



Testimony of Sam Miller
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On the Earned Income Tax Credit Mailing Project

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Good afternoon Chairman Alarcon and members of the Jobs and Business Development Committee. My name is Sam Miller, Assistant Commissioner of the New York City Department of Finance. On behalf of Mayor Michael R. Bloomberg and Finance Commissioner David M. Frankel, I want to thank you for inviting me to testify about the ground-breaking project that our department undertook to help people receive the Earned Income Tax Credit. As a direct result of this innovative program, more than 22,000 households have claimed tax credits totaling almost \$14 million since 2007.

In 2006, Mayor Bloomberg launched an aggressive anti-poverty agenda under the direction of the New York City Center for Economic Opportunity. An Innovation Fund of \$150 million of public and private dollars supports the implementation and evaluation of dozens of programs across 20 agencies. These programs are intended to support three main strategies: workforce development through job training and retention of low-income workers; the re-engagement of adolescents who are not working or in school; and financial empowerment that helps low-income individuals maximize their resources.

The New York City Department of Finance's EITC Mailing Project was inspired by Mayor Bloomberg's challenge to find innovative ways to reduce poverty. As you know, the EITC is one of the most effective ways to help low-income people. Despite massive outreach campaigns conducted by the New York City Department of Consumer Affairs and the IRS that have helped thousands of New Yorkers claim the credit each year, we know that thousands fail to claim the credit on their tax returns. In 2007, 840,000 New York City residents received EITC credits totaling \$2.2 billion, according to the IRS.

The project was also inspired by our commitment as a tax agency to level the playing field for taxpayers. Under Commissioner David M. Frankel, we are going to aggressively pursue companies and individuals who do not pay the correct amount of tax or avoid paying taxes altogether. When someone doesn't pay, it creates an unfair advantage for the vast majority who do pay the right amount. But leveling the playing field also means doing everything we can to help businesses and individuals get the credits, benefits and other tax breaks to which they are entitled. We have to work

equally hard at both sides of the ledger; otherwise people won't have faith in the tax system.

When we started to think about how we as a tax agency could help more people claim the credit, we came up with an elegant solution. Thanks to an information-sharing agreement with the IRS that we utilize mostly to conduct joint audits of taxpayers, we realized that we could identify people who were likely to be eligible for EITC credits in prior years based on the information these people submitted to the IRS on their personal income tax returns. Knowing who was likely to be eligible for the credit, we realized that we had an opportunity as well as an obligation to make it as easy as possible for these people to claim credits they had earned.

In the fall of 2006, we analyzed the tax returns filed by New Yorkers for 2003 and 2004, and identified more than 118,000 households whom we believed were eligible for the EITC at the Federal, State and City levels, based on the eligibility criteria established by the IRS for those tax years. New York State provides a maximum 30% match of the Federal credit, and New York City provides a 5% match. Once we identified the population of potentially eligible taxpayers, we worked with two vendors to fill in amended Federal tax returns with people's names, addresses, reported income, and the amount of credit they were entitled to receive. We wrote a simple letter that instructed recipients to confirm the information they previously filed with the IRS. We asked them to fill out a few highlighted lines of information, sign and mail the return and enclosed form in order to receive their money. We even provided self-addressed, stamped envelopes. To ensure that people with limited English skills would participate, we included a flyer offering telephone assistance in more than 190 languages through New York City's 311 call center, and worked with the New York City Department of Consumer Affairs to make sure people could receive free one-on-one assistance to help fill out their Federal amended returns. We also created an online eligibility look up.

On January 17, 2007, we mailed the pre-populated amended tax returns, informing recipients that they had until April 15, 2007 to send in their 2003 amended returns and April 15, 2008 to send in their 2004 amended returns. The IRS allows taxpayers three years after the initial filing deadline to file amended tax returns.

As of November 2008, more than 41,000 people who received our pre-populated tax returns filed those returns with the IRS. Of this population, more than 18,000 -- or 44% of the people who sent in their amended returns -- received credits totaling more than \$10 million.

In February 2008, we conducted a second mailing for the 2005 tax year. This time, we worked with the IRS to improve our ability to correctly identify the eligible population. We mailed more than 15,000 pre-populated amended returns for tax year 2005, and more than 5,000 of these amended returns were sent to the IRS. Of these, more than 4,200 -- or 85% -- resulted in credits totaling \$2.8 million. Clearly, working with the IRS allowed us to better identify people who were eligible, and eliminate people who were not eligible. For example, working with the IRS allowed us to identify people whom the IRS had disqualified in pre-screening because the age of their dependent children exceeded the maximum, and they had too little income to qualify for the credit without dependents. Others were identified as ineligible because they had claimed the credit subsequent to filing their original tax returns.

When the State and City credit matches are added to the totals for each year, we helped put almost \$14 million directly into the pockets of low-income New Yorkers. Moreover, we were able to do this at relatively little cost, especially in the second year. For the 2007 mailing, in which we mailed more than 140,000 amended returns for the 2003 and 2004 tax years, we spent a total of \$529,000. This includes \$255,000 for the cost of the actual mailing, including return postage, and \$274,000 for assistance populating the amended returns with the relevant tax data.

In 2008, we were able to reduce our costs dramatically, in part because the mailing population was smaller, but also because we were able to do more of the analytical work in house. For the 2008 mailing to 15,000 households for tax year 2005, we spent a total of \$191,000. This includes \$35,000 on the actual mailing and \$156,000 on technical assistance.

We think this has been money very well spent, and we are very proud of this program. Although we have made some mistakes along the way, as is to be expected when you try something new, we have helped thousands of New Yorkers claim millions of credits that they have earned. We have done something no tax agency in this country

had every done before, as far as we know. Just as importantly, we have raised the expectations of the public – and also our own employees and colleagues in government – for what a tax agency can and should do for the people we serve.

Because of the EITC project, New Yorkers may never again be satisfied with public service announcements encouraging them to claim a tax credit or any other benefit, as effective as these campaigns can be. Nor should the public be satisfied. They will expect that their government will go beyond what is required, even if it means filling out their tax return for them, and even if it costs the government money. The pervasive and sometimes self-fulfilling cliché “good enough for government” needs to be replaced by a hopeful sense that government will do what it takes to satisfy them, will take chances, and will innovate. Government employees need to believe this as well, so they are encouraged to take chances and feel good about their ability to do all they can to serve people, even if it means making mistakes along the way. Inspired in part by the success of the EITC project, we are looking at other ways to use data to help people take advantage of benefits. For example, we are using tax data to make it less burdensome for senior citizens to apply for a rent exemption increase that is based in part on income eligibility. In the future, we may use data matching techniques to mail pre-filled applications directly to likely eligible participants.

We took a chance with the EITC Mailing Project, and we did make mistakes. In the initial mailing, for example, we sent amended returns to tens of thousands of people who were eligible based on their income and dependent status but were ineligible because they did not have Social Security Numbers, which is a requirement of the EITC program. We made this error in part because we did not work with the IRS on the mailing in 2007. In fact, we did not even tell them about the mailing until the day Mayor Bloomberg announced it in his State of the City speech on January 17, even though we were using IRS data and pre-populating Federal tax returns. We strongly suspected that if we told the IRS our plans, they would have prevented us from doing the project. Nor did we tell our partners in New York State government, even though we knew that they would wind up receiving thousands of amended returns. (Although the City of New York is one of the few cities in the nation with its own personal income tax, the State of New York administers the tax on our behalf.)

After their initial surprise, however, both the IRS and New York State became strong supporters of the project. In fact, the IRS has spearheaded an effort to create a model for other jurisdictions based on what we have done, and several states have expressed an interest in replicating the project, including Maryland, Virginia and Kansas. In May of 2009, New York State took up the mantle and mailed pre-populated amended tax returns for 2006 to people all across the state, including New York City. We were happy to work with our colleagues at the New York State Department of Taxation and Finance to make this happen.

The complete results of the 2009 mailing are not yet available, but I believe there is now a growing consensus among tax administrators. New York City's EITC Mailing Project, which was recognized last year as a semifinalist by Harvard University's Innovations in Government Award Program, is a simple, powerful tool to help low-income people get access to credits that they have earned. Moreover, the project sends a powerful message to the public and the people in government who serve them: tax agencies have an obligation not just to make sure people pay what they owe, but also to help people get credits, tax breaks and other benefits to which they are entitled. With this project, I believe we have raised the bar for what tax administrators can and must do to help the people they serve.

Thank you.