



CITY OF PHILADELPHIA
DEPARTMENT OF REVENUE

Earned Income Tax Credit for Philadelphians

Report for Tax Year 2019



May 26, 2021

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 2019.

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 44,200 Philadelphia residents who are eligible for the Federal EITC refund don't apply. As the average Philadelphian's EITC credit is \$2,525; that means that over \$111 million in refunds are left unclaimed.

While the City of Philadelphia is committed to increasing EITC participation rates for all eligible Philadelphians, the COVID -19 pandemic stopped the marketing campaign and paused free tax preparation efforts in the second week of March 2020. As the federal government extended the tax deadline to July 15, 2021, with an October 15 extension due date, the free tax preparation sites were able to reopen for drop offs and on-line appointments in June which allowed them to continue to process income tax returns well past their normal April 15 deadline. Despite the Federal filing extension and resumption of free tax preparation sites, these sites were unfortunately unable to meet their annual goals due to the significant disruption from the COVID-19 pandemic. Regardless, the TY19 EITC campaign was able to deliver nearly \$37 million in benefit to Philadelphians in the form of tax refunds and free tax preparation.

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 2019 OVERVIEW

21,000+ tax returns prepared for free at 23 City-sponsored sites

- \$33.1 million in total refunds (including over \$7.7 million of EITC refunds)
- Saved taxpayers \$3.8 million in service fees (\$177 average fee¹)

2 Non-Profit Tax Prep partners

- Campaign for Working Families
 - Offered 2 eFile sites through myfreetaxes.com and Intuit
- PathwaysPA/Ceiba – offering free tax prep in Spanish

Comprehensive Outreach in 9 languages

- Grassroots
 - Street teams spoke with over 39,000 residents
 - Partnered with 42 community organizations
 - Revenue staff attended 102 community meetings from January 1 to March 31, 2021
- Digital
 - 1.3 million impressions through paid digital media in English, Spanish, and Mandarin Chinese
 - 24,175 visits to the YouEarnedItPhilly.com website
 - Emailed over 26,000 employers to provide an electronic flyer and remind them of their obligation to inform employees about EITC
 - 78 social media posts
 - Over 11,900 texts delivered resulting in 683 website visits and 533 telephone calls
- Print
 - 50,000 fliers distributed in nine languages; also shared electronically
 - English, Spanish, Mandarin, Portuguese, Khmer, French, Korean, Russian, and Vietnamese
- Media
 - Secured 9 news media placements generating more than 745,000 impressions

¹ 2018 National Society of Accountants Tax Professional Fee Study



The Challenge

- **Preliminary IRS tax return filing data from 2018 shows 182,500 Philadelphia filers claimed the EITC, a 2% decrease from 2017.**
- **Census estimates calculated by CEO suggest 226,700 Philadelphia households were eligible for the EITC in 2018.**
- **Over 44,200 Philadelphia taxpayers did not take advantage of EITC in 2018.**
- **With an average refund of over \$2,525; Philadelphians are missing out on over \$111 million.**

The following data reflects information for Tax Year 2018, the most recent data available from the IRS. The remaining sections of this report reflect activities in 2020 to support filing taxes for the 2019 Tax Year.

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 Department of Revenue calculates the number of Philadelphians eligible for the EITC annually. The difference between the number of EITC filers reported by the IRS and the estimated number of eligible Philadelphians is the participation rate. For 2018 the participation rate was 80%, unchanged from 2017.

In Tax Year 2018, 182,500 Philadelphia EITC filers received over \$460 million in total benefit, while eligible working Philadelphians and their families miss out on over \$111 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 44,200 Philadelphia taxpayers who are eligible, yet don't apply.²

² (Philadelphia Office of Community Empowerment and Opportunity, 2020)

The Opportunity

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

2019 Income Eligibility by Filing Status			
Number of Qualifying Children	Single, Head of Household, Widowed	Married, Filing Jointly	Maximum Benefit
None (0)	\$15,570	\$21,370	\$529
One (1)	\$41,094	\$46,884	\$3,526
Two (2)	\$46,703	\$52,493	\$5,828
Three or More (3+)	\$50,162	\$55,952	\$6,557

For the 2019 Tax Year, a single taxpayer in Philadelphia earning up to \$50,162 a year, or a married couple earning up to \$55,952 could receive up to \$6,557 in EITC. The US Census Bureau reported that 23% of Philadelphians 18-64 were living below the poverty level in 2019, roughly 364,300 people.³ The EITC offers direct aid to these, and other Philadelphians, supplementing City 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; 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 45% of Philadelphia's taxpayers used paid tax preparation services for the completion and/or filing of their 2018 Federal Income Tax Returns⁴; with an average 2018 preparation cost of \$177, as estimated by the National Society of Accountants⁵. In Tax Year 2018, free tax preparation services provided by the City saved 21,223 Philadelphia filers \$3.8 million in tax preparation costs.

³ (Internal Revenue Service, 2020)

⁴ (Internal Revenue Service, 2020)

⁵ 2018 National Society of Accountants Tax Professional Fee Study

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.

For this year this message was delivered through 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 Internal Revenue Service Leadership, Revenue Commissioner Frank Breslin, United Way of Greater Philadelphia and Southern New Jersey, 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; 102 community meetings; 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 23 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 office hours throughout the week and on weekends, as well as, materials and services in nine languages including English.

Return & Refund Results



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: 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)
 - 572 returns filed
 - 146 returns filed with EITC
 - \$364,598 EITC refunds
 - \$1,251,661 total federal refunds

Campaign for Working Families

- 22 City-sponsored locations
 - Information and services provided in 9 languages
 - 20,651 returns filed
 - 4,203 returns filed with EITC
 - \$7,349,934 EITC refunds
 - \$31,876,032 total federal refunds

Community Partners

The Department of Revenue partnered with organizations across the City to promote the EITC. These organizations received over 50,000 pieces of outreach material in nine languages. Further, in collaboration with Revenue, they worked to connect the residents they serve with free tax preparation, hosted meetings, and participated in discussions to gather feedback. We are thankful to the following organizations for their resources and partnership in promoting the Earned Income Tax Credit.

- African Cultural Alliance of North America (ACANA)
- Allegheny West Foundation CDC/NAC
- Association of Puerto Ricans en Marcha (APM)
- Beech Interplex
- Bethana
- Benefits Data Trust
- Congreso de Latinos Unidos
- CORA
- Diversified Community Services
- Dixon House
- El Concilio
- Esperanza
- Frankford CDC
- Free Library of Philadelphia
- Germantown United CDC
- Greater Philadelphia Social Services Center
- HACE CDC/NAC
- Hunting Park NAC
- Impact Services
- Indo-Chinese American Council
- JEVS
- Korean Community Development Services Center
- Mayfair CDC
- Mayor's Office of Reintegration Services
- Nicetown CDC/NAC
- North Central CDC
- Passyunk Avenue Revitalization Center
- Providence Center
- Southeast Asian Mutual Assistance Association Coalition (SEAMACC)
- South Philadelphia Homes
- South Street Headhouse District
- Southwest CDC
- Strawberry Mansion CDC/NAC
- Tabor Children's Services
- Tacony CDC
- Taller Puertoriqueno
- The Lighthouse
- United Communities
- Universal Companies
- Whitman Park Civic Association

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.

Prior to the COVID-19 pandemic shutdown, the Department expanded its outreach strategy to deliver more personal connections with potentially eligible EITC recipients in neighborhoods where they live and work. Street teams were deployed throughout the City in high-traffic areas to provide information and materials in nine languages and guide eligible Philadelphians towards their closest free-tax preparation site.

Working together in this way, Revenue and its partners were able to deliver a robust community marketing campaign.. This campaign utilized messages that 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 and were delivered through various channels:

- Employer Engagement
- Community Engagement & Partnerships
- Media/Advertising
- Internet/Social Media/Digital
- Texting

Community Engagement – Street Team

The six-member You Earned It Philly street team engaged 39,000 residents over a five-week period in targeted zip codes prior to the COVID-19 pandemic shutdown. The team distributed literature at grocery and variety stores, county assistance offices, SEPTA stations, and at high traffic check cashing locations. This year's efforts included multi-lingual outreach at special events throughout the City such as, the Lunar New Year festival in Center City, Census Workers Champion training in Lawncrest and Tacony, and family meetings in schools that serve Philadelphians that speak English as a second language.

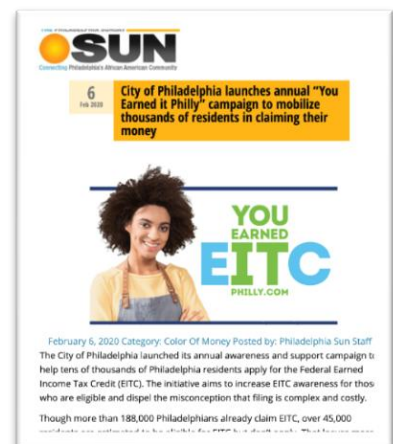


Media/Advertising

Beginning January 2020, the Department of Revenue launched a multi-faceted media campaign that included print and digital advertisements in *Al Día*, *Metro Chinese*, Facebook, Twitter, and YouTube. This plan also included SEPTA Ads on the Broad Street Line, Market-Frankford El, and bus routes running through targeted zip codes. The COVID-19 pandemic shutdown caused a premature end to this advertising campaign in the second week of March. While printed and public transit ads remained, all digital advertising was halted.

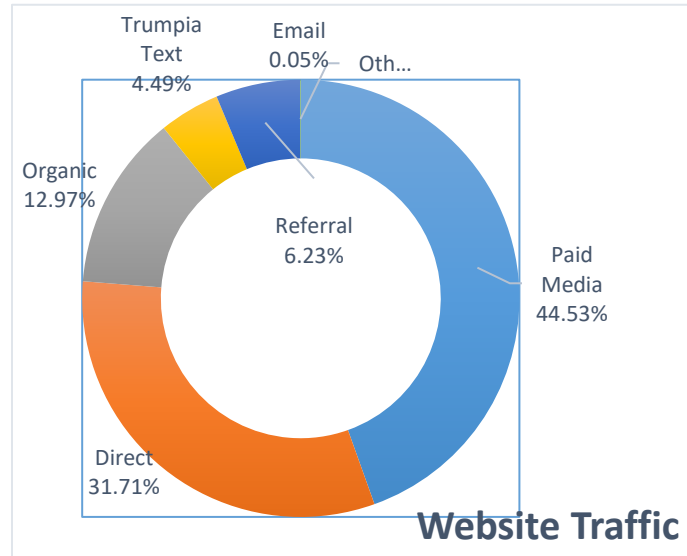


Digital and print advertising was also accompanied by news articles, radio interviews and television appearances. The EITC Awareness Day kickoff event on January 31 was broadcasted on 6ABC and an interview with Revenue Commissioner Frank Breslin was aired on KYW 1060AM. During the 2020 campaign, other print coverage appeared in seven major Philadelphia newspapers; including the Philadelphia Citizen, *Al Día*, *El Sol Latino*, the Philadelphia Sunday Sun, Philadelphia Inquirer, Northeast Times, and Philadelphia Tribune.



Internet/Digital Media

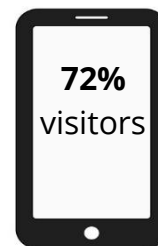
Using a mix of media strategies and outlets, the You Earned it Philly Campaign reached Philadelphia residents across digital devices, in various forms and at different touchpoints to produce over 1.3M digital impressions. Digital impressions along with other marketing and outreach efforts drew over 24,100 website visits. In 2020, direct and organic traffic continued to increase in its share of website traffic; a good indication that visitors are familiar with the site name.



The “You Earned It Philly” website (www.YouEarnedItPhilly.com) offers eligibility information, an EITC eligibility calculator, and a map of free tax preparation locations. This site is available in traditional desktop and mobile friendly versions; and has information in nine different languages. In 2020, the Department revamped the website and marketing materials to be geared more towards working individuals. Additional

updates to the website were made in response to the COVID-19 pandemic shutdown ,to direct eligible taxpayers to free digital filing.

Most online traffic originated from mobile devices, 72 percent of all visits. The most popular features of the website were the EITC savings calculator (over 4,000 interactions) and the map of free tax preparation sites (over 3,200 interactions). Website traffic also generated 479 downloads of promotional and informational materials.





Financial Impact

TOTAL COSTS (excluding Department of Revenue staff time) - \$1,065,575

EITC IMPLEMENTATION STRATEGY CONTRACT RECIPIENTS:

- Campaign for Working Families - \$730,000 Contract; \$730,000 Spent
- ab+c Creative Intelligence and Community Marketing Concepts - \$350,000 Contract; \$306,975 Spent
- Pathways PA/Ceiba - \$30,000 Contract; \$28,600 Spent

TOTAL BENEFITS - \$36.9 Million

- Federal Refunds – \$33.1 Million (includes \$7.7 Million in EITC refunds)
- Tax Prep Fees Avoided - \$3.8 Million in service fees (\$177 average fee)

References

Internal Revenue Service. (2020, October 22). *SOI Tax Stats - County Data - 2018*. Retrieved from Internal Revenue Service Web site: <https://www.irs.gov/statistics/soi-tax-stats-county-data-2018>

Internal Revenue Service. (2020, June). *SOI Tax Stats County Data 2016*. Retrieved from Internal Revenue Service Web site: <https://www.irs.gov/statistics/soi-tax-stats-county-data-2016>

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Philadelphia Office of Community Empowerment and Opportunity. (2020). *EITC Estimates TY2018*. Philadelphia: City of Philadelphia.