

Virtual VITA: Expanding Free Tax Preparation

Program Insights

NYC[™]

Bill de Blasio
Mayor

Department of
Consumer Affairs
Office of Financial
Empowerment

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Acknowledgments

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Introduction

This brief highlights findings from a small-scale pilot that integrated Virtual Volunteer Income Tax Assistance (VITA) services at two New York City Head Start programs during the 2013 tax season.¹ The New York City Department of Consumer Affairs Office of Financial Empowerment (OFE) coordinated the pilot in partnership with the Administration for Children & Families (ACF) Region II. Food Bank For New York City was the VITA provider. Participating Head Start programs included The Children's Aid Society and Kingsbridge Heights Community Center (KHCC).

Background

Community organizations that provide free tax preparation serve a crucial role in meeting the needs of thousands of filers with low incomes each year. As more social service providers also recognize the value of connecting their clients to free tax preparation services, the number of those seeking assistance continues to grow.

The most common free tax preparation service is the traditional VITA model of one-on-one in-person filing assistance. Despite reliance largely on unpaid volunteers, the traditional VITA model can be costly, requiring rented space, additional paid staff, computers, and supplies²; moreover, funding to support this model has constricted in recent years. Although free online preparation has become increasingly popular, demand for free community-based services remains high among filers and social service providers seeking to integrate tax services into programming. Despite the proven success of the traditional VITA model, which serves millions of filers across the country, VITA partners recognize the need to find more cost-effective ways to meet growing demand as resources continue to shrink.

At the national level, an expanding model may prove to address this issue: Virtual VITA. In the Virtual VITA model, technology connects a filer with an off-site VITA tax preparer.³ Compared to traditional VITA, Virtual VITA can require fewer frontline resources to implement. Also, among key findings from the Head Start Virtual VITA pilot, the average cost per return completed for the Virtual VITA program was **half the average cost** per return completed for the traditional VITA program.

Though more work is needed to build Virtual VITA to a scalable solution, the model offers a way to deliver free tax preparation, expand the program to a much wider group of social service providers, and meet community needs.

Head Start Virtual VITA Pilot

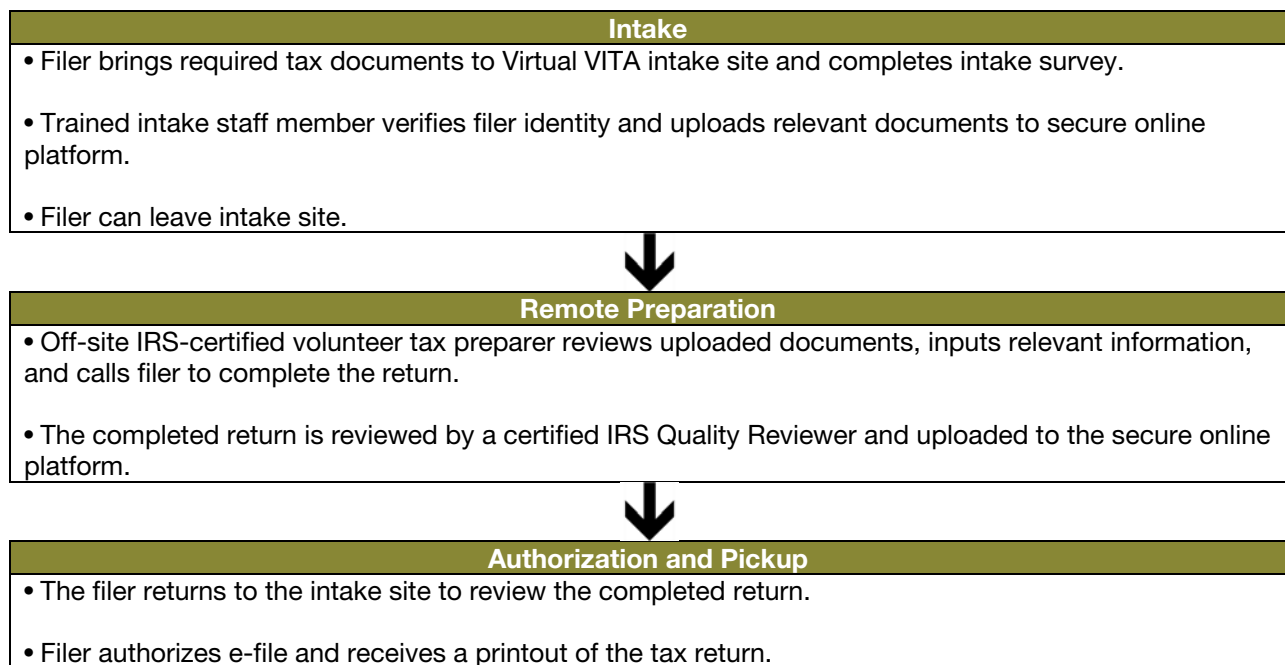
OFE coordinates the City's Tax Credit Campaign, which involves working with VITA and community partners to link tens of thousands of eligible New York City filers to safe and affordable tax services each year. The Head Start Virtual VITA pilot resulted from a discussion between ACF and OFE on ways to connect Head Start organizations with VITA providers directly, rather than just increasing awareness about free tax preparation options.

“Tax Credits and Tax Filing Assistance” is one of six strategies in ACF’s ASSET Initiative, the Administration’s ultimate vision being greater financial security for individuals and families. With this in mind, ACF wanted to help Head Start families access free tax preparation at a convenient location.⁴ Although Children’s Aid and KHCC also considered referring clients to existing nearby VITA sites and hosting one-day mobile tax events, the Virtual VITA model best aligned with their resources and needs. Primary considerations were serving filers on-site at Head Start centers and expanding capacity without burdening busy frontline staff.

Virtual VITA was also a more appropriate offering for Food Bank, who wanted to meet on-site need but also sought to expand the Virtual VITA program they had launched during the 2012 tax season.

Partners clearly defined the step-by-step process of the Virtual VITA pilot, including respective roles of intake staff, remote preparers, and program managers. See Figure 1. At least two staff members from each Head Start site participated in Food Bank’s Virtual VITA training in early January 2013. Training included an introduction to the model, a tour of the secure online platform used to share relevant filer documents, an overview of common filer questions, and information on staff responsibilities. Virtual VITA services were available from early February through April 15, 2013.⁵

Figure 1. Virtual VITA Model with Food Bank For New York City



Partners promoted Virtual VITA at Head Start sites through customized flyers, presentations, email blasts, newspaper ads, and press releases. Because the Virtual VITA model was new to many, repeated promotion of its benefits was required for filers and staff alike. Some filers were concerned about an unfamiliar tax service because of the proliferation of predatory tax services, but partner feedback indicated that these filers trusted the Head Start organization and were, therefore, willing to continue. Training was required for staff around referral resources for general tax questions and Virtual VITA-specific concerns, among them the implications of filing a tax return with cash earnings, undocumented immigration status, and incomplete prior-year returns. Working with an experienced VITA partner and trusted community partner helped overcome these barriers to program uptake.



Implementation Insights

While the traditional VITA model provides high-quality service in a format with which communities may be more familiar, analysis of the Head Start Virtual VITA pilot program revealed a number of unique benefits to filers, VITA partners, service providers, and funders.

Virtual VITA is an adaptable model that builds on existing resources to expand tax preparation services.

“Helping families to easily access free tax preparation and financial education yields immediate and long term results. ACF is excited about this model.”

- Joyce A. Thomas, Regional Administrator, ACF Region II

The Virtual VITA model can be adapted for different programs using integration strategies based on partner and program goals and capacity, colocated programming, and target populations. Staff in both Head Start programs found the service valuable to their clients and easy to execute, and Food Bank was able to extend the reach of its services to credit-eligible filers and underserved populations at low cost. See Table 1.

Table 1.

Head Start Virtual VITA ⁶	Pilot Totals
Number of Clients	60
EITC Clients	26
Average Adjusted Gross Income (AGI)	\$11,166
EITC Refunds	\$50,196
Total Refunds	\$98,257

Key findings:

- Distinct integration strategies emerged for both Head Start partners:
 - Children’s Aid concentrated its promotion on Head Start families and parents of children at the colocated elementary school in Harlem. Although the site processed fewer returns, concentrating on families eligible for credits like the Earned Income Tax Credit (EITC) and Child Tax Credits enabled Children’s Aid, in partnership with Food Bank, to return an average refund of \$2,708 to families in its community. This was the highest average refund of any 2012 or 2013 Food Bank Virtual VITA site.
 - At KHCC in the Bronx, Virtual VITA services were woven into Head Start and a number of other programs. During KHCC’s financial literacy workshops, for example, staff offered Virtual VITA intake services to the largely immigrant and single filer workshop participants. Through integration of Virtual VITA in multiple services, KHCC reached systemically underserved and new VITA-eligible tax filers and coupled financial education with free tax preparation.
- Where a traditional VITA site may not be possible due to resource constraints and preferences of the VITA provider or host organization, and when a partner wants to meet clients’ tax needs on-site with their own staff throughout the season, Virtual VITA is a manageable and cost-effective option to embed tax services into existing programming. Both Head Start partners were able to integrate the service seamlessly because they were able to use existing workspace, along with their own equipment and supplies (printer, scanner, computer, Internet access, paper, toner), and did not require the equivalent of a full-time staff member. Both programs used trained volunteers in addition to full-time staff to perform intake duties.

Virtual VITA is a cost-effective and scalable model for VITA partners to implement.

“With strong back-end support of a Virtual VITA program, you can afford to have smaller sites because the investment required for each intake site is much lower than it is in a traditional VITA model.”

- German Tejada, Food Bank For New York City

For Food Bank, incorporating returns from this pilot into its larger Virtual VITA and traditional VITA programs allowed it to leverage experience, staff and volunteer time, the online platform, and back-end operations with little additional cost per site. Similarly, with the infrastructure in place, each site did not need to process a large number of returns to provide a valuable return on Food Bank’s programmatic investment.

Key findings:

- After Food Bank factored in training, staff time, technology, and material resources, the average cost per return completed for the Virtual VITA program was **half the average cost** per return completed for the traditional VITA program.

- From the 2012 tax season to the 2013 tax season, Food Bank scaled its Virtual VITA program from two to 15 intake sites throughout the City, in addition to running numerous traditional VITA sites. Food Bank will more than double its number of Virtual VITA sites in the 2014 tax season.

Virtual VITA saves time.

Head Start Virtual VITA filers in our pilot experienced a much shorter wait, consistent with a 2013 Internal Revenue Service (IRS) survey, which found that nearly three quarters of Virtual VITA filers nationwide waited 15 minutes or less to begin the preparation process.⁷ As an additional benefit to filers with busy lives, the Virtual VITA model allows them to drop off tax documents and pick up the completed return at a convenient time.

Key findings:

- At a traditional VITA site, it is not uncommon for filers to wait two hours or more to begin the return preparation process. The intake process for Virtual VITA required roughly 20 minutes of filer time to complete the intake survey and wait for intake staff procedures. Filers received a brief (5-15 minute) call from a preparer within one business day, and most returns were available for pickup also within the same business day.

The Virtual VITA model offers benefits for all key stakeholders.

As Table 2 illustrates, filers, VITA providers, social service organizations, and funders can use the Virtual VITA model to their advantage in expanding free services beyond the traditional VITA model.

Table 2.

Filer Benefits	VITA Provider Benefits	Intake Site/ Service Provider Benefits	Funder Benefits
File tax return for free with a trusted partner	Reduce average cost per return and site	Integrate tax services into available programs	Fuel growth and innovation in the VITA sphere
Reduce wait and travel time	Focus on target neighborhoods and filer groups	Leverage existing resources and minimal staff time	Invest in an adaptable model with enormous potential for scale
Connect to local service providers and information	Improve program outcomes, customer experience, and reach	Participate directly in putting money in clients' pockets	Use technology to respond to changing community needs
	Expand to new populations not currently served by VITA		

Conclusion

Early findings around Virtual VITA programs encourage further exploration of the model as an exciting and low-cost way to scale up programs and integration in the face of high demand for free tax preparation services. The potential of Virtual VITA as the next phase of VITA tax preparation is yet to be fully realized, given the flexibility in model adaptation (available technology, procedure for intake and pickup, intake survey questions) and integration strategies. According to the IRS's 2013 Virtual VITA At-a-Glance Report, 98 percent of customer satisfaction survey respondents who had used Virtual VITA service in the 2013 tax season were willing to use Virtual VITA in the future.⁸

With replicable technology, small monetary investments, ease of integration, and high filer satisfaction, the immense potential for scale in the Virtual VITA model presents an opportunity for community, VITA, and funder partners to innovate and grow tax preparation services.

Endnotes

¹ Head Start is a federal program that promotes the school readiness of children ages birth to 5 from low-income families by enhancing their cognitive, social, and emotional development. Head Start serves over one million children and their families each year. New York City families receive services at over 250 Head Start centers across the City. This information and more is available through www.acf.hhs.gov.

² National Community Tax Coalition (2013). VITA Act Fact Sheet. Available at: <https://tax-coalition.org/policy-resources/vita-funding/vita-act-fact-sheet/view>

³ Internal Revenue Service (2013). “VITA/TCE IRS Volunteer Site Coordinator’s Handbook.” Available at: <http://www.irs.gov/pub/irs-pdf/p1084.pdf>

⁴ For full descriptions of partner sites, please see their respective websites. Administration for Children & Families: www.acf.hhs.gov. Food Bank For New York City: www.foodbanknyc.org. New York City Department of Consumer Affairs Office of Financial Empowerment: www.nyc.gov/ofe. The Children’s Aid Society: www.childrensaidsociety.org. Kingsbridge Heights Community Center: www.khcc-nyc.org

⁵ Following January 2013 changes to tax law under the American Taxpayer Relief Act (ATRA), the official start to the 2013 filing season was delayed to January 30, 2013. Returns could not be filed until that date. More information is available at: <http://www.irs.gov/uac/Newsroom/IRS-Plans-Jan.-30-Tax-Season-Opening-For-1040-Filers>.

⁶ According to Food Bank’s 2013 Virtual VITA program data.

⁷ IRS 2013 Virtual VITA At-a-Glance Report

⁸ IRS 2013 Virtual VITA At-a-Glance Report