

<b>NATIONAL TAX ASSISTANCE FOR WORKING FAMILIES CAMPAIGN</b>
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## *Report to The Annie E. Casey Foundation*

### 2004 Data

This report analyzes data collected from campaigns participating in the AECF's National Tax Assistance for Working Families Campaign (NTA) in the 2004 tax filing season. It provides both a summary overview of the 2004 NTA activity and detailed analysis of particular data elements. An appendix describes the data collection process and lists the types and amount of data collected.

#### Summary Overview

The NTA saw significant growth in 2004, both from expansion of continuing campaigns and from new campaigns. Overall, continuing campaigns prepared over 25% more returns than in 2003, and there was over 1,000% growth in number of returns prepared in the rural campaigns that started in 2003. Five new campaigns joined as part of the Southwest Border Initiative, and there were new rural campaigns in Iowa and Kentucky. Other new affiliates in 2004 were Ft. Worth, Nashville, St. Louis, and Delaware; together, these local efforts prepared over 6,000 returns.

In all, campaigns prepared over 158,000 2003 federal income tax returns. These returns claimed nearly \$200 million in federal refunds, which included \$98 million in Earned Income Tax Credit (EITC) and \$28 million in Child Tax Credit. Filers claimed almost another \$29 million in state tax refunds. The median combined federal and state tax refund was \$915. Among those claiming the EITC, the median total refund was \$2,213. The highest total refund claimed was \$8,774.

	<b>2004</b>	<b>2003</b>
Participating Local Campaigns	41	30
Total # of Tax Preparation Locations	414	277
Total # Volunteers	5,821	3,815
<b>Total # 2003 Federal Tax Returns Prepared</b>	<b>158,410</b>	<b>96,719</b>
Total EITC Claimed	\$98,285,876	\$55,265,681
<i>Median EITC Claimed</i>	<i>\$1,257</i>	<i>\$1,322</i>
Total Child Tax Credit Claimed	\$28,175,677	\$15,506,355
<i>Median Child Tax Credit Claimed</i>	<i>\$722</i>	<i>\$600</i>
Total Other Federal Refunds (over-withholding, etc.)	\$71,482,384	\$33,775,587
Total State Refunds	\$28,904,746	\$10,838,158
<i>Median State Refund</i>	<i>\$117</i>	<i>\$112</i>
<b>Total Refunds Returned to Families</b>	<b>\$226,848,683</b>	<b>\$115,385,781</b>

The households using the participating free sites also saw an additional economic return from not paying the high fees associated with paid preparers, both for preparation and filing fees and for fees charged for refund anticipation loans (RALs). Families saved nearly \$9 million in tax preparation and loan fees this year.<sup>1</sup>

Appendix B provides a breakdown of key statistics for each campaign.

More campaigns reported asset building activities to help families use their tax refunds to build greater economic security. Because many campaigns observed that a large majority of site users already had bank accounts (71% overall in 2003 and 74% this year), account opening was often less of a priority than asset development. Financial education was also less evident. But there was a very large increase in the number of individual development accounts (IDAs) established and in enrollment in homebuying counseling. Local campaigns also invested more in connecting site users to public benefit programs.

	<b>2004</b>	<b>2003</b>
Total # Receiving Financial Education	3,076	5,111
Total # Enrolled in Homeownership Counseling	419	80
Total # Opening Bank Accounts	2,328	2,123
Total # Establishing IDAs	893	51
Total # Enrolling in Public Benefits	2,280	n/a

## **Detailed Data Analysis**

As described above, detailed analysis of those served by the NTA in 2004 is most possible with respect to the thirty-five campaigns for which matched unit-level tax and intake data are available in all or in part. However, some characteristics can be explored through the larger data sets of tax or intake data only or from the campaign aggregate data. To assist interpretation of the analysis, the size of the particular data set being examined is indicated for each item below.

### **Prior Year Tax Preparation**

One of the five standard intake questions asked site users how they had had their prior year (2002) tax returns prepared. The responses show an increasing

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<sup>1</sup> This estimate is based on the following formula: the national average of EITC recipients using paid tax preparers (68%) multiplied by the average cost of tax preparation (\$100) added to national average of EITC recipients who receive RALs (38%) multiplied by the average cost of RALs (\$100).

proportion of repeat users (either at the same site or at other VITA or similar free sites):

<b>Prior Year Preparation Method</b>	<b>2004</b>	<b>2003</b>
Same site	28%	9%
Another free site	17%	14%
Commercial preparer	18%	21%
Did not file <sup>2</sup>	15%	18%
Family / friend	9%	12%
Other paid preparer	7%	17%
Self-prepared	6%	8%
	<i>n</i> = 70,116 <sup>3</sup>	<i>n</i> = 12,696

This growing proportion of repeat users indicates that local campaigns are building positive relationships with a sizeable number of those they are serving.

Among those who were new to free sites this year, they were much more likely to have not filed a return the year before (27%<sup>4</sup>) than was the case for low-income filers as a whole (12%).<sup>5</sup> Among those new users who had filed in the prior year, the NTA campaigns served a greater proportion of persons who had used paid preparers (compared to self or family/friend preparation):

	<b>NTA – 2004 (prior yr. method)</b>	<b>All Low-Income Filers (TY 2002)</b>
Used paid preparer	63%	54%
Self/family preparation	37%	44%

These are noteworthy findings, because key goals of the NTA are to increase return filing among low-income households and to reduce the transaction costs associated with filing and claiming refunds.

Another aspect of reducing filing expenses is avoiding the high costs associated with obtaining a refund anticipation loan. The site data show success in this area

<sup>2</sup> The standardized coding for this question in 2004 used “0” for “did not file”. In a few campaigns, it appears that responses with this code were eliminated in data aggregation; in others, it appears that non-responses may have also been given the “0” code. Although efforts were made to clean the data to eliminate these anomalies, the results should be used with caution.

<sup>3</sup> The unit-level intake data set plus aggregate data from Chicago.

<sup>4</sup> See footnote 2 above.

<sup>5</sup> Throughout this report, tax statistics for the general low-income filing population are drawn from the IRS SPEC database, for which Tax Year 2002 is the most recent year available. “Low-income” returns are those with an adjusted gross income less than the maximum income limit for the EITC (\$34,178 for TY 2002) from both the Wage & Investment and Small Business/Self-Employed divisions of IRS tax processing.

as well. Looking again at those who had filed in the prior year and not used a free site, the NTA campaigns served a much higher proportion of RAL users than are in the low-income filing population as a whole:

	<b>NTA – 2004 (for prior year)</b>	<b>All Low-Income Filers (TY 2002)</b>
Used a RAL	29%	15%

This is, of course, related to the higher proportion of persons who used a paid preparer for their 2002 returns, because these are people who would have had access to a RAL.

### **Sources of Information about Sites**

One of the standard intake questions asked site users how they had heard about the free return preparation site. Respondents had to choose one of the following: had used the site last year, heard an ad, saw a flyer or something in the paper, walked by, heard from a friend or family member, heard from someone else, or were not sure.

Of those who had a response to the question, 24% gave using the site the year before as how they had heard. Among the other respondents, the answers were very similar to those provided in 2003, with word-of-mouth again the primary source of information:

<b>How Heard About the Site</b>	<b>2004</b>	<b>2003</b>
Word-of-mouth	59%	59%
Flyer / newspaper	22%	25%
Ads	11%	10%
Other	7%	6%
	<i>n = 90,783<sup>6</sup></i>	<i>n = 12,097</i>

Among those indicating word-of-mouth this year in the entire data set, 55% cited a friend or family member as the source (as opposed to someone else).

### **Race / Ethnicity**

Another standard intake question asked about the site user's race or ethnicity. This was a change from 2003, when there was a separate question regarding Hispanic, Latino, or Spanish origin. The unified approach appears to have worked better.

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<sup>6</sup> The unit-level intake data set plus aggregate data from Chicago and New York City.

The racial/ethnic distribution of site users overall was similar to last year:

<b>Race / Ethnicity</b>	<b>2004</b>	<b>2003</b>
African-American	45%	42%
Latino	29%	29%
White	17%	18%
Other	3%	6%
Asian	3%	3%
Native American	2%	3%
	<i>n = 103,490</i>	<i>n = 63,706</i>

### **Household Types**

As in 2003, those having their taxes prepared at participating sites were nearly evenly split between households with children and single filers (who generally do not have minor children or other dependents):

<b>Filing Status</b>	<b>2004</b>	<b>2003</b>
Single	50%	47%
Head-of-Household	33%	35%
Married – Joint	16%	15%
Married – Separate	2%	2%
	<i>n = 129,680</i>	<i>n = 73,203</i>

Although the percentage of single filers may seem high, it is relatively low compared to the low-income filing population in general:

	<b>NTA – 2004</b>	<b>All Low-Income Filers (TY 2002)</b>
Single	50%	59%
Head-of-Household	33%	20%
Married – Joint	16%	19%
Married – Separate	2%	2%

The differentials in the single and head-of-household lines indicate that the campaigns as a whole are having some success in meeting the NTA goal of assisting those qualifying for tax credits – largely families with children – to access those dollars.

The following table gives a clearer view of the relative frequency of different household compositions among the site users<sup>7</sup>:

# of dependents	single	married joint	head of hhd	TOTAL % by # of dependents
0	47.5%	6.3%	0.6%	55.6%
1	1.6%	3.6%	16.2%	21.7%
2	0.5%	3.7%	11.3%	15.7%
3	0.1%	1.9%	3.0%	5.0%
4	0.0%	0.7%	0.7%	1.5%
5+	0.0%	0.4%	0.2%	0.6%
<b>Total % by filing status</b>	49.7%	16.6%	32.0%	100.0%
<i>n = 70,842</i>				

Even more so than in 2003 (48% vs. 42%), the largest group of filers by far was single persons without dependents. As referenced above, however, this is not surprising; a majority of low-income filers are in that category. But it should be noted that this table shows a decrease over the past year in achieving the NTA target of households with dependents (most often children): in 2003, 55% of those served were in that category, compared to 45% this year.

As observed in 2003 (and in the same patterns), there was variation in site user household types by race/ethnicity<sup>8</sup>:

	Single	Head-of-Household	Married (joint)
<b>African-American</b>	50%	40%	8%
<b>Latino</b>	45%	30%	24%
<b>White</b>	58%	21%	19%
<b>Other</b>	51%	25%	22%
<b>Asian</b>	50%	17%	32%
<b>Native American</b>	55%	26%	18%
<i>n = 50,341</i>			

A new feature of the NTA application this year was capturing the age of the primary taxpayer for each federal return. The median age of all site users was thirty-eight.

<sup>7</sup> Percentages do not total 100% because married-separate and widower filing statuses are not reported. These represent less than 2% of the total cases observed.

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## Income

Information about site user income comes from the adjusted gross income (AGI) amount on each filer's tax return.<sup>9</sup> The following table shows the income (measured by AGI) for all of the NTA<sup>10</sup>:

<b>Median<sup>11</sup></b>	<b>\$13,895</b>
Mean	\$16,290

In a pattern similar to 2003, income varied by household type (both filing status and number of dependents):

<b>Filing Status</b>	<b>Median AGI</b>	<b># of Dependents</b>	<b>Median AGI</b>
Single	\$10,196	0	\$11,371
Head-of-Household	\$15,598	1	\$16,135
Married – Separate	\$19,090	2	\$17,249
Married – Joint	\$22,588	3+	\$20,004
<i>n = 70,747</i>			

Median income by age was lowest for the youngest filers, highest for those in middle age, and lower again for the oldest:

<b>Taxpayer Age</b>	<b>Median AGI</b>
< 18	\$2,719
18-24	\$7,317
25-34	\$16,142
35-44	\$17,521
45-54	\$17,555
55 +	\$13,766
<i>n = 70,521</i>	

<sup>9</sup> AGI is the best available approximation of household income, but its limitations need to be recognized. Someone filing a tax return may not be an independent household by the standards used by the Census Bureau, by public benefits programs, and so on. AGI includes capital, business, and farm losses, including carryforward losses from prior years. (In other words, AGI can be negative.) It does not include pre-tax exclusions from income such as employee contributions to 401(k) plans and qualifying Individual Retirement Account contributions. Other deductions such as student loan interest and alimony can further reduce AGI.

<sup>10</sup> This table is based on unit-level tax data for 70,866 cases.

<sup>11</sup> Because of the presence of outliers in the data set, the median income statistic is the most reliable. Median incomes in this section are based on those cases with a positive AGI, which eliminates many cases that have artificially low AGIs resulting from tax losses (which are generally not available to low-income taxpayers). By comparison, the AGI figures in Appendix B are based on all cases, including the 95 filers with negative AGIs.

This table compares the median AGI by race/ethnicity in 2004 to 2003:

<b>Race / Ethnicity</b>	<b>2004</b>	<b>2003</b>
African-American	\$13,955	\$15,406
Latino	\$13,818	\$14,396
White	\$12,893	\$12,737
Other	\$14,044	\$13,401
Asian <sup>12</sup>	\$13,842	\$11,473
Native American	\$13,051	\$11,928
	<i>n = 52,536</i>	<i>n = 9,500</i>

In general, the median income by prior year return preparation method was similar to 2003:

<b>Prior Year Preparation Method</b>	<b>2004</b>	<b>2003</b>
Did not file	\$5,459	\$6,046
Same site	\$16,019	n/a
Another free site	\$14,759	\$17,383
Self-prepared	\$17,481	\$18,397
Family / friend	\$14,377	\$14,539
Paid preparer	\$15,301	\$16,374
	<i>n = 52,198</i>	<i>n = 8,994</i>

A specific component of AGI tracked by the NTA application was income from unemployment compensation (UC). Overall, 12% of filers reported having received UC payments.<sup>13</sup> Among those reporting UC income, the median percentage of AGI consisting of UC payments was 22%. This indicates that most filers receiving UC payments also had significant wage (or other) income during 2003.

### **Federal Tax Refunds**

As in 2003, nine out of ten site users claimed a federal tax refund<sup>14</sup>:

		<b>Median refund or amount owed</b>	<b>Highest refund or amount owed</b>
Claimed a refund	90%	+ \$813	+ \$19,134
Owed an amount	7%	- \$364	- \$53,739

<sup>12</sup> "Asian" in 2004 includes Pacific Islanders, which, as a separate category in 2003, had the highest median AGI of any group (\$16,758).

<sup>13</sup> This analysis is based on 63,458 returns, representing all of the unit records with valid federal income tax data exclusive of campaigns that had more than 40% of records with blank values in the UC payment field. The origin of the blank values (as opposed to \$0 values) is unclear; excluding them permits a more certain picture of the percentage of filers who did report UC payments.

<sup>14</sup> This table is based on 70,866 cases with unit-level federal tax data, of which 3% (1,189) did not claim a refund or have an amount owed. In this section, median refund amounts are calculated for those claiming a refund only, and median amounts owed are for those owing only.

This is somewhat higher than the 84% of low-income taxpayers overall that claimed a refund (in tax year 2002). The 2004 median federal refund of \$813 was 16% lower than it was in 2003 (\$968).

Single heads of household were the most likely to claim a refund, and other single filers generally claimed the smallest refunds:

<b>Filing Status</b>	<b>% with Refund</b>	<b>Median Refund</b>
Head-of-Household	98%	\$2,632
Married – Joint	89%	\$1,547
Single	87%	\$404
<i>n = 64,004</i>		

These refund claim rates are nearly identical to those observed in 2003.

### **Federal Tax Credits**

There are data available for four federal tax credits: EITC, Child Tax Credit (CTC), Child & Dependent Care Credit (CDCC), and the credits for educational expenses. The following table shows the percentage of NTA site users claiming each credit and the median credit amounts (and the comparable figures for 2003):

<b>Tax Credits</b>	<b>2004</b>		<b>2003</b>	
	<b>% Claiming</b>	<b>Median Credit</b>	<b>% Claiming</b>	<b>Median Credit</b>
EITC	44%	\$1,257	48%	\$1,327
CTC	24%	\$722	31%	\$600
CDCC	3%	\$427	4%	\$376
Educ. credits	4%	\$485	3%	\$523
<i>n = 70,866</i>		<i>n = 31,229</i>		

The fall in the claim rates for the EITC and CTC reflects the larger proportion of site users this year who were single persons without dependents, and this could also explain the lower EITC amount (those filers are sometimes eligible to claim the much smaller credit for persons without a qualifying child). The higher median CTC arises at least in part from the increase in the maximum credit from \$600 to \$1,000 per child. But because the CTC is only partially refundable, many filers would not have been able to obtain the full amount of the increase. The low claim rates for the CDCC and education credits are again due to their non-refundability (*i.e.*, they are available only to the extent that there is a positive income tax liability).

The following table breaks down the four credits by filing status:

	<b>EITC</b>		<b>CTC</b>	
	% Claiming	Median Amt	% Claiming	Median Amt
Single	24%	\$231	1%	\$640
Married (joint)	40%	\$1,658	44%	\$1,000
Head-of-Hhld	80%	\$1,857	50%	\$600
	<b>CDCC</b>		<b>Educ Credits</b>	
	% Claiming	Median Amt	% Claiming	Median Amt
Single	0.1%	\$360	4%	\$428
Married (joint)	3%	\$449	4%	\$700
Head-of-Hhld	9%	\$427	3%	\$500
<i>n = 53,857</i>				

Notable variances from 2003 include a lower rate of married claimants of the CTC (44% in 2004 vs. 59% in 2003), and education credit claims by head-of-household filers (there were none in 2003).

### State Taxes

Eight of the forty-one participating campaigns were in states without a state income tax. Among the other campaigns, the number of state returns prepared equaled 56% of the number of federal returns, similar to the 54% in 2003.<sup>15</sup> Of these, 79% claimed a state tax refund, and the median refund amount was \$171.

### Filing Methods

Returns prepared electronically with return preparation software may be filed electronically through the IRS E-File program or may be printed out and filed as a paper return by mail. The percentage of returns filed electronically declined slightly this year compared to 2003:

<b>Filing Method</b>	<b>2004</b>	<b>2003</b>
E-File	82%	84%
Paper (by mail)	18%	16%
	<i>n = 131,737</i>	<i>n = 72,653</i>

<sup>15</sup> There were state unit-level data this year for 26,849 cases.

## **Asset Building**

An important aspect of the NTA is to utilize both the tax return preparation process and tax refunds as tools for asset building, defined broadly as helping households increase their financial security. Intake questions in 2004 sought information about current use of public benefits and the banking system among site users. Campaigns were encouraged to incorporate activities such as assistance in enrolling for public benefits, opening of bank accounts, and financial education and counseling. These activities present data collection challenges, both because they are often offered through campaign partners who are not direct participants in the reporting process and because the activities often take place over a time frame not captured in a single return preparation season.

### ***Asset Building – Public Benefits***

A new standard intake question this year asked site users if they had received public benefits (such as Food Stamps, Medicaid, or TANF) during 2003 and, if not, if they were interested in applying. This was tied to new efforts in several campaigns to use tax return preparation as an opportunity to connect site users with economic support programs for which they might be eligible.

Overall, 38% of those responding to the question indicated they had received public benefits during 2003.<sup>16</sup> Among those who said they had not received benefits, an overwhelming majority – 83% -- indicated they were not interested in applying. This may reflect: 1) a lack of interest among non-recipients; 2) an awareness *or* a perception among non-recipients that they are not eligible; or 3) a methodological problem, namely that respondents may fear that indicating they are interested in applying would result in additional inquiries and delays in completing the return preparation process. Based on the available data, it is not possible to ascertain which of these explanations is most accurate.

Eight campaigns reported assisting site users in applying for Food Stamps, medical assistance, or subsidized child care benefits.

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<sup>16</sup> These responses are drawn from both unit-level and aggregate data (80,922 cases).

## **Asset Building – Banking**

Another standard intake question asked site users whether they had a bank account. The question inquired about having a checking account, a savings account, or both; for those without accounts, it asked whether they were interested in having one. The results for the NTA as a whole showed a similar percentage of site users reporting having an account as in 2003:

<b>Bank Account Status</b>	<b>2004</b>	<b>2003</b>
Yes (any type)	70%	71%
No, but would like one	7%	16%
No, not interested	23%	13%
	<i>n</i> = 88,237 <sup>17</sup>	<i>n</i> = 14,628

It is not possible to determine the significance of the much larger rate of no interest among those without accounts. As with the public benefits question, there may be a methodological problem of respondents expressing lack of interest due to concern about extending the length of their visit. Although that would appear to be equally applicable for both years, the addition of the similar option in the public benefits question could have affected the results this year.

The high percentage of account ownership and the low interest among those without accounts in acquiring one tends to validate the reduced emphasis on account opening observed in the NTA overall this year.

As expected (and as in 2003), those with bank accounts had generally higher incomes than those without:

<b>Bank Account Status</b>	<b>Median AGI</b>
Both checking & savings	\$18,996
Checking only	\$15,786
Savings only	\$12,366
No, not interested	\$8,133
No, but would like one	\$6,830
	<i>n</i> = 49,853

It is interesting that those without bank accounts who would like one have somewhat lower incomes generally than those who said they do not want an account, and the median incomes of both groups are quite low. These facts underscore the challenge of using account opening as an asset building strategy.

Twenty campaigns reported providing access to banking services through opening bank accounts, providing free check cashing, or establishing Individual Development Accounts (IDAs).

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<sup>17</sup> This includes both unit-level and aggregate data.

An important advantage of having a bank account (either an existing account or a new account established on-site) is the ability to use direct deposit for receipt of tax refund. Overall, only 39% of NTA filers utilized direct deposit.<sup>18</sup> But when looking only at those most likely to use the option – filers claiming a refund who reported having a checking account – the inverse was true: 61% chose direct deposit.<sup>19</sup> In addition, 44% of those claiming a refund and having only a savings account used direct deposit.<sup>20</sup> An initial statistical inquiry did not identify any distinctive characteristics to explain the variance in use of direct deposit by these groups.

As was observed in 2003, a few site users indicating they did not have a bank account showed up as having used direct deposit. It is not known how many of these 587 cases (385 of which had said they were not interested in having an account) represent incorrect coding, a spurious response, or use of a relative's bank account, versus how many resulted from account opening activities at sites.

### ***Asset Building – Financial Education & Counseling***

Although there was no question on the standard intake survey regarding experience with or interest in financial education or counseling, those services were part of the asset building activities report. Fifteen campaigns reported providing financial education services, credit counseling, or homebuying counseling to site users.

### **Campaign Expenditures & Performance Indicators**

The requested campaign expenditures data in the NTA application were quite extensive. In an attempt to capture the complete cost of each local campaign, a worksheet in the application asked for direct and indirect costs – both in cash outlays and in-kind contributions – for a series of line items, each of which was broken down further into expenditure purpose (outreach, training, return preparation, and other). The data collection manual suggested completing the worksheet for each campaign partner: the campaign coordinating agency, the local IRS office, site sponsors, marketing partners, and so on.

Twenty-nine campaigns submitted expenditure data. Of these, twenty-four provided a single expenditure report. The other five campaigns submitted individual reports for different local entities.

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<sup>18</sup> Based on 90,069 cases, both unit-level and aggregate data.

<sup>19</sup> Based on 25,774 cases with matched unit-level data.

<sup>20</sup> Based on 5,362 cases with matched unit-level data.

The following table summarizes the reported expenditures:

	<b>Outreach</b>	<b>Training</b>	<b>Return Prep.</b>	<b>Other</b>	<b>TOTAL</b>
<b>Cash Direct</b>	\$755,076	\$215,320	\$997,520	\$383,412	<b>\$2,351,427</b>
<b>Cash Indirect</b>	\$117,155	\$25,869	\$80,675	\$50,203	<b>\$273,901</b>
<b>In-Kind Direct</b>	\$448,594	\$253,357	\$810,320	\$192,862	<b>\$1,705,133</b>
<b>In-Kind Indirect</b>	\$27,626	\$5,128	\$17,925	\$97,295	<b>\$147,974</b>
<b>TOTAL</b>	<b>\$1,348,451</b>	<b>\$499,674</b>	<b>\$1,906,440</b>	<b>\$723,772</b>	<b>\$4,478,435</b>

However, it is unclear how exhaustive the expenditures reports are in capturing the complete cost of local operations. For example, two reports listed only in-kind expenditures, three did not list any in-kind contributions, and fourteen of the twenty-nine reports did not include any cash outlays for indirect costs. Some large campaigns reported relatively low expenditure totals. Reporting patterns also indicate that campaigns classified the same types of costs differently.

Some of the performance indicators provide useful information about the financial aspects of campaign operations<sup>21</sup>:

In-kind contributions per dollar of project-funded expenditures	\$0.68
Training cost per person preparing returns	\$130
Training cost per return prepared	\$11
Return preparation cost per return prepared	\$58
Total campaign cost per return prepared	\$106
Tax credits claimed per dollar of return preparation costs	\$27
Tax credits claimed per dollar of overall campaign costs	\$9

In 2003, a pilot expenditures analysis undertaken in Denver and Des Moines found a return preparation cost per return of \$80 and \$52, respectively; this year's \$58 per return median amount was within that range.

<sup>21</sup> These are median values based on data from fifteen campaigns.

Two performance indicators looked at the volunteer training process, measuring a completion rate (of those volunteers who started training, the percentage who successfully completed it) and a conversion rate (of those volunteers who completed training, the percentage who provided tax assistance). Based on the campaigns providing valid data, the training completion rate was 88%, and the training conversion rate was 82%.<sup>22</sup>

The median number of returns prepared per site was 157. The average time spent in TaxWise preparing a return was forty-three minutes. But volunteers worked two hours for each return that was prepared, reflecting the additional time required before and after the actual preparation process in TaxWise as well as additional time spent on-site.<sup>23</sup>

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<sup>22</sup> The training completion rate is calculated on information from twenty-five campaigns. The training conversion rate is calculated on information from eighteen campaigns. An additional eight campaigns reported conversion rates greater than 100%, presumably reflecting the use of volunteers who did not go through the training program; it is possible that the rates included in the calculation may be inflated because of a similar pattern in other campaigns.

<sup>23</sup> TaxWise calculates the average return preparation time. The returns prepared per volunteer hours worked figure is based on information supplied by twenty-six campaigns.

## APPENDIX A

### Data Collection Process

All campaigns participating in the NTA were to provide *at least* the following information:

- number of return preparation sites
- number of return preparation volunteers
- number of federal returns prepared
- total EITC claimed
- total Child Tax Credit claimed
- total federal refunds claimed
- total state refunds claimed

The NTA also created five universal intake questions (with standardized response coding):

1. What is your race or ethnicity?
2. How did you have your taxes prepared last year, and did you receive a refund anticipation loan?
3. How did you hear about this site?
4. Do you have a bank account and, if not, are you interested in having one?
5. Did you receive public benefits during 2003 and, if not, are you interested in applying?

However, the general expectation – particularly for campaigns that had operated in 2003 – was that local campaigns would capture a complete data set on site users and campaign operations. A data dictionary provided definitions for sixty-four data elements fields plus a campaign expenditures report.

To facilitate data collection and reporting, AECF again made available software (known as the NTA application) developed by Metis Associates. Intended for use with the TaxWise return preparation software program, the NTA application enables the collection and retention of information on each individual return filer while protecting taxpayer confidentiality. It also generates complete data reports for both local and AECF use. Use of the NTA application was more widespread and successful than in 2003. This provided much more complete information for local campaign operators and the NTA as a whole.

Campaigns were encouraged this year to collect intake survey information in the manner pioneered in Tulsa and Chicago; *i.e.*, by entering standardized response codes in the TaxWise blank preparer's use fields. This process eliminates the need for duplicate data entry, and it facilitates matching tax and intake information (*e.g.*, comparing site user income by race/ethnicity or linking use of direct deposit to possession of a bank account). A few campaigns continued to use a separate intake data collection system, and Metis worked with them to incorporate those systems into the NTA application framework.

A significant addition to the NTA application for 2004 was a geocoding feature that can code taxpayer addresses according to pre-determined geographic regions (notably the Making Connections communities but also other locally-designated areas). This permits analysis of data for residents of particular communities, inter-regional comparisons, and mapping.

## APPENDIX A

### Data Collected

Five campaigns provided aggregate figures for all or some of the specified tax and intake data elements: Carolinas, Chicago, New Mexico (statewide), New York, and Tulsa. Because these included four of the five largest participating campaigns, they represent almost half of all federal returns prepared. Summary reports of overall NTA results include these campaigns' aggregate numbers; however, because there are no individual record data, these campaigns are not included in more detailed statistical analyses.

Some campaigns consisted of an affiliation of operations, some of which used the NTA application and some did not. These campaigns provided a combination of aggregate and individual record data:

Campaign	Aggregate Data	Unit-Level Data
Iowa	East, Northeast, Perry, Southwest	North-Central
Maine	Auburn/Lewiston, Farmington	Greater Portland, York
New Hampshire	Nashua	Franklin
New Mexico – Border	Hidalgo Co. (Lordsburg)	Doña Ana Co. (Las Cruces & vicinity)
San Diego	San Diego County sites	Bronze Triangle CDC sites

In these cases, the aggregate data are used in summary reports but only the unit-level data are included in the more detailed analysis. In addition, Allegany Co. (MD) provided unit-level tax data but only aggregate intake data.

The other thirty local campaigns utilized the NTA application *and* provided unit-level data. Those data do not necessarily reflect all returns due to inevitable gaps in data collection and entry. This table shows the number of returns prepared and the number of individual records for each data type<sup>24</sup>:

Campaign	2003 Federal Returns	Unit Federal Tax Data <sup>25</sup>	Unit Intake Data	Matched Tax/Intake Unit Data <sup>26</sup>	Unit State Tax Data
Allegany Co. (MD)	375	370	0	0	163
Arizona	279	267	254	248	106
Atlanta	166	149	127	125	117
Baltimore	3,875	3,850	3,609	3,590	1,757
Boston	4,830	4,776	4,541	2,690	2,679
Camden	741	725	450	441	283
Delaware	3,984	3,840	3,782	3,772	2,391
Denver	1,603	1,534	1,524	1,497	844

<sup>24</sup> This table also includes the mixed-reporting campaigns; the number of federal returns is from the aggregate report, and the other numbers refer to the partial campaign unit-level data.

<sup>25</sup> For this and all unit-level data categories, the figures reported reflect data cleaning and screening (e.g., removing tax records having data in only one or a few fields) and thus may not be equivalent to aggregate figures from campaign records or the Metis data reporting system.

<sup>26</sup> This column reflects the number of cases for which the unit-level data in the federal tax data set could be matched (using an identifier generated by the NTA application or otherwise created locally) to the unit-level data in the intake data set, as required for cross-tabulations of tax and intake data elements.

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Campaign	2003 Federal Returns	Unit Federal Tax Data <sup>25</sup>	Unit Intake Data	Matched Tax/Intake Unit Data <sup>26</sup>	Unit State Tax Data
Des Moines	1,154	1,064	1,041	1,030	534
Doña Ana Co. (NM)	278	213	251	210	72
El Paso	5,265	3,717	2,889	2,869	0 <sup>27</sup>
Ft Worth	314	293	283	273	0
Franklin (NH)	121	43	38	38	0
Hartford	957	957	858	850	402
Indianapolis	2,993	2,891	1,886	1,861	2,414
Iowa (N. Central)	456	22	23	22	13
Kentucky	1,172	1,163	1,079	1,077	588
Louisville	2,681	2,644	2,449	2,443	1,884
Lowell	186	181	109	109	78
Maine (Southern)	1,048	619	185	185	182
McAllen	805	793	131	130	15
Miami	789	783	702	701	0
Milwaukee	5,607	5,202	5,167	4,860	2,721
Nashville	520	500	434	430	0
New Haven	482	401	386	386	112
New Orleans	1,220	1,187	1,007	1,005	868
Oakland	3,040	2,921	2,773	2,762	705
Philadelphia	8,188	8,481	7,567	7,503	5,012
Providence	703	686	479	471	482
San Antonio	16,954	14,741	7,031	7,011	0
San Diego	3,820	830	841	822	210
Savannah	977	919	851	808	627
Seattle	1,672	1,553	1,631	1,531	1
St. Louis	1,480	1,442	1,268	1,238	832
Vermont	195	163	144	144	84
Washington DC	933	946	780	725	673
<b>TOTALS</b>	<b>81,866</b>	<b>70,866</b>	<b>56,570</b>	<b>53,857</b>	<b>26,849</b>

Summary reports use the full number of returns separately reported by each campaign while detailed analysis is based on the individual records transmitted.

Each of the ten Making Connections Cohort I & II cities geocoded returns, and an additional eleven campaigns also took advantage of this feature in some way. All campaigns provided some operations data. These data elements included basic items (number of sites, number of volunteers, etc.) as well as more specialized items such as number of volunteers enrolled in training and information collected from manually prepared (*i.e.*, paper returns not generated by return preparation software) returns. Reporting of the latter was spotty. In terms of the overall results cited in this report, the only specialized item included is the number of manually prepared 2003 federal returns.

Twenty-three of the forty-one local campaigns provided some information on asset-building activities, and twenty-nine campaigns provided one or more of the campaign expenditure data elements.

<sup>27</sup> Zero or very-low values in this column reflect campaign location in one of the nine states without a state income tax.

## APPENDIX B

	<b>Tax Preparation Sites</b>	<b>2003 Federal Returns Prepared</b>	<b>Median Adj. Gross Income</b>	<b>Federal EITC Claimed</b>	<b>Federal Child Tax Credit Claimed</b>	<b>Total Federal Refunds Claimed</b>	<b>Total State Refunds Claimed</b>	<b>Median Total Tax Refund Claimed</b>
Allegany Co. (MD)	1	375	\$13,117	\$246,068	\$58,669	\$503,435	\$135,524	\$733
Arizona – Border	4	279	\$10,306	\$173,243	\$14,102	\$295,636	\$23,944	\$484
Atlanta	1	166	\$18,866	\$119,755	\$33,748	\$235,935	\$32,051	\$1,076
Baltimore	14	3,875	\$14,172	\$2,633,899	\$768,656	\$5,180,492	\$1,366,998	\$723
Boston	20	4,830	\$14,497	\$2,464,707	\$946,191	\$5,931,395	\$1,385,237	\$742
Camden	10	741	\$12,484	\$541,548	\$170,635	\$1,051,356	\$143,661	\$678
Carolinas	28	4,676	<i>not avail.</i>	\$1,316,124	<i>not avail.</i>	\$4,394,924	<i>not avail.</i>	<i>not avail.</i>
Chicago	29	22,723	<i>not avail.</i>	\$14,774,982	\$4,327,285	\$28,650,180	\$1,799,434	\$791
Delaware	1	3,984	\$17,238	\$2,153,571	\$889,927	\$5,391,683	\$458,195	\$820
Denver	2	1,603	\$16,693	\$804,718	\$568,561	\$1,926,592	\$230,908	\$719
Des Moines	1	1,154	\$13,258	\$670,320	\$230,583	\$1,447,021	\$190,143	\$725
El Paso	31	5,265	\$11,223	\$2,860,815	\$679,534	\$5,424,484	\$23,436	\$680
Ft Worth	2	314	\$17,036	\$88,806	\$127,375	\$340,443	<i>not appl.</i>	\$675
Hartford	6	957	\$17,652	\$518,884	\$228,447	\$1,281,967	\$151,958	\$862
Indianapolis	31	2,993	\$13,873	\$1,048,147	\$428,315	\$2,923,681	\$326,229	\$496
Iowa	2	456	\$21,097	\$158,146	\$24,679	\$372,719	\$4,142	\$1,183
Kentucky	10	1,172	\$10,897	\$475,727	\$96,971	\$1,049,499	\$111,326	\$483
Louisville	10	2,681	\$13,232	\$1,832,463	\$496,518	\$3,688,555	\$304,910	\$766
Lowell	3	186	\$9,140	\$92,935	\$24,455	\$189,965	\$44,802	\$601
Maine	15	1,048	\$14,624	\$644,462	\$205,637	\$1,389,461	\$72,389	\$724
McAllen	3	805	\$10,683	\$1,644,312	\$219,458	\$1,803,382	\$8,284	\$2,336
Miami	<i>not avail.</i>	789	\$11,576	\$542,830	\$166,240	\$1,083,627	<i>not appl.</i>	\$689
Milwaukee	21	5,607	\$13,152	\$2,890,479	\$1,140,024	\$6,078,856	\$2,430,622	\$708
Nashville	3	520	\$18,468	\$146,782	\$204,847	\$569,331	<i>not appl.</i>	\$674
New Hampshire	2	121	\$22,075	\$114,531	\$44,675	\$95,531	<i>not appl.</i>	\$1,653
New Haven	3	482	\$12,054	\$323,567	\$105,446	\$654,370	\$65,614	\$796
New Mexico	22	12,326	<i>not avail.</i>	\$5,396,685	<i>not avail.</i>	\$10,631,042	\$2,999,808	<i>not avail.</i>
New Mexico—Border	2	278	\$8,050	\$125,717	\$18,201	\$196,121	\$37,877	\$462
New Orleans	5	1,220	\$14,233	\$1,411,656	\$302,167	\$2,329,613	\$92,770	\$1,416
New York	10	24,508	\$10,375	\$17,508,402	\$4,675,394	\$31,425,390	\$11,854,607	<i>not avail.</i>
Oakland	16	3,040	\$12,813	\$2,105,261	\$697,692	\$3,741,870	\$344,933	\$714
Philadelphia	18	8,188	\$13,367	\$5,844,515	\$1,687,312	\$11,987,572	\$791,549	\$819
Providence	7	703	\$14,177	\$397,986	\$153,280	\$878,211	\$130,468	\$711
San Antonio	27	16,954	\$14,034	\$12,386,187	\$3,671,757	\$25,799,423	<i>not appl.</i>	\$782
San Diego	25	3,820	\$14,242	\$2,972,714	\$691,322	\$5,528,497	\$320,312	\$640
Savannah	10	977	\$12,468	\$594,960	\$169,389	\$1,182,235	\$147,806	\$678
Seattle	7	1,672	\$18,649	\$834,475	\$550,673	\$2,190,019	\$259	\$777
St. Louis	<i>not avail.</i>	1,480	\$13,212	\$1,087,487	\$298,928	\$2,059,327	\$239,823	\$806
Tulsa	9	14,314	\$14,569	\$7,686,236	\$2,781,046	\$16,619,605	\$2,275,884	<i>not avail.</i>
Vermont	2	195	\$16,885	\$95,605	\$46,907	\$225,690	\$61,204	\$790
Washington DC	1	933	\$15,434	\$556,169	\$226,250	\$1,194,801	\$297,639	\$676
<b>TOTAL</b>	<b>414</b>	<b>158,410</b>	<b>\$13,878</b>	<b>\$98,285,876</b>	<b>\$28,175,677</b>	<b>\$197,943,937</b>	<b>\$28,904,746</b>	<b>\$755</b>