



## Asset Building at Tax Time in Rhode Island: 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.

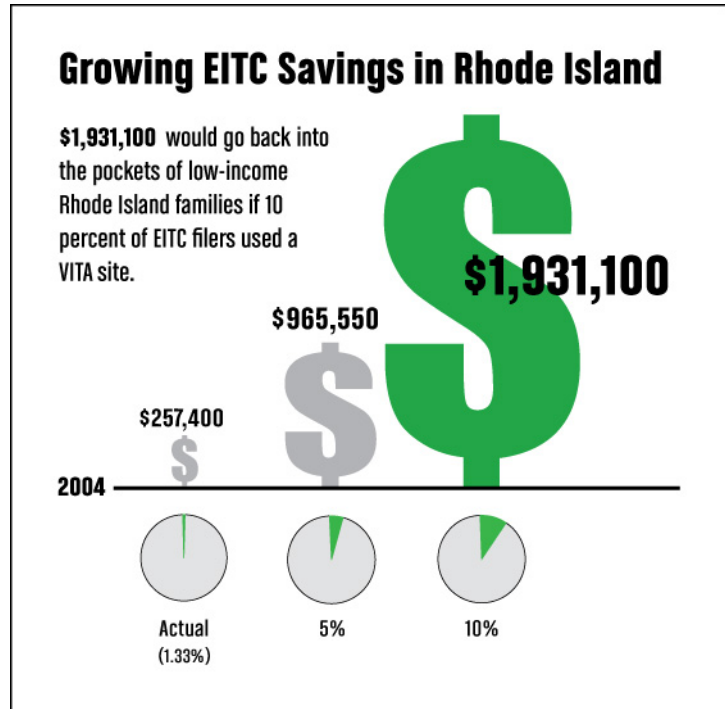
Most families that receive the EITC rely on commercial tax preparers. With the addition of a Refund Anticipation Loan (RAL), the cost of using a commercial preparer averages \$300.

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 Rhode Island:

- \$110,667,549 was the total EITC benefits received by Rhode Island taxpayers. **Nationwide, EITC benefits amounted to \$39.76 billion.**
- 13% of Rhode Island taxpayers received the EITC.
  - No information is available for rural households. **Nationwide, rural households received 20.4%/ \$1,850 per household.**
  - 13.2% (avg.) of urban household received the EITC (\$1,721 per household avg.) **Nationwide, urban households received 16.3%/ \$1,831 per household.**
- 74.3% of Rhode Island taxpayers who received the EITC used a paid preparer. **Nationwide, 70.6% of taxpayers used paid preparers.**
- \$8,491,800 was spent by Rhode Island EITC recipients on commercial tax preparation services. **Nationwide, EITC recipients spent \$2.9 billion on commercial tax preparation services.**
- 1.33% of EITC recipients in Rhode Island used a community VITA site. **Nationwide, 0.96% of EITC recipients used a community VITA site.**
- \$257,400.00 was saved by Rhode Island 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.