



**CITY OF PHILADELPHIA  
DEPARTMENT OF REVENUE**

## Earned Income Tax Credit for Philadelphians

Report for Tax Year 2015

July 2016



CITY OF PHILADELPHIA  
DEPARTMENT OF REVENUE

July 1, 2016

The Honorable Jim Kenney  
Mayor, City of Philadelphia  
Room 215, City Hall  
Philadelphia, PA 19107

Dear Mayor Kenney:

Pursuant to §19-4000 of the Philadelphia Code, "Income Inequality Initiative – Earned Income Tax Credit," enclosed, please find the Earned Income Tax Credit (EITC) Policy Implementation Report for Tax Year 2015.

EITC is a federal tax benefit for low- to moderate- income working people and families. This refundable tax credit is among the most successful federal anti-poverty initiatives however, nearly one-in-five Pennsylvanians fail to apply. In Philadelphia, approximately 40,000 working people and families are eligible for EITC yet fail to file and claim this benefit.

The City of Philadelphia is committed to increasing EITC refunds for all eligible Philadelphians. Through effective outreach and education, increased access to free tax preparation, and continuous improvement of the EITC implementation plan, we are on track to meet this goal. I would like to thank the members of City Council for their enthusiastic and effective outreach efforts around EITC. The success of this tax season is a shared one, benefiting greatly for their collaboration and support.

We happily look forward to continuing this work with the Council and provide a real benefit to working people and families in Philadelphia.

Sincerely,

Frank Breslin, Revenue Commissioner & Chief Collections Officer

cc: Council President Darrell L. Clarke

Michael Decker, Chief Clerk

Rob Dubow, Finance Director



## CITY OF PHILADELPHIA DEPARTMENT OF REVENUE

### CITY OF PHILADELPHIA – FEDERAL EARNED INCOME TAX CREDIT

#### Tax Year 2015 Activity Overview

#### **17,000+ tax returns prepared for free at 15 City-sponsored sites**

- Increase of 12,000 compared to 5,000 returns in Tax Year 2014
- \$19.3 million in refunds (including \$7.5 million of EITC refunds)
- Additional returns filed at other free tax prep locations, with free eFile, and paid preparers, etc.
- IRS will release total 2015 Philadelphia EITC filing data in 18 months.

#### **2 Non-Profit Tax Prep partners with 28 free tax prep sites (15 City-sponsored)**

- Campaign for Working Families
- PathwaysPA (partnered with Ceiba – offering tax prep in Spanish)

#### **Comprehensive Outreach**

- All employers required to send EITC notice with IRS Form W-2
  - Revenue drafted notice and alerted employers
- Kick Off Press Conference with Mayor & City Council
- Bi-lingual focus group and 200+ multi-lingual surveys conducted in partnership with 50 community organizations to identify barriers to getting EITC and what messaging/outreach to use.
- Street Teams
  - Target commercial corridors, daycares, grocery stores, county assistance offices, and check cashing locations.
  - Talked to 12,000+ residents
  - Visited 1,785 businesses to hang posters and drop flyers
- 69 Community Meetings during Tax Season
- Partnered with 50+ community organizations to spread the word.
- 60,000 postcards mailed to likely-eligible households
- Website in 9 languages
- English & Spanish social media posts
- Multi-lingual hotline
- Ads in newspapers, online, radio, Pandora, and on SEPTA
- 20+ news stories, including national piece on NPR



## The Challenge

- **The IRS estimates that 20% of taxpayers eligible for the Earned Income Tax Credit do not claim the refund.**
- **For Philadelphia, this translates into roughly 40,000 taxpayers.**
- **With an average refund of \$2,400; Philadelphians are missing out on a total of \$100 million.**

Working Philadelphians and their families miss out on nearly \$100 million, each year, because they fail to apply for and receive the Federal Earned Income Tax Credit (EITC). This is a direct loss for the estimated 40,000 Philadelphia taxpayers who are eligible yet don't apply.

The EITC is a federal anti-poverty program that provides eligible low- and moderate- income working people and families with a tax credit that can reduce the amount of federal income taxes owed, and provide a refund. Using estimates provided by the Brookings Institution, in tax year 2013—the most recent year where statistics are available—188,368 Philadelphians applied for and received the EITC for a total benefit amount of \$470.9 million. These figures represent thirty-one percent (31%) of all tax returns filed and thirty percent (30%) of all federal income tax return refund dollars received for tax year 2013 in Philadelphia.



## CITY OF PHILADELPHIA DEPARTMENT OF REVENUE

### The Opportunity:

**By increasing awareness and access to free tax preparation, tens of thousands of Philadelphians can keep more of what they earn.**

<b>2015 Income Eligibility by Filing Status</b>			
<b>Number of Qualifying Children</b>	<b>Single, Head of Household, Widowed</b>	<b>Married, Filing Jointly</b>	<b>Maximum Benefit</b>
None (0)	\$14,820	\$20,330	\$503
One (1)	\$39,131	\$44,651	\$3,359
Two (2)	\$44,454	\$49,974	\$5,548
Three or More (3+)	\$47,747	\$53,267	\$6,242

For the 2015 tax year, a single taxpayer in Philadelphia earning up to \$47,747 a year, or a married couple earning up to \$53,267 could receive up to \$6,242 in EITC. The PEW Charitable Trusts, in their “2015 State of the City Report”, estimates that 408,482 Philadelphians live below the poverty line and 489,835 Philadelphians qualified for food stamps; representing an enormous need for government services. The EITC offers direct aid to these, and other Philadelphians, alleviating some of the strain from the City’s resources and empowering low- and moderate- income working people and families to live in, work in, enjoy, and enrich the City.

The IRS reports that 30% of EITC-eligible taxpayers are eligible for the first time each year; making ongoing education and access to free tax preparation critical. Awareness encourages taxpayers to file and receive the refund. Providing free tax preparation services to EITC-eligible taxpayers and families represents a second direct benefit. The Brookings Institution estimates that nearly half (forty-eight percent, 48%) of Philadelphia’s taxpayers used paid tax preparation services for the completion and/or filing of their 2013 Federal Income Tax Returns; with an average preparation cost of \$261, as estimated by the National Society of Accountants. Using these same estimates, the EITC implementation strategy could save the estimated 40,000 EITC-eligible people and families who currently do not receive the credit, over \$5 million in direct tax preparation costs.

## The Plan:

### Increase Awareness & Access to Free Tax Preparation

In 2015, the Department of Revenue partnered with two non-profits that offer free tax preparation by sponsoring 15 of the 28 locations in Philadelphia, with the other sites supported through other funding sources. To encourage Philadelphians to seek out those locations and other tax preparation options, the City launched a comprehensive community engagement and outreach initiative. These results were supported by an extensive outreach and media strategy that included: a press conference with Mayor Kenney, various members of City Council, and Revenue Commissioner Frank Breslin; 60,000 pieces of direct mailing material to city residents; focus groups; radio and online media presence—including the creation of the “You Earned it Philly” website; and SEPTA advertisements.



*Mayor Jim Kenney, Revenue Commissioner Frank Breslin, members of the Philadelphia City Council, and others at a press conference for EITC Awareness Day*



## CITY OF PHILADELPHIA DEPARTMENT OF REVENUE

### Return & Refund Results



**CAMPAIGN FOR WORKING FAMILIES, INC.**  
*Free Tax Preparation & Resource Building*



**PathWays PA**  
*services and advocacy for women, children and families*

The Department of Revenue issued a request for proposals for organizations to provide free tax preparation to Philadelphians. Two responses were received, from the Campaign for Working Families (CWF) and PathWays PA (Pathways); which partnered with Ceiba. Both organizations have experience with tax preparation and contracts were awarded to CWF and Pathways for Tax Year 2015.

#### **Pathways**

- 8 City-sponsored locations + 1 Pop-Up Event
  - 2,224 returns filed (690 with EITC)
  - \$1,033,281 EITC refunds
  - \$2,757,962 total federal refunds

#### **Campaign for Working Families**

- 7 City-sponsored locations
  - 15,000 returns filed (3,841 with EITC)
  - \$6,434,017 EITC refunds
  - \$16,537,342 total federal refunds

## Public Engagement and Outreach



To reach the 40,000 Philadelphians missing out on the EITC, the City engaged Community Marketing Concepts, Inc. (CMC), a MBE/WBE company, and ab+c Creative Intelligence (ABC), both located in Philadelphia, to develop marketing, mailing, and outreach materials to support a comprehensive marketing strategy.

To understand why Philadelphians were not receiving the refunds they were entitled to and to determine what would change that, the team built on the research and results of the Tax Year 2014 efforts. To start, the Tax Year 2015 campaign began with an English/Spanish focus group and 227 surveys of likely-EITC eligible taxpayers in multiple languages in 2016 to identify barriers to claiming the EITC, what messages would encourage people to file and how those messages should be delivered to be effective.

### Barriers to claiming EITC:

- Lack of awareness of the EITC
  - Gaps in knowledge about eligibility criteria/don't think it is for them
- Lack of trust in government generally
  - Don't believe the credit will actually be received
  - Concerned that taking this benefit will result in loss of something else.
- Challenges and concerns about filing for taxes generally
  - Personal financial problems (outstanding child support, student loans)
  - Low literacy level
  - Pride or shame

Based on the focus group and survey findings, as well as research into successful EITC campaigns in other jurisdictions, the You Earned It Philly campaign was developed. The message focused on communicating that the EITC isn't a handout, it is something that Philadelphians worked for and deserve.





## Community Partners

The Department of Revenue partnered with organizations across the City. These organizations received toolkits and materials to help promote the Earned Income Tax Credit, worked with the residents they serve to connect them with free tax preparation, hosted meetings, and conducted surveys to gather insights. We are thankful to the following organizations for their resources and partnership in promoting the Earned Income Tax Credit.

- AchieveAbility
- Allegheny West Foundation: CDC/NAC
- Ashton Square Civic Association
- Bell Vista Civic Association
- Burlholme Community Town Watch & Civic Association
- Congreso de Latinos Unidos (ESL)
- Diversified Community Services
- East Parkside Community Association
- East Torresdale Civic Association
- Frankford CDC/NAC (ESL)
- Greater Bustleton Civic League
- Greater Philadelphia Asian Social Service Center
- Greater Philadelphia Asian Social Service Center: NAC
- Greater Philadelphia Asian Social Service Center: NAC (ESL)
- HACE: CDC/NAC (ESL)
- Hunting Park NAC
- Impact Services Corp
- Indochinese-American Council (ESL)
- Korean Community Development Service Center
- Korean Community Development Service Center (ESL)
- Korean Community Development Services Corp. (ESL)
- Mantua Community Association
- Mayfair CDC
- Millbrook Civic Association
- Multicultural Family Services (ESL)
- Nationalities Service Center (Citywide ESL)
- New Kensington CDC/NAC
- Nicetown CDC/NAC
- Normandy Civic Association
- North 5th St. Revitalization Project
- NORTH, INC.
- Oak Lane Community Action Association
- Ogontz Ave. Revitalization Corp. (OARC),
- Parkside Association of Philadelphia: NAC
- Partnership CDC
- Pennsport Civic Association
- Peoples' Emergency Center: CDC/NAC
- Salvation Army
- Somerton Civic Association
- Southeast Asian Mutual Assistance Associations Coalition (ESL)
- Southwest CDC/NAC
- Strawberry Mansion CDC/NAC
- Tacony CDC
- The Enterprise Center: CDC/NAC
- The Lighthouse
- Universal Companies: CDC/NAC
- Welcoming Center for New Pennsylvanians (Citywide ESL)
- West Powelton/Saunders Park RCO
- Whitman Park Civic Association
- Winchester Park Civic Association

## The You Earned It Campaign



To communicate the You Earned It Philly message, the team developed a multi-pronged approach to reaching all eligible Philadelphians.

To start, the Department of Revenue developed a notice for employers to provide to employees and those they issue 1099s to about the EITC. All Philadelphia employers were notified and provided with the notice.

A coordinated outreach strategy was created that focused on getting the message to neighborhoods and likely-eligible low- and moderate- working people and families. This strategy focused on reaching people where they were—street teams visited day care centers, public assistance offices, grocery stores, check cashing centers, etc. to promote EITC and awareness of the City’s free tax preparation services. The street teams spoke with more than 12,000 individuals in stores, at community events, and along commercial corridors. They offered handouts with maps to free tax prep locations and checklists of what to bring. Department of Revenue staff participated in 69 community meetings between January 1 and April 16 and worked with over 200 community and faith-based organizations. Over 26,000 EITC flyers and postcards were given out and more than 2,000 businesses agreed to display EITC material on their premises.





## CITY OF PHILADELPHIA DEPARTMENT OF REVENUE



To reach out directly, nearly 60,000 Philadelphians, identified as likely eligible for the EITC using Department of Revenue data, were mailed postcards informing them about EITC and providing a list of the free tax preparation sites located throughout the City. These materials were available in six different languages. Print and mail materials were also available as larger window placements that allowed for display in barber/hair shops, nail salons, pre-k/child

development centers, and offices throughout the City.

Beginning February 2016, the Department launched 30-second radio advertisements that played on traditional (WDAS-FM, WUSL-FM, WIQQ-FM, WISX-FM, WURD-AM) and online (Pandora) radio stations.

These efforts were supported with print advertisements in AL DÍA, Westside Weekly, the Philadelphia Free Press and University City Review newspapers, and online advertisements through Google, Facebook, and Maxpoint. The digital media garnered over 6.5 million impressions.

Interviews on KYW radio, NPR Marketplace and local broadcast stations helped to bring EITC awareness to more Philadelphians than in previous years. In Fiscal Year 2016, the EITC campaign garnered over twenty (20) media stories and received national coverage.





**YOU  
EARNED  
EITC**  
PHILLY.COM

Don't miss your chance **to get back up to \$6,242** with the  
Federal Earned Income Tax Credit.  
**Deadline is April 18, 2016.**

The “You Earned It Philly” EITC website ([www.YouEarnedItPhilly.com](http://www.YouEarnedItPhilly.com)) offered eligibility information, an EITC eligibility calculator, and a list of free tax preparation locations. This site was available in traditional desktop and mobile friendly versions; and had information in nine (9) different languages. The website received more than 17,000 views.



## Financial Impact

**TOTAL COSTS (excluding Department of Revenue staff time) = \$953,264**

### **Free Tax Preparation**

- Campaign for Working Families - \$499,950
- Pathways PA - \$104,293

### **Outreach**

- ab+c Creative Intelligence and Community Marketing Concepts - \$349,022

**TOTAL BENEFITS - \$23.8 million**

- Tax Prep Fees Avoided - \$4.5 million (17,224 x \$261)
- Federal Refunds – \$19.3 million (includes \$7.5 million in EITC refunds)

**NET IMPACT - \$22.8 million**