



## Asset Building at Tax Time in California: Scaling Up Volunteer Income Tax Assistance

The Earned Income Tax Credit (EITC) helps low-income families retain more of their hard earned wages by returning a portion of their taxes.

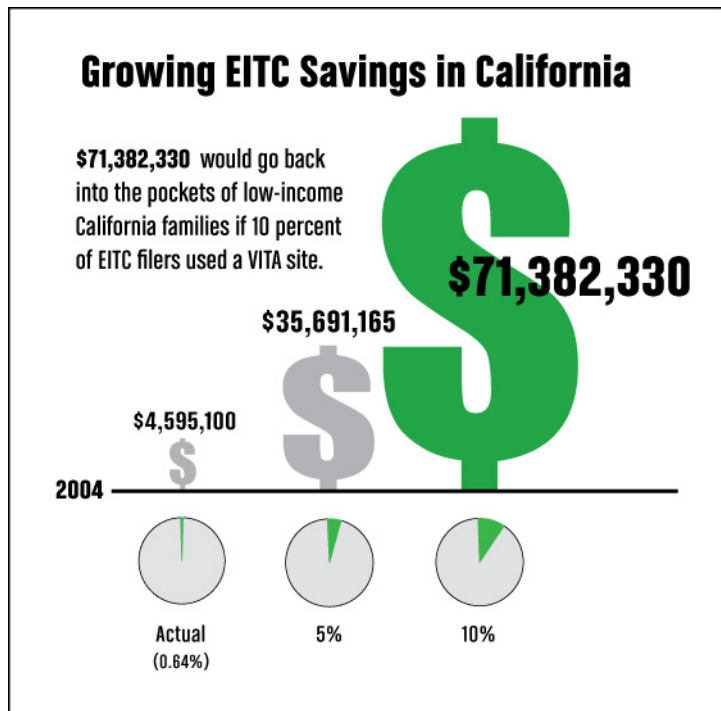
Most families that receive the EITC rely on commercial tax preparers. With the addition of a Refund Anticipation Loan (RAL), the cost of using a commercial preparer averages \$300.

Volunteer Income Tax Assistance (VITA) sites, authorized by IRS, prepare tax returns for low-income families for free, and this often includes rapid-refund service.

In 2004, community VITA sites around the United States provided free tax service to less than 1 percent of all people who receive the EITC, largely because sites do not have the resources to meet customer demand.

The following totals are for the 2004 Tax Year in California:

- \$4,270,546,620 was the total EITC benefits received by California taxpayers. **Nationwide, EITC benefits amounted to \$39.76 billion.**
- 16% of California taxpayers received the EITC.
  - 15.7% (avg.) of rural households received the EITC (\$1,602 per household avg.) **Nationwide, rural households received 20.4%/ \$1,850 per household.**
  - 16.3% (avg.) of urban household received the EITC (\$1,801 per household avg.) **Nationwide, urban households received 16.3%/ \$1,831 per household.**
- 75.4% of California taxpayers who received the EITC used a paid preparer. **Nationwide, 70.6% of taxpayers used paid preparers.**
- \$307,233,570 was spent by California EITC recipients on commercial tax preparation services. **Nationwide, EITC recipients spent \$2.9 billion on commercial tax preparation services.**
- 0.64% of EITC recipients in California used a community VITA site. **Nationwide, 0.96% of EITC recipients used a community VITA site.**
- \$4,595,100.00 was saved by California EITC recipients who used community VITA sites. **Nationwide, \$62.7 billion was saved by EITC recipients who used community VITA sites.**



## Sources

### **Total EITC benefits received:**

Brookings Institution, Metropolitan Policy Program, Interactive EITC:  
<http://www.brookings.edu/projects/EITC.aspx>

### **Share of taxpayers receiving EITC:**

Children's Defense Fund (2007), *Keeping What They've Earned: Tax Credits for Working Families*: [http://www.childrensdefense.org/site/DocServer/RAL\\_report\\_US.pdf?docID=3945](http://www.childrensdefense.org/site/DocServer/RAL_report_US.pdf?docID=3945)

Based on Internal Revenue Service SPEC Information Database

### **Rural and urban breakdown:**

William O'Hare and Elizabeth Kneebone (2007), *EITC is Vital for Working Poor Families in Rural America*, Carsey Institute: [http://www.carseyinstitute.unh.edu/FS\\_EITC\\_07.htm](http://www.carseyinstitute.unh.edu/FS_EITC_07.htm)

Based on Brookings Institution analysis and Internal Revenue Service data

### **Percentage of EITC filers using tax preparation services:**

Children's Defense Fund (2007), *Keeping What They've Earned: Tax Credits for Working Families*: [http://www.childrensdefense.org/site/DocServer/RAL\\_report\\_US.pdf?docID=3945](http://www.childrensdefense.org/site/DocServer/RAL_report_US.pdf?docID=3945)

Based on Internal Revenue Service SPEC Information Database

### **Money spent of tax preparation services:**

Children's Defense Fund (2007), *Keeping What They've Earned: Tax Credits for Working Families*: [http://www.childrensdefense.org/site/DocServer/RAL\\_report\\_US.pdf?docID=3945](http://www.childrensdefense.org/site/DocServer/RAL_report_US.pdf?docID=3945)

Based on \$150 average tax preparation fee and a \$100 average RAL fee

### **Percent of EITC filers using VITA:**

Brookings Institution analysis and Internal Revenue Service data

### **Savings based on scaling up VITA usage to 5-percent and 10-percent:**

Bread for the World Institute calculation based on \$300 average tax preparation fees.