaluation report and other marketing of the EITC should be distributed as widely as possible.

**Provide assistance.** The work with local tax coalitions and different partner groups has shown that it can be a valuable opportunity to apply for different grants and funding from large foundations or other organizations. ELGA Credit Union demonstrated this in 2006 by securing grants from local foundations and from the National Credit Union League. Efforts such as these should be supported with grant writing assistance and/or networking opportunities in order to leverage these opportunities to assist in EITC efforts.

**Earlier Marketing.** Marketing efforts should begin early in the Fall to get more and more people to understand that there are options. As partnerships increase, different stakeholder organizations that may interface with the EITC eligible population can continue to communicate about the EITC.

**Work With IRS and TaxWise.** Several local coalitions have encouraged the Statewide Coalition to work with the IRS and TaxWise to make changes to the

software. Local coalitions are concerned that TaxWise does not allow them to log state tax credits. This creates a data collection burden on local coalitions.

**Demonstrate Value of Local Coalitions.**

The data that has been collected through evaluations of the Statewide Coalitions' work clearly demonstrates that local coalitions are providing a valuable service to the EITC eligible population. The Statewide Coalition should continue to publicize these efforts to the State Legislature and the State Agencies when funding for local coalitions is considered.

**The need for ongoing support.** The Statewide Coalition has had great success with many of its initiatives and activities. While activities such as tax preparation services, the Learning Exchange, and ICAN should continue, the State should continue funding for this effort and the management group should continue the successful work described in this report and expand this work into the new issue areas that the Statewide Coalition has begun to develop over the last two years. The State of Michigan, through a modest investment of approximately \$140,000 per year is helping to bring more than \$1.3 billion into the state in EITC tax credits. This investment has created a network of committed practitioners and service providers who have built an infrastructure to help low wage earners receive the Federal tax credits they are entitled and in the process giving State of Michigan wage earners a boost in their income and also bringing a significant amount of money into the State that is funneled directly into local economies. I-CAN! E-FILE efforts alone brought more than \$8.5 million in Federal returns into Michigan including more than \$2 million in EITC credits. The Statewide Coalition's efforts with asset building are already

showing positive results helping low wage earners begin to save money and build wealth into the future.

# Appendix A: Biographies

Brian Reed is an experienced public policy researcher with ten years of active research experience. He is currently employed as the City Manager in Leslie, Michigan. Previous employment includes the City of Eaton Rapids as an Assistant City Manager and Public Policy Associates, Inc. as a research analyst and project manager. Mr. Reed also owns the consulting firm Reed Consulting Services. He holds a master's degree in Public Policy and Public Administration from Michigan State University and a bachelor's degree from Grand Valley State University.