



Omaha Earned Income Tax Credit Coalition



The Omaha Earned Income Tax Credit (EITC) Coalition promotes the claiming of tax credits through quality volunteer tax return preparation with a goal of providing educational tools and community resources for family asset development.

- The Coalition consists of Federal, State and City agencies, community social service agencies, banks, civic groups and associations, professional financial organizations and universities.
- Provides free tax preparation through the IRS Volunteer Income Tax Assistance (VITA) program which certifies all volunteers in tax law and tax preparation.
- Provides a variety of other services at selected sites: credit counseling, free bank accounts, legal consultations regarding finances and taxes, and other related financial services.

The EITC was designed to relieve the burden of Social Security taxes on lower-wage earners and it:

- Represents up to a 40% pay increase for some workers
- Raised 4.4 million individuals — including 2.4 million children — above the poverty line in 2003

Yet, only 3 out of 4 eligible households in Nebraska file for the EITC for the following reasons: they don't know about it, they own a small business and do not realize they are eligible, they file the wrong tax form, they worry it may affect other public benefits, or some don't realize they are still eligible even though disabled. The EITC increases peoples' incomes and it is the most effective federal poverty eradication tool. This is especially important at this time due to increased availability of debt, low savings rates and increased poverty rates.

There are a total of 5 VITA sites serving the Omaha metropolitan area and Council Bluffs that enhance the EITC through the following:

- Working with banks to allow "Direct Deposit" accounts
- Neighborhood Financial Stability Centers (NFSC) offer additional educational/financial services including credit reports and CD loans
- Expanding the number of sites in the metro area and improving volunteer recruitment, training, expertise and retention)
 - In tax year 2010, we opened 2 NFSCs and:
 - Prepared 5,072 tax returns
 - Generated \$3,700,626 in EIC refunds
 - Recruited and trained 87 volunteers who donated 6,159 hours of volunteer time
 - Overall, VITA represents a \$13.2 million effort to Omaha in services rendered, fees saved and refunds generated
 - Data from the VITA sites in 2011:
 - Average gross income = \$20,805
 - Average aggregate federal refund per week at the sites: \$68,386
 - Credit reports pulled and consultations = 196

70% of EIC recipients go to paid preparers that charge up to \$295. This is often also a portal into predatory lending through Refund Anticipation Loans (RALs) that can have interest rates up to 700%! This may meet an immediate and urgent need, but it will not evoke the changes that the credits are designed to provide: that of bringing people out of poverty and into self-sufficiency. In order to compete with the high demand for receiving refund earlier, we offer our clients the opportunity to set up a bank account into which their refund can be directly deposited. We then encourage them to *Spend Some, Save Some and Invest Some* and they have the option to split the refund into three accounts.

Through the EITC Coalition's work, low-income families can get their taxes prepared for free, set up a bank account, begin to save and invest money, receive credit counseling, and other financial education. Families need this money and with careful planning, they can become more financially stable.