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The IRS and Financial Education and Asset Building

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In today's economic times, it is important for taxpayers to understand that increasing their financial awareness and building assets is vital. The Internal Revenue Service recognizes this fact as well as focuses on increasing financial literacy and asset building efforts for our taxpayers. The IRS organization "Stakeholder Partnerships, Education & Communication" (SPEC) is the outreach and education function of Internal Revenue Service's Wage and Investment Division. SPEC's mission is "To assist taxpayers in satisfying their tax responsibilities by building and maintaining partnerships with key stakeholders, seeking to create and share value by informing, educating, and communicating with our shared customers."

To understand how SPEC achieves its mission and goals, it is important to understand the organization's three pronged business model. Each piece is driven by research and data analysis and consists of:

- Awareness and education
- Financial education and asset building
- Tax preparation

SPEC develops and supports partnerships with organizations that have a commitment to increasing the economic well-being of a shared customer. These customers are usually low to moderate income taxpayers. The SPEC business model is leveraged through client-based organizations¹, integrating tax education and free tax preparation with other strategies promoted by partners to increase income, build savings, and gain and sustain assets for targeted SPEC taxpayers. The model also promotes collaboration with client-based organizations that are networked at the local and national level. This approach creates a framework for partners to provide a broader portfolio of tax-related services year-round and to provide education to all taxpayers. By providing a broader range of services, taxpayers receive the knowledge needed to reduce unintentional errors, better understand the importance of voluntary tax compliance, and to ensure that they pay no more and no less than what they owe.

The Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly programs provide free tax preparation services for those taxpayers that fall within the income limit set by Congress for the Earned Income Tax Credit. Low to moderate income taxpayers are generally the group that qualify for the VITA / TCE programs. A substantial portion of the SPEC's outreach activities have been focused on these tax programs resulting in more than 5.3 million state and federal returns prepared at SPEC partner sites last year. This work was accomplished with the help of more than

¹ Client-based organizations are organizations such as Capital Area Asset Builders (CAAB) and other community-based organizations that provide direct services to taxpayers.

6,000 volunteers nationwide that delivered \$3,727,650,870 in refunds to the taxpayers in their communities.

In many cases, taxpayers are able to claim refundable credits. The Earned Income Tax Credit is one such credit; last year 591,460 taxpayers claimed more than \$796,311,000 in EITC credits. In addition, 353,832 taxpayers claimed the Child Tax Credit and received funds in excess of \$481,560,000. The Education Tax Credit is also refundable and taxpayers claimed over \$66,151,000 last year.

When taxpayers receive a refund, there is the opportunity to seize upon the teachable moment. A “teachable moment” is that point in time when the taxpayer is receiving a large refund (many times representing more money at one time than many of these taxpayers receive all year, except at tax time) and the preparer or other volunteer has an opportunity to educate the taxpayer on how that money could best be saved or spent. This allows the taxpayer to build assets while increasing their financial knowledge to better their financial standing and often times invest in their community through homeownership or business development.

Financial Education and Asset Building (FEAB)

SPEC has developed a Strategic Plan to weave Financial Education and Asset Building (FEAB) into the fabric of the organization. The goal is to provide financial options that work by incorporating financial education and asset building into all SPEC programs and activities and to encourage partner organizations to do the same. SPEC works closely with partners and coalitions to provide programs and information that empower the taxpayer to build a better financial life. The SPEC organization has set up an extensive network to share the best practices of partner organizations that are successfully involved in financial education and asset building programs and services across the country. SPEC realizes that not all partners are at the same comfort level when engaging this issue. Thus there are several available options to incorporate FEAB into programs, outreach, and marketing materials. By sharing FEAB information and best practices among partners, a consistent message has been delivered; many partners have recognized that asset building starts with ensuring that individuals and families receive all the benefits to which they are entitled.

IRS/SPEC partners have the opportunity to have a positive financial impact on the lives of their clients. By working in concert with local and national financial institutions, especially those linked to VITA / TCE sites, partners can provide the financial options that taxpayers need and want, including banking, savings, Individual Development Accounts (IDAs), debit cards, financial counseling and a myriad of other services that many taxpayers are unable or unwilling to obtain through normal channels. IRS/SPEC collaborates with partners to provide taxpayers with the information, knowledge and skills to evaluate their financial options.

As noted above, the money that taxpayers receive as a tax refund is often the single largest source of income for that individual or family for the entire year. The guidance our partners provide can help taxpayers use these funds to make a significant step towards financial independence.