



Volunteer Income Tax Assistance Sites

“And then the lady said I was gonna get back like \$3000 from the Earned Income Tax Credit, and I almost cried right there in front of her, I was like ‘you gotta be kidding me’ because I had just found out that I was going to be unemployed for the summer. I used the Earned Income Tax Credit for rent when I was between jobs and I used it to buy a laptop so that I could go back to school.”

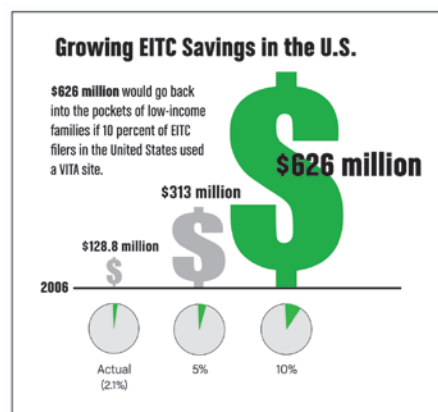
Heather Turner, VA.

What it is: Volunteer Income Tax Assistance (VITA) sites provide low-income workers with free tax preparation assistance as well as financial education and information about a variety of asset-building opportunities and federal programs that people may not know they’re eligible for.

History: VITA sites have been serving low-income families since before the EITC was enacted in 1975. They received federal funding for the first time in 2009.

How it Works: The Internal Revenue Service (IRS) partners with local government, nonprofits and businesses to offer free tax preparation services that allow people to keep a larger share of their tax refund.

What’s at Stake: Filing for refundable tax credits, such as the Earned Income Tax Credit, is complicated. The rules on qualifying for the EITC are so complex that they require a 52-page booklet of instructions. This complexity has led most EITC filers to rely on commercial tax-preparation services. But commercial providers charge significant fees and many even encourage taxpayers to take out Refund Anticipation Loans (RALs), loans which come with annualized interest rates as high as 700 percent.



VITA sites, run by nonprofits in communities across the country, offer free tax assistance to EITC filers. Studies have shown VITA sites to be more accurate than commercial preparers. But VITA sites serve only 1 percent of EITC filers. In 2009, the federal government contributed \$8 million in matching grants to support the growth of VITA sites that work with EITC filers.

Fast Facts:

- In 2006, American taxpayers spent over \$3 billion in professional tax preparation, RALs, and other services.
- Between the cost of the tax preparation and the RAL fees, a family loses nearly 5 percent of its federal tax refund.
- In 2006, VITA sites saved low-income taxpayers over \$128 million.

Take Away:

- The tax code’s complexity drives millions of families to expensive commercial tax preparers. As a result, low-income families must spend a portion of their much-needed EITC benefits in order to receive the benefit.
- On average, EITC filers spend \$280 for commercial tax preparation.
- VITA sites save low-income working families crucial dollars. However, only a small proportion of EITC filers use VITA sites. Federal funding is significantly below the amounts needed to reach all EITC beneficiaries.