



CITY OF PHILADELPHIA  
DEPARTMENT OF REVENUE



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# Earned Income Tax Credit for Philadelphians

Report for Tax Year 2017

November 2018



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November 21, 2018

The Honorable James F. 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 2017.

EITC is a refundable federal tax credit developed to assist low - to moderate-income level individuals and families. This tax credit is among the most successful federal anti-poverty initiatives, however, estimates from census and IRS data suggest that 51,900 Philadelphia residents who are eligible for the Federal EITC refund don't apply. As the average Philadelphian's EITC credit is \$2,536, that means that over \$131 million in refunds are left unclaimed.

The City of Philadelphia is committed to increasing EITC participation rates 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 continuing to move towards reaching that goal. This progress is exemplified by the increase in total tax returns filed by partner tax preparation centers for the third straight year, a decrease in the number of eligible Philadelphians that do not file for EITC, and an increase in the EITC participation rate.

We are eager to continue this work with the Council and provide a real benefit to working people and families in Philadelphia. The success of this tax season is a shared one, benefiting greatly from their collaboration and support.

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 –EARNED INCOME TAX CREDIT 2017 OVERVIEW**

### **26,000+ tax returns prepared for free at 20 City-sponsored sites**

- Increase of 2,000+ compared to 24,000 Federal returns in Tax Year 2016
- \$36 million in total refunds (including nearly \$11 million of EITC refunds)
- Saved taxpayers \$7.2 million in service fees (\$273 average fee<sup>1</sup>)

### **2 Non-Profit Tax Prep partners with 20 City-sponsored free tax prep locations**

- Campaign for Working Families
- PathwaysPA/Ceiba – offering free tax prep in Spanish & ITIN applications

### **Comprehensive Outreach in 9 languages**

- Grassroots
  - Street teams spoke with over 41,500 residents
  - Partnered with 58 community organizations & 9 large-scale employers
  - Revenue staff attended 90 community meetings during Tax Season
- Digital
  - 5.2 million ad views through paid digital media
  - 31,000 visits to the YouEarnedItPhilly.com website
  - 57 social media posts & 24 social media community partners
  - 229,000 audio impressions through Pandora Radio (+77% from TY 2016)
  - Over 8,500 texts sent resulting in 1,900 website visits
- Print
  - 112,850 fliers printed in nine languages; also shared electronically
  - 27,600+ postcards mailed to likely-eligible households
  - 1,000 letters sent to residents the IRS knows to have unclaimed EITC.
- Media
  - NBC10 and 6ABC press segments had 457,221 viewers
  - Philadelphia Inquirer EITC article with an estimated 1,850,000 reader audience.

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<sup>1</sup> (National Society of Accountants , 2017)



## The Challenge:

- **The most recent IRS tax return filing data from 2016 shows 188,320 Philadelphia returns claiming the EITC, a 1.5% decrease from 2015.**
- **Census estimates calculated by CEO suggest 240,204 Philadelphia households were eligible for the EITC in 2016, a 2.7% decrease from 2015.**
- **This translates into over 51,900 Philadelphia taxpayers that did not take advantage of EITC.**
- **With an average refund of over \$2,536; Philadelphians are missing out on over \$131 million.**

The EITC is a federal anti-poverty program that provides eligible low- and moderate- income working individuals and families with a refundable tax credit that reduces the amount of federal income taxes owed, and oftentimes generates a cash refund. Using a methodology developed by the Office of Community Empowerment and Opportunity (CEO), the number of Philadelphians eligible for the EITC were calculated. The difference between the number of EITC filers reported by the IRS and the estimated number of eligible Philadelphians is the participation rate. For 2016 the participation rate was 78.4%, an increase of 0.1 percentage points from 2015. The number of tax returns filed by city residents was unchanged from 2015 to 2016, while returns filed at the national and state levels decreased slightly.

In Tax Year 2016, 188,320 Philadelphia EITC filers received over \$473 million in total benefit, while eligible working Philadelphians and their families miss out on over \$131 million each year because they fail to apply for and receive the Federal Earned Income Tax Credit. This is a direct loss for the estimated 51,900 Philadelphia taxpayers who are eligible yet don't apply.<sup>2</sup>

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<sup>2</sup> (Philadelphia Office of Community Empowerment and Opportunity, 2018)

## **The Opportunity:**

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

<b>2017 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)	\$15,010	\$20,600	\$510
One (1)	\$39,617	\$45,207	\$3,400
Two (2)	\$45,007	\$50,597	\$5,616
Three or More (3+)	\$48,340	\$53,930	\$6,318

For the 2017 Tax Year, a single taxpayer in Philadelphia earning up to \$48,340 a year, or a married couple earning up to \$53,930 could receive up to \$6,318 in EITC. The US Census Bureau reported that 23.8% of Philadelphians 18-64 were living below the poverty level in 2016, roughly 235,000 people.<sup>5</sup> 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 each year millions of workers become EITC-eligible taxpayers for the first time<sup>6</sup>; making ongoing education and access to free tax preparation critical. Awareness encourages taxpayers to file and receive the refund. Providing free tax preparation services gives EITC-eligible taxpayers and families a convenient location to file and saves them money in the process. The IRS reported that 47% of Philadelphia's taxpayers used paid tax preparation services for the completion and/or filing of their 2015 Federal Income Tax Returns<sup>7</sup>; with an average preparation cost of \$273<sup>8</sup>, as estimated by the National Society of Accountants. In Tax Year 2017, free tax preparation services provided by the City saved 26,222 Philadelphia filers \$7.2 million in tax preparation costs.

<sup>5</sup> (US Census Bureau, 2018)

<sup>6</sup> (Internal Revenue Service, 2018)

<sup>7</sup> (Internal Revenue Service, 2018)

<sup>8</sup> (National Society of Accountants , 2017)

## The Plan

### **Increase Awareness & Access to Free Tax Preparation**

The Department of Revenue's continuing goal is to build upon previous years' successes and seek improvement of the 'You Earned It Philly' campaign. The campaign aims to deliver an effective message that increases the number of EITC-eligible Philadelphians filing their tax return and claiming the maximum refund they earned. Consultation with taxpayers and other stakeholders was instrumental in forming a cohesive strategy.

This message was delivered through a comprehensive community engagement and outreach initiatives designed to raise awareness of EITC and encourage the use of free tax preparation options. The campaign was launched by a press conference with Councilman Allan Domb, Revenue Commissioner Frank Breslin, representatives from the IRS, as well as leaders from several partner organizations. This kickoff event was followed by extensive outreach and engagement activities that included; direct mailing material to city residents; 90 community meetings; radio, online, & print media, the "You Earned it Philly" website; SEPTA advertisements; and street teams. The combination of these outreach efforts allowed the Department of Revenue and its partners to reach a broad audience of eligible Philadelphians across demographic groups.

To ensure that Philadelphians could access EITC and obtain tax filing assistance without having to pay costly service fees the Department of Revenue partnered with two free tax preparation providers to support 20 tax prep sites located across Philadelphia. Based on the input of stakeholders and best practices research, Revenue worked with the tax preparation providers to develop a network of accessible tax sites that offered more predictable hours than in past years, as well as services in languages other than English.



## 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 continued its contracts with the same two organizations it worked with in previous years: the Campaign for Working Families (CWF) and PathWays PA (Pathways); which partnered with Ceiba. Both organizations have prior experience with tax preparation, including the Department of Revenue's EITC outreach last year.

### Pathways

- 1 City-sponsored location
  - Bilingual support (English/Spanish)
  - 1,118 returns filed (289 with EITC)
  - \$614,019 EITC refunds
  - \$1,842,136 total federal refunds

### Campaign for Working Families

- 19 City-sponsored locations
  - 25,104 returns filed (6,028 with EITC)
  - \$10,028,938 EITC refunds
  - \$34,339,318 total federal refunds



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### Community Partners

The Department of Revenue partnered with organizations across the City. These organizations received over 122,000 pieces of outreach material in nine languages to help promote the Earned Income Tax Credit. Further, in collaboration with Revenue, they worked with the residents they serve to connect them with free tax preparation, hosted meetings, and participated in discussion to gather feedback. We are thankful to the following organizations for their resources and partnership in promoting the Earned Income Tax Credit.

- Impact Services
- New Kensington CDC
- Southeast Asian Mutual Assistance Association Coalition (SEMACC)
- Whitman Park Civic Association
- United Communities
- The Enterprise Center CDC
- People's Emergency Center CDC
- Achievability
- Mount Vernon Manor CDC
- Beech Corporation
- Brewerytown-Sharswood Community Association
- Frankford CDC
- Hunting Park NAC
- HACE CDC/NAC
- Congreso de Latinos Unidos
- The Lighthouse
- Esperanza
- Universal Companies
- Diversified Community Services
- Southwest CDC
- Dixon House
- South Philadelphia Homes
- Grays Ferry Community Council
- Strawberry Mansion CDC/NAC
- Parkside Association of Philadelphia
- We Never Say Never Association
- Mayfair CDC
- Tacony CDC
- Nicetown CDC/NAC
- Allegheny West Foundation CDC/NAC
- Germantown United CDC
- Ogontz Avenue Community Association
- North 5th Street Revitalization Project
- Korean Community Development Services Corp
- Greater Philadelphia Asian Social Services Center
- Benefits Data Trust
- Center for Hunger-free Communities
- Community Legal Services of Philadelphia
- Philadelphia Legal Assistance



## Public Engagement and Outreach



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 and outreach campaign targeted to eligible Philadelphians.

A fundamental part of the strategy was to engage community partners in its design and implementation. To encourage this the City, in partnership with the United Way, hosted a roundtable discussion where partners shared best practices, discussed tax filer experiences and provided valuable feedback on previous efforts.

Working together in this way, Revenue and its partners implemented an outreach campaign targeted to eligible Philadelphians. The messages were identified by taxpayers and their representatives as the most likely to lead to filing a tax return and claiming the EITC. These messages were targeted to the individuals in geographic areas with concentrations of likely-eligible taxpayers included, were delivered through various channels:

- Employer Engagement
- Community Engagement & Partnerships
- Direct Mail
- Media/Advertising
- Internet/Digital

## Employer Engagement

The Department of Revenue continued its relationship building efforts with Philadelphia employers who are legally required to notify their employees about EITC. These businesses and organizations can leverage their own internal networks to reach potential EITC eligible employees. For the 2017 Tax Year, the City and its partners connected with tens of thousands of local employees who were likely eligible to qualify for EITC. This was done via internal company communication channels and hard copy flyer distribution. The employer outreach categories included: trade associations, labor unions, larger local employers, universities, hospital systems, and immigrant business associations. The City is grateful to the following businesses and associations.

### **Trade Associations**

- Food Merchants Associations
- Society of HR Management Philadelphia
- Pennsylvania Head Start Association

### **Labor Unions**

- SEIU
- District 1199c
- Laborers DC 57, 135, 332, and 413
- AFL-CIO
- AFSCME District Council 33

### **Immigrant Business Associations**

- African Caribbean Business Association
- African Business Council

### **Higher Education**

- University of Pennsylvania
- Temple University
- Drexel University
- Saint Joseph's University
- LaSalle University

- Philadelphia University
- University of Sciences
- The Art Institute of Philadelphia
- Peirce College
- Holy Family University

### **Other Targeted Organizations:**

- Philadelphia Housing Authority
- PHL Airport
- Aramark
- Sodexo (cleaning company)
- AlliedBarton Security Services
- Bayada Home Health Care
- Scotlandyard Security Services

### **Health Care Providers – Hospital Systems:**

- University of Penn Health System
- Children's Hospital of Philadelphia
- St. Christopher's Hospital for Children
- Jefferson Health System
- Temple University
- Einstein Healthcare Network

## Community Engagement – Street Team

The eight-member You Earned It Philly street team engaged 41,678 residents over a seven-week period in targeted zip codes. The team distributed literature at grocery stores, outside county assistance offices, SEPTA stations, and at high traffic check cashing locations. This year's efforts marked a 67% increase in resident engagement from last year's campaign.







## Media/Advertising

In December 2017, the Department of Revenue launched a multi-faceted media campaign that included print and digital advertisements in AL DÍA, Facebook, Instagram, and Pandora Radio. This plan also included-SEPTA Ads on the Broad Street Line, Market-Frankford El, and bus routes running through targeted zip codes.



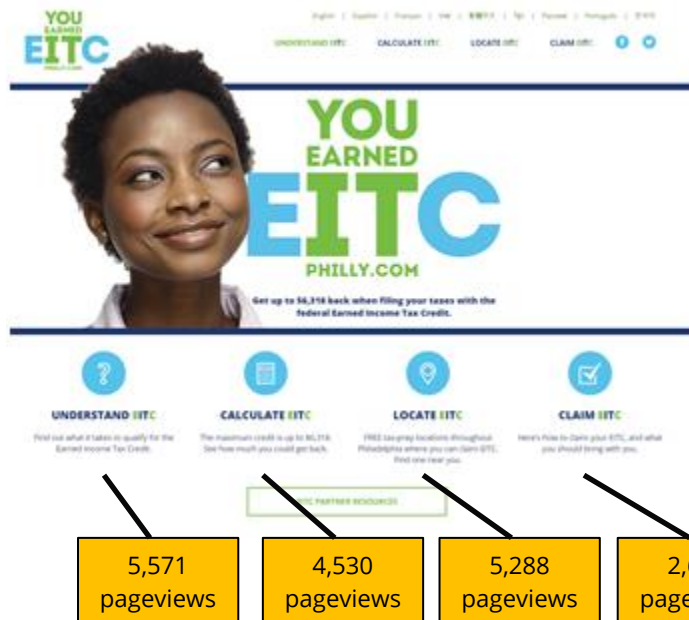
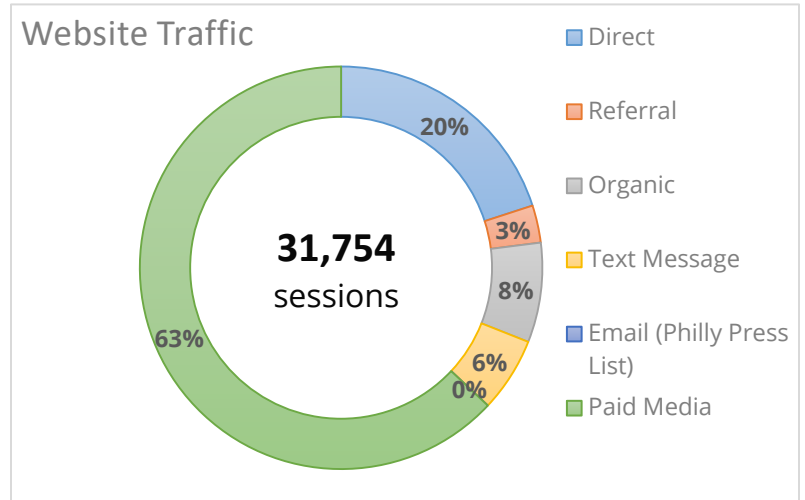
Interviews and news segments on local broadcast stations helped to bring EITC awareness to a broad range of Philadelphians. During the Tax Year 2017 campaign, four segments were broadcasted on local stations and two newspaper articles were featured in the *Inquirer* and Philly.com.

Other partner organizations like civic associations, homeowner associations, CDCs, legal & social service centers, and community associations also supported the You Earned it Philly Campaign by generating EITC related news coverage in support of the initiative.



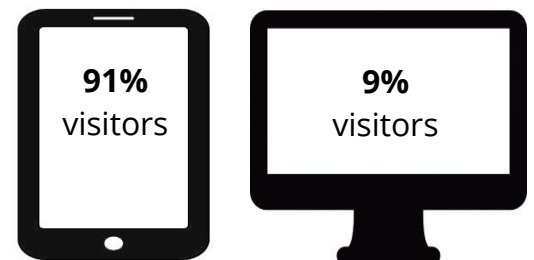
## Internet/Digital Media

Using a mix of media strategies and outlets, the You Earned it Philly Campaign reached Philadelphia residents across digital devices, in various forms and at different touchpoints to produce over 5.2M digital impressions. Digital impressions along with other marketing and outreach efforts drew nearly 32,000 website visits. Direct traffic saw a 33 percent increase in its share of website traffic; a good indication that visitors were familiar with the site name.



The "You Earned It Philly" 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

Most online traffic originated from mobile devices, 91 percent of all visits. Year over year new website visits increased 5.7 percent. Website traffic also generated 531 downloads of promotional and informational materials.





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## Financial Impact

**TOTAL COSTS (excluding Department of Revenue staff time) - \$1,085,273.35**

**EITC IMPLEMENTATION STRATEGY CONTRACT RECIPIENTS:**

- Campaign for Working Families - \$730,000.00
- ab+c Creative Intelligence and Community Marketing Concepts - \$325,276.35
- Pathways PA/Ceiba - \$30,000.00

**SPENDING BY TYPE:**

- |  |           |
|--|-----------|
| • Tax Preparation Sites -                | \$760,000 |
| • Marketing and Advertising -            | \$141,219 |
| • Community Engagement -                 | \$ 74,746 |
| • Communications Efforts -               | \$ 69,860 |
| • Personal Services and Administration - | \$ 39,450 |

**TOTAL BENEFITS - \$43.3 million**

- Federal Refunds – \$36.2 million (includes \$10.6 million in EITC refunds)
- Tax Prep Fees Avoided - \$7.2 million in service fees (\$273 average fee<sup>9</sup>)

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<sup>9</sup> (National Society of Accountants , 2017)

## References

- Internal Revenue Service. (2018, January 29). *EITC Fast Facts*. Retrieved from Internal Revenue Service Web site: <https://www.eitc.irs.gov/partner-toolkit/basic-marketing-communication-materials/eitc-fast-facts/eitc-fast-facts>
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- US Census Bureau. (2018, September 24). *Poverty Status in the Past Twelve Months*. Retrieved from American Community Survey: <https://factfinder.census.gov/>