

Free tax service nets refunds for low-wage workers

Research shows that many eligible low-income families do not use public assistance programs such as tax credits or Food Stamps. When an advisory committee identified a neighborhood in critical need, UW-Extension led a broad-based community partnership to provide free tax preparation and referrals for financially vulnerable families. Low-wage workers are using their new tax refunds to pay bills and add to savings.

Situation

Many Dane County households have more than one worker bringing home a paycheck, yet their earnings still do not meet basic needs. U.S. Census data for South Madison indicate that nearly 2 in 5 families (37%) spend more than 35 percent of their income on housing, and some pay as much as 60 percent — leaving little for essentials. Research shows that many income-eligible families do not use public programs created to help them. The University of Wisconsin-Extension Family Living Advisory Committee saw a critical need for connecting these financially vulnerable families with assistance programs for which they qualify, such as tax credits, Food Stamps and Badger Care.

Inputs

To address this critical need, Dane County UW-Extension educators and UW-Madison School of Human Ecology faculty worked closely with AARP Tax Counseling for the Elderly, El Centro Hispano, the United Refugee Service and other community groups to create the South Madison Volunteer Income Tax Assistance (VITA) Partnership project. Volunteers trained by the Internal Revenue Service (IRS) and the Wisconsin Department of Revenue provide free, confidential services, making tax time easier for low-wage workers, older adults and people with disabilities since 2002. About a third of the trained volunteers are university students, giving the project a strong service learning component.

In 2005, UW-Extension helped establish the Financial Education Center at the Villager Mall to host the South Madison VITA Partnership project and provide low- to moderate-income families a one-stop shop for financial information, classes and services. The center offers referrals and the mall houses community agencies that provide services to families, including the Campus Community Partnership of UW-Madison, UW-Extension, Edgewood College and Madison Area Technical College.

Outputs

Each year since 2002, trained volunteers have help thousands of low-income taxpayers complete their tax returns and file them electronically. This free service also helps South Madison taxpayers receive their refunds quickly and avoid predatory practices. Many who seek help discover that they are eligible for federal or state tax credits, such as the Homestead Credit and Earned Income Credit / *Crédito por ingreso del trabajo* (EIC).

In 2005, volunteers also connected people to food stamps and other services through Access, the state pre-screening tool.

In its first year, the Financial Education Center served more than 500 people through classes, workshops, individual and off-site instruction. The center administrator and Dane County UW-Extension family living educator strengthened partnerships with the Wisconsin Women's Business Initiative, United Way and other agencies to provide educational programs. These two community leaders also facilitate and support the advisory committee, VITA Partnership, and the Financial Educator Network to improve center referrals, information-sharing among professionals, and cooperation among programs.

Impacts

In 5 years, South Madison taxpayers filed 16,500 tax returns through the VITA site and netted an estimated \$20 million in federal and state tax refunds.

For more than half (55%) who report yearly incomes less than \$20,000, their refund also provides the means to start a savings account and a relationship with a financial institution. Of South Madison taxpayers who participated:

- 63% said they would use their tax refund to pay off their bills.
- 34% said they are saving money in some type of account, including retirement accounts.

About 90% of those taking classes rated them as excellent, and commented:

- *"I like hearing what other folks do to save money."*
- *"The resources provided are very useful."*
- *"My biggest need is budgeting and getting my bills in order. I really feel I got a lot out of the class. It opened my eyes to a lot."*
- *"I feel more knowledgeable, more confident and capable of taking charge of my financial future."*
- *"Before, I thought my money situation was hopeless. Now, I can see that small changes can make a big difference."*

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