

Offering Free Tax Assistance and
Promoting the Earned
Income Tax Credit Through the Workplace:

A PILOT EVALUATION WITH GOODWILL INDUSTRIES

A Project of
the U.S. Chamber of Commerce Foundation

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Improving Access and Use of **EARNED INCOME TAX CREDIT**

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EXECUTIVE SUMMARY

With support from the Rockefeller Foundation, the U.S. Chamber of Commerce Foundation's Center for Education and Workforce partnered with Goodwill Industries to increase access to and use of the Earned Income Tax Credit (EITC) through workplace tax assistance and financial coaching at five Goodwill Industries across the U.S. Despite the challenges posed by the COVID-19 pandemic, pilot sites used a variety of in-person and digital outreach and tax assistance strategies to reach workers. Below are key findings from the pilot evaluation related to project goals and that reflect three innovative practices Goodwill sites committed to following: 1) Focusing on financial wellness; 2) incorporating human resources self-service tools; and 3) using nonprofit partnerships to increase access to free tax assistance and the EITC.

Project Goals

- 1. Increase and maintain EITC participation while reducing time and cost to workers.** Goodwill sites embedded outreach activities in the workplace, reaching workers through new hire orientations, staff meetings, break room visits, visits to retail stores, newsletters, email blasts, and social media providing over 2,000 workers with information about the EITC and free tax filing options. Nearly two-thirds of employees recalled receiving information about the EITC from outreach efforts. To prepare workers to file, sites helped workers use human resource information systems (HRIS) software to retrieve their W2 forms and released W2s earlier than in prior years to help avoid use of paid preparers. **To conduct targeted outreach**, sites also used HRIS software to screen workers for EITC eligibility. Sites offered workers in-person and virtual support with contactless drop-off tax filing assistance options and helped workers access free online filing options; 69% of workers said getting tax assistance was “very easy.” Three of five sites offered assistance through community partnerships; sites also made referrals to legal aid and consumer credit counseling services for additional help. Among employees who filed their taxes using free assistance, 26% claimed the EITC, compared to 19% nationally. At one site, EITC recipients were far more likely to use an IRS Volunteer Income Tax Assistance (VITA) site than those who did not receive the EITC. Two estimates indicated that only 10% and 22% of employees used paid tax preparation services.
- 2. Reduce tax filing error rates.** During outreach, Goodwill sites shared IRS Publication 962 (EITC eligibility) while financial coaches offered basic tax literacy instruction and guidance, so workers understood tax filing requirements and EITC eligibility parameters. Staff and volunteers completed IRS Form 13614-C (Quality Review Sheet) while reviewing worker tax documents and W2 forms during free tax assistance sessions to minimize filing errors. Goodwill sites helped workers obtain their W2 forms, so they had accurate income information to report on their tax returns.

3. Improve the use of EITC benefits for financial stability. Goodwill financial coaches offered guidance for how workers could use their tax refunds. Most (61%) workers received refunds of \$1,000 or more, the most common use of which was to save (32%), followed by catching up on bills (26%) and reducing debt (15%). Over three-quarters of workers said they were somewhat or very likely to seek help from financial coaches after filing their taxes. One site helped workers set up bank accounts that met Bank On national standards so they could have their refunds directly deposited.

INTRODUCTION

The U.S. Chamber of Commerce Foundation partnered with Goodwill Industries International to launch a pilot project during the 2021 tax season to increase access to and use of free tax assistance and receipt of the Earned Income Tax Credit (EITC). This project leveraged the workplace as a setting for reaching workers, selecting five Goodwill Industries organizations located across the U.S.:

- Goodwill Industries of Central Michigan's Heartland, Inc. (Battle Creek, Michigan)
- Goodwill Industries of the Chesapeake, Inc. (Baltimore, Maryland)
- Goodwill Industries of East Texas (Tyler, Texas)
- Goodwill of the Finger Lakes (Rochester, Syracuse, New York)
- Goodwill Manasota (Bradenton, Sarasota, Florida)

These organizations were selected for their diversity (size, tenure, geographic location, and community characteristics) and for the degree to which they had free tax assistance service experience and had incorporated financial wellness strategies in the workplace, such as the use of financial coaches.

The primary goal of the project was to increase the number of employees who claim the EITC by helping to screen workers for eligibility and offering them access to free federal income tax filing assistance services through VITA¹ sites hosted by Goodwill and/or by community partners and by helping employees file their taxes in others ways, such as using a free online tax filing software program through the IRS's Free File Alliance.² A secondary goal was to provide employees with financial coaching and other services at tax time so employees could make the most of their tax refunds to achieve their financial goals.

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Evaluation Purpose and Methods

The purpose of this evaluation was to examine project implementation success factors and challenges across the five sites and to understand the characteristics and needs of participating workers and their tax filing experiences and behaviors to help inform future workplace projects with similar aims. According, research questions were:

Implementation

1. What success and challenges did sites experience in implementing different steps of the project?
 - a. What outreach, communication, and preparation strategies did sites use?
 - b. What incentives did sites use to encourage employee participation?
 - c. What factors appeared related to these successes and challenges?
 - d. How did sites adjust their tax assistance services to the COVID-19 pandemic play?
2. What additional financial services did sites offer?
 - a. How did these additional services relate to the offer of free tax assistance?

Employee Participation

3. What was the response among Goodwill employees to the offer of free tax assistance and other financial services?
 - a. What employee characteristics were associated with take-up?
4. In what ways did employees choose to file their taxes?
 - a. What factors were associated with the use of different filing methods?
 - b. Why do some employees choose to use paid preparers?
5. Why did some employees not file their taxes?

Employee Characteristics and Needs

6. What were employees tax filing status?
7. What proportion of employees claimed the EITC?
8. What proportion of employees received a tax refund?
 - a. How much in refunds did employees receive?
 - b. What did employees do with their refunds?
9. What financial challenges did employees who participated in free tax assistance experience?
 - a. Was there an association between these challenges and what employees did with their refunds?

To answer evaluation questions, multiple types and sources of data were used to conduct descriptive qualitative and quantitative analyses:

1. Site Self-Assessments: Site coordinators completed three surveys corresponding to the 1) outreach, 2) screening and preparation, and 3) tax filing assistance phases of the project, plus a summary self-assessment. These surveys asked about how services and activities in each phase were implemented, success factors, and challenges.
2. Site Administrative Data: Through the self-assessment series or by uploading separate reports, sites reported data concerning tax filing activities and characteristics of employees who received assistance.
3. Employee Survey: All sites asked employees to complete a comprehensive, 40-item survey after the conclusion of tax season. The survey asked about tax filing experiences and behaviors, experiences with tax filing assistance, uses of tax refunds, financial security, and demographic characteristics.
4. Site Employee Surveys: Some sites administered their own employee surveys before and/or after tax season. These surveys were much shorter than the main employee survey and focused on tax filing experiences and behaviors.
5. Focus Groups: A group of employees from each site participated in a focus group to explore issues and insights raised through site self-assessments.

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The Earned Income Tax Credit: An Important Benefit for Working Individuals and Families

Enacted in 1975 as a modest work bonus and expanded substantially in 1993 as part of welfare reform policy, the EITC is the largest income support program targeting working individuals and families in the U.S., providing nearly 29 million low-income tax filers with \$68 billion in earnings subsidies.⁴ The EITC is a refundable credit, which means that when an individual or couple files their federal income tax return, any amount of the credit that exceeds the filer's tax liability is issued as a tax refund. For example, a tax filer who had a remaining tax liability of \$1,000 on their tax return but was eligible for a \$1,500 EITC would receive a \$500 refund.

Eligibility and Amounts

In addition to the requirement that the tax filer have earned income,³ eligibility requirements and credit amounts vary considerably based on filing status and having qualified children or certain adult dependents.⁵ For tax year 2021, tax filers ages 25 to 65 with no children or other dependents who had adjusted gross income (AGI) of no greater than \$15,980 were eligible for a credit of up to \$543. AGI limits and credit amounts are much higher among tax filers of any age who had one or more qualified children or other dependents. For example, an individual filing as head of household with two children could have AGI up to \$47,915 and receive a credit for as much as \$5,980.⁶

Phase-in/out and Eligibility Changes

The EITC has phase-in and -out ranges: the amount of the credit rises as earned income rises up to a certain point where it levels out and then decreases with higher amounts of earned income up to the AGI maximum.⁷ These ranges are a point of confusion for many tax filers who do not understand how and why their credit amounts change year-to-year. In addition, changes to a filer's family situation in a given tax year can affect the filer's eligibility. For example, no longer having or being able to claim qualifying children means a filer may receive a much lower credit or become ineligible. Conversely, a grandparent who is working and begins caring full time for a grandchild may become eligible and not realize it.

Benefits and Limitations of the EITC

It is important to focus on the EITC because it lifts millions of individuals and families out of poverty.⁸ In addition, by helping to raise incomes, the EITC becomes associated with the many benefits that accrue when income rises: increased employment,^{9,10} reduced food insecurity,^{11,12} healthier food,¹³ reduced smoking,¹⁴ improved maternal health¹⁵, parental health,¹⁶ birth weight¹⁷ and children's math and reading achievement¹⁸.

However, nearly 20% of individuals who are eligible for the EITC do not claim it and the participation rate has remained steady over the past several years.¹⁹ Individuals who do not claim the EITC might include those who live in rural areas, are self-employed, do not have a qualifying child, receive disability benefits, and are not native English speakers. People might also fail to claim the EITC because their family or work situation has changed, or they are grandparents raising grandchildren and they do not realize they are eligible.²⁰

Employee Financial Wellness

Helping employees receive free tax filing assistance and claim the EITC is a workplace financial wellness strategy. In recent years, a growing number of companies and organizations have focused on ways to boost employee financial wellness, offering a range of financial products and services such as financial coaching, small-dollar loans, pay advances, financial management apps, and savings programs.²¹ The workplace offers several advantages to promoting employee financial wellness:

- Employees make important financial decisions through the workplace (e.g., benefits selections, tax withholding).
- Offering financial products and services through the workplace might prompt employees to think about their financial well-being and seek help, and these offerings might make receiving financial help easier.
- Employers can leverage their payroll systems to enable payroll deductions for loan repayments and savings programs offered in partnership with financial services providers.
- Showing concern about employees' financial well-being may increase employer attachment and help employers consider ways in which they can boost employee financial well-being via benefits offerings, pay, and work scheduling.

Regarding the EITC specifically, employers have an advantage of having information about employees' earned income and tax filing status to screen for EITC eligibility.

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FINDINGS

Outreach, Screening, and Preparation

Before each site offered free tax assistance, the site conducted outreach activities to raise awareness among employees concerning the EITC and free tax assistance, screened employees for EITC eligibility, and helped employees gather documents needed to file their tax returns.

Sites initially used a variety of in-person and virtual outreach activities events with employees to boost awareness of the EITC and free tax filing assistance.

Table 1. Outreach - Activities and Events

| Site | Activities and Events |
|-----------------------------|---|
| Manasota, Fla. | Employee meetings, 479 one-on-one meetings with GoodPartner coaches. |
| Chesapeake (Baltimore, Md.) | 10 new hire orientations, 48 one-on-one meetings with coaches, one money management workshop co-facilitated by coach and bank representative with 13 attendees, financial coaches contacted employees furloughed in 2020 to offer free tax assistance. |
| East Texas | two-day technical training and EITC awareness event for all locations with 163 survey responses, VISA card drawings for survey respondents; financial education workshops offered in partnership with bank partners to over 200 staff and program participants annually include information about the EITC. |
| Central Michigan | Employee meetings, announcement at Christmas luncheons, marketing during store visits (59 events total), requests of 2020 employee VITA participants to recruit coworkers and family. |
| Finger Lakes (N.Y.) | Employee meetings (15 in person and five via Zoom) and table hours at stores and main location in break or lunch areas with visits from financial coaches. Educational handout: bag with EITC, tax, and filing information and candy targeted to worksites where income levels indicated most likely eligibility for EITC. Pre- and post-tax surveys. |

These events included interacting with employees both individually and in group settings and mostly through usual workplace processes such as staff meetings and employee orientation sessions.

Success factors included being able to interact with employees one-on-one – including being available in break and meeting rooms following team huddles, using a virtual workshop to reach employees at different work locations, and using a training to include how to use company email.

Concerning the importance of one-on-one interactions, one representative commented, “Less formal times seemed to bring the most engaging conversations and questions” and “seemed to reduce stress and allow open dialogue.”

Challenges that constrained outreach events and activities were mostly attributed to the COVID-19 pandemic including:

- Project launch coincided with a spike in COVID-19 with several team members working remotely.
- Limited numbers of employees at each worksite due to social distancing meant more time required to contact a smaller number of employees.
- Limited space to meet one-on-one with employees due to social distancing measures.
- Cancellation of monthly meetings on financial topics held by coaches and community partners.

In addition, Goodwill Industries of East Texas was confronted by severe winter weather that resulted in a five-day shutdown due to power outages and other disruptions which resulted in event cancellations and financial hardships for employees.

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In addition to various outreach events and activities, sites used different communication tactics to raise awareness among employees concerning the EITC and free tax assistance:

Table 2. Outreach - Communication Tactics

| Site | Tactics |
|------------------|--|
| Manasota | Team meeting announcements, posters, social media videos reaching 700 employees. |
| Chesapeake | Biweekly email blasts with 2021 tax filing calendar, monthly CEO message via YouTube, IRS Publication 962, employee newsletter feature including tax law changes and taxpayer resources, flyers and sign-up sheets, and postcards with tax filing instructions and sign-up information posted and distributed at worksites; emails reaching 500 employees. |
| East Texas | Group texts to employees, Constant Contact emails announcing events and including “Let’s Taco ‘bout Taxes” – reaching 284 employees, Marketing Coordinator shared information about free tax filing assistance via news outlets and podcasts. |
| Central Michigan | EITC posters sent to each location with a memo and video introduction, Vyond (animated) videos, HRIS system-displayed messages and notifications, Facebook page posts, emails and appointment posters sent by financial coaches – reaching 250 employees. |
| Finger Lakes | Weekly employee communications and bi-weekly tax and financial communications reaching 600 employees, retail news weekly reaching 475 employees; information about the EITC shared with community partners and through a 211 database. |

Goodwill sites used a wide variety of digital and nondigital communication tactics, reaching employees in multiple ways via videos, social media, email, text, postcards, and posters.

Through information about the degree to which employees responded to and engaged with outreach activities and events and communication strategies, Goodwill Industries of the Finger Lakes reported the following results:

- 63% of employees targeted received educational handouts at different worksites (e.g., retail, warehouse).
- 62% of employees targeted received information, guidance, and assistance about tax filing from financial coaches.
- 20% and 25% of employees participated in pre- and post-tax filing surveys.

The financial coaches doing store visits in late January and February was the most effective. It created word-of-mouth among peers.

Success factors included being able to forward company emails to personal email accounts, having posters in break rooms, and using group texting for those who do not open company emails. One site representative highlighted the importance of in-person communication.

Some sites also mentioned the importance of sustained outreach – providing information about free tax filing assistance throughout tax season – and incorporating tax-related financial literacy training: why it is important to file taxes, what is the EITC and who qualifies for it, and where to go to receive free tax filing assistance through VITA.

The most common communication challenge was about email. Employees needed help in using their company email accounts or had no access to work email accounts and could be reached only through personal email accounts. Other employees did not use email at all while others were visually impaired and needed other forms of communication such as Braille. In addition, one site representative noted that a regular mailing to the homes of employees would help raise awareness among spouses, partners, and other family members – not just the employee.

Sites used **HRIS software** (e.g., Kronos, ADP) to help prepare employees for filing their tax returns by enabling employee access to W2 forms in different ways:

- Sending emails to employees at the end of 2020 asking them to update their contact information to ensure timely receipt of W2 forms.
- Notifying employees of the availability of 2020 W2 forms through HRIS software and reminding them how to access their personal information through the HRIS.
- Including a link to the IRS Free File website.
- Mailing paper copies of W2 forms to employees by late January.

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HRIS data also helped sites identify financial coaches for employees and other staff could engage concerning EITC eligibility and free tax assistance. For example, Goodwill Industries of the Finger Lakes used HRIS data to target worksites (e.g., retail stores, warehouses) with staff most likely to be eligible for the EITC. Other screening and preparation strategies used by sites included:

- One-on-one meetings with GoodPartner coaches, use of assessment data to initiate conversations with employees about tax filing and answer their questions.
- Financial coaches at two sites helped employees access their tax documents through the HRIS.
- Shared IRS Publication 962 (EITC eligibility) via email with employees including a code for accessing an EITC screening tool via computer or smart phone.
- Completion of IRS Form 13614-C (Intake/Interview & Quality Review Sheet) with employee documents and income statements during in-person and virtual sessions.

Success factors in screening and preparation included:

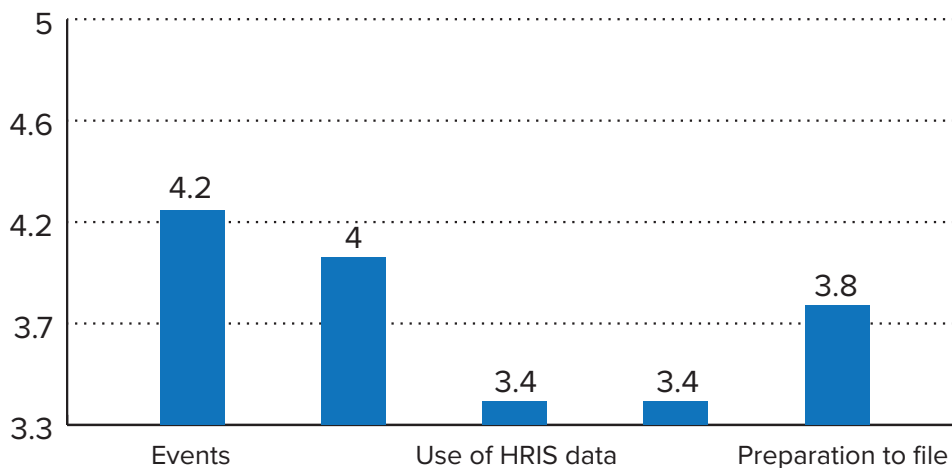
- Step-by-step instructions sent to employees and managers about how to access W2s.
- Employees are accustomed to using HRIS software.
- Reports can be generated from the software to track employees who have participated in free tax assistance and those who may be eligible for the EITC based on income and other factors.
- Releasing W2 forms earlier than in prior years to help reach some employees before they went to a paid tax preparer.
- Identifying retail associates to engage in person.
- Financial coaches visiting stores to establish relationships with employees and trust concerning sharing financial information.
- Weekly check-ins with employees by financial coaches.
- A variety of communication methods (email, newsletter, YouTube video messages) employees accessed during non-work hours to review tax prep information at their convenience.

Challenges with screening and preparation included:

- Problems reaching employees by email as described above.
- Some employees' reluctance to discuss personal financial matters with colleagues at sites where internal financial coaching was still new.
- At some sites, many employees lack the means to access and use HRIS software.
- COVID-19 restrictions meant less in-person contact, which made screening and preparation more difficult, including being able to keep track of employees who had been reached.

On a 5-point scale from 1 (not at all) to 5 (completely) regarding the degree to which site staff said various outreach strategies were implemented as intended, average ratings were highest for events and lowest for leveraging HRIS data and conducting outreach via financial wellness services:

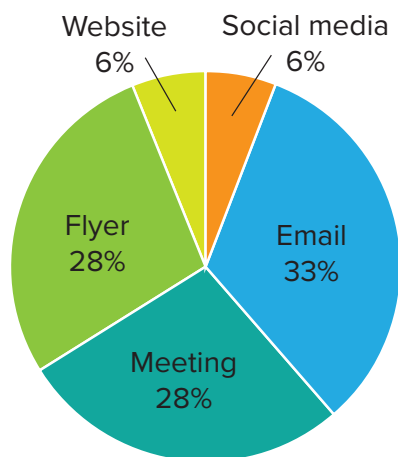
Figure 1. Effectiveness of Outreach, Screening, and Preparation Efforts



Among 50 employees across project sites, the most common ways of hearing about free tax assistance were email, workplace meetings or events, and flyers. Few employees mentioned the organization's website or social media, and none said they learned from receiving a text. Most (64%) said they received information about the EITC, though only 10% said this was the first time they had heard about the EITC.

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Figure 2. How Employees Learned of Tax Assistance



Among 49 employees who responded to a survey, 20% said they participated in an activity, game, or contest meant to encourage employees to use free tax assistance. Among those who said they participated, 50% said it encouraged them to seek assistance “a great deal” and 50% said “somewhat.” The main reason for not participating was not knowing about the activity, game, or contest followed by lack of interest.

VITA and Other Tax Filing Services

Sites launched their tax assistance services as early as late January and no later than mid-February. As reflected below, sites used different approaches to offering VITA and other tax assistance services to accommodate employee preferences and needs and to comply with social distancing and other public health guidelines during the COVID-19 pandemic:

Table 3. VITA and Other Tax Assistance Services

| Site | VITA Services | Number of Sites | Other Tax Services |
|------------------|--------------------------------------|---|---|
| Manasota | Goodwill and community partner sites | Four: three in-person, one drop-off site | None |
| Chesapeake | Goodwill sites | 33: retail, contracts, workforce development, warehouse, processing/recycling centers | None |
| East Texas | Goodwill sites | eight: two main filing sites, six drop-off locations for virtual services | Information about and one-on-one assistance with free online filing options (e.g., TurboTax Freedom Edition) and for paper returns |
| Central Michigan | Goodwill and community partner sites | 28: 14 VITA sites, 12 retail stores, a Financial Opportunity Center, small manufacturing facility | Information about and one-on-one assistance with free online filing options (e.g., TurboTax Freedom Edition) |
| Finger Lakes | Community partner sites | five: four virtual, one partner site with virtual and drop-off services. | Information about and one-on-one assistance with free online filing options (e.g., TurboTax Freedom Edition), referrals to paid preparers |

VITA sites were run by Goodwill Industries in various settings (e.g., retail stores) and/or by community partners. Due to the COVID-19 pandemic, sites used a variety of tax assistance methods including direct, in-person assistance (with mask wearing for staff, volunteers, and employees), virtual tax assistance services, and drop-off sites with and without appointments. Assistance was provided both by volunteers and staff (e.g., financial independence coaches at Goodwill Industries of the Chesapeake).

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For drop-off services, appointments were scheduled for employees to drop-off tax forms that VITA volunteers used to prepare, review, and print tax returns. Return appointments were scheduled for employees to pick up their tax forms and a copy of their tax return and to sign IRS Form 8879 (form signed by the tax filer to authorize the site to electronically file the return).

Sites also helped employees access and use other tax filing options:

- Goodwill Industries of the Finger Lakes noted that encouraging employees to file their taxes online, demonstrating how this is done, and offering one-one-one assistance was an effective strategy when VITA sites were only able to offer virtual filing assistance.
- Goodwill Industries of East Texas noted that offering one-on-one assistance helped boost employees' confidence to file their own taxes and offered them a sense of control concerning their earnings.

Other sites referred employees to the [GetYourRefund.org](https://www.getyourrefund.org) and [MyFreeTaxes.org](https://www.myfreetaxes.org) platforms but were unable to determine how many employees used these online tax filing resources. Also, some sites offered employees the opportunity to use the TaxWise and TaxestoGo mobile apps and help scanning and uploading tax documents, yet reported little interest among employees in using these digital tools. One site mentioned that offering VITA by itself was very demanding, leaving little time to help employees use other tax filing options.

As displayed in Table 4 below, sites also used a creative set of strategies to encourage employees to file their taxes:

Table 4. Tax Filing Incentive Strategies

| Site | Incentives |
|------------------|--|
| Manasota | \$25 gift cards to employees who used a VITA site within the 30 days of opening |
| Chesapeake | A raffle of (three) \$25 gift cards with winners to be announced on July 30, 2021 |
| East Texas | Weekly drawings for employees who used VITA |
| Central Michigan | "Refund Rodeo": employees offered \$15 gift cards for filing their taxes with Goodwill; stores competed with each other in the same district and districts with each other for \$15 gift cards |
| Finger Lakes | \$10 "free lunch" gift card raffles with pre- and post-tax surveys for the site with the highest percentage of survey responses |

Though the success of efforts and incentives to encourage employees to use free tax assistance were not assessed across all five sites, the following information collected by Goodwill Industries of the Chesapeake offers some perspective:

- 152 out of 300 active employees (51%) filed a tax return at a GIC VITA site.
- 12 out of 44 employees (27%) whose positions were eliminated due to COVID-19 also filed a tax return at a GIC VITA site.
- 24 out of 41 employees who participated in financial wellness services (59%) filed a tax return at a GIC VITA site.
- Most returns completed at GIC VITA sites were among employees in retail stores (63%), followed by contracts (25%), and workforce development (11%).

Sites had an average self-assessed rating of 3.4 on a scale of 1 to 5 concerning the implementation effectiveness of tax assistance services. Among 13 Goodwill employees who responded to a survey, 69% said using free tax assistance was very easy and 31% said somewhat easy. When asked what could have made the process easier, responses included, “If they were able to come to my home” and “I can think of a few things starting with doughnuts.” Success factors and challenges sites identified from self-assessment surveys are described below.

Success factors

In addition to gift card incentives, sites reported the following success factors for implementing tax filing assistance:

- **Convenience and safety:** For employees comfortable with dropping their tax documents off for remote VITA assistance, this service helped them avoid wait times and possible COVID-19 exposure. Sites able to host VITA at Goodwill locations made it easy for employees to access help.
- **Taking care of volunteers:** Goodwill Industries of East Texas offered stipends to volunteers who seemed to boost morale and sustain excitement about volunteering.
- **Using Docusign:** An expedient way to review and complete tax returns for several locations on a tight schedule.

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“One of the most interesting discoveries was how wrong our assumption was as it relates to our employees who are blind or visually impaired. We predicted that these employees would be most likely to leverage services and assistance with connections to VITA services, community providers, and online options. We discovered that this population was well-established with trusted providers that assist them with tax services.”

Key Challenges

While adjusting to COVID-19 public health guidelines was the greatest challenge facing all sites (see below), general challenges not related to the pandemic included:

- Employee reluctance to use free services and using paid preparers out of habit and because sites are unable to offer rapid refund.
- Availability limitations due to limited appointment slots and late openings of some VITA sites (at one site due to delays in TaxWise software updates) meant employees chose paid preparers (about 75 employees at one site); some employees also went to paid preparers before tax season officially started.
- The demand for tax filing assistance from community residents limited the amount of time available to travel to each Goodwill location to assist employees.
- Retail stores located far away from Financial Opportunity Centers where financial coaches are located.
- Helping employees understand changes affecting tax filing status and return information, such as divorce, married filing separately, reporting unemployment assistance as income, and tax law changes.

Adjusting and adhering to COVID-19 public health guidelines posed additional challenges including:

- VITA site closures.
- Drop-off services required extra staff and volunteer time and effort – a doubling of time usually needed to complete the full process of tax filing – including difficulty reaching employees by phone to come back and review and sign their returns.

- Employees uncomfortable with dropping off their tax documents and/or who prefer in-person services may have been lost to paid preparers.
- Volunteers serving for fewer hours than they originally committed to or being unable to help. For example, Goodwill Industries of the Finger Lakes ordinarily relies on State University of New York students as volunteers, yet these students were not permitted to engage in off-campus activities like VITA.

This year we learned quickly to expect the unexpected and to be patient.

The COVID-19 pandemic also affected sites indirectly. Sites experienced greater foot traffic and phone calls among individuals seeking help to claim up to three rounds of economic impact payments under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which required additional volunteer time and effort. Staff and volunteers also had to help filers understand how to report income from unemployment assistance benefits, including the exclusion of up to \$10,200 of these benefits under the American Rescue Plan (ARP) enacted March 11, 2021 – well into tax season.²² The tax filing season was extended due to COVID-19, yet some sites had difficulty finding volunteers to work past the usual end of tax season on April 15.

While there were options for document drop-off, scanning, and mailing, we found many individuals wanted the comfort of in-person services and may have chosen a paid provider as a result.

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Additional Financial Services

Helping employees file their taxes is an important opportunity to discuss financial goals and needs such as saving money and reducing debt. In addition to tax filing assistance, sites offered other services including:

- Financial coaching: nearly all sites offer financial coaching to employees²³ to address a range of issues such as credit reports and scores, budgeting, saving, debt reduction, and car and home buying.²⁴ Sites used financial coaching to address tax-related issues such as tax debt, non-filing in previous years, back child support, concerns about losing SSI or SSDI benefits,²⁵ tax withholding and filing status, assistance in filing taxes, and guidance about how to use refunds to make progress on financial goals.
- Legal advising: Goodwill of the Finger Lakes referred employees to Legal Aid advisors to help resolve financial issues that prompted employees not to file their taxes.
- Credit counseling: Goodwill of the Finger Lakes referred employees who said they use their refunds to reduce debt to Consumer Credit Counseling agencies to receive guidance and assistance in consolidating outstanding debt and resolving bad debt.²⁶
- Banking: Goodwill of the Finger Lakes also helped employees open bank accounts to have refunds directly deposited and, in some cases, re-establish a banking relationship and access financial services. Goodwill Manasota helps employees set up accounts that meet Bank On's National Account Standards.²⁷

Most sites offered these services before, during, and after tax season. Two sites offered incentives and encouragement related to these additional financial services. Goodwill Industries of Central Michigan offers employees who participate in financial coaching a match of up to \$500 on deposits for credit builder loans after one year.²⁸ Goodwill Industries of the Chesapeake offered employees a personal Savings Challenge that encouraged weekly savings in increasing increments over 52 weeks.

The number of employees who received these services included:

- 68 employees participated in credit builder loans through Goodwill Industries of Central Michigan.
- Financial coaches with Goodwill Industries of the Chesapeake assisted 26 out of 152 (17%) of employees who filed their taxes through a GIC VITA site to address the following goals or needs: savings (two), credit (five), tax debt (three), tax withholding and/or filing status updates (nine), Legal Aid (five), leasing (one), and home buying (one).
- Goodwill Manasota offered financial literacy training to 171 employees, nine employees opened bank accounts meeting Bank On National Account Standards, 31 received case management to improve their credit score and/or purchase a first home, three were pre-approved for a conventional mortgage.

SUCCESSSES

Sites had an average self-assessed rating of 3.4 on a scale of 1 to 5 concerning the implementation effectiveness of these additional services. Success factors included:

- Providing employees with financial products and services they had not been offered previously, planting a seed for the eventual development of positive financial habits.
- Having frequent and ongoing contact with financial coaches to pursue financial goals.
- Providing services face-to-face, which facilitated education, discussion, and guidance.
- Making services convenient by offering them at the worksite.
- Social distancing that helped maintain privacy and confidentiality.
- Seeing co-workers participate in services that encouraged other employees to participate.

CHALLENGES

- Decreased volunteer tax assistance hours meant financial coaches had to spend more time preparing tax returns than offering coaching.
- The reluctance of some employees to learn about budgeting because they believe their incomes are too low.
- COVID-19 related disruptions meant greater effort to reach a limited number of employees in-person – seen as a more effective way to offer services than via digital service delivery.

Focus Group Results

To gain additional insight into experiences, successes, and challenges of project implementation, five focus groups were completed with two to three project leaders from each respective site. Focus group questions (see Appendix A) were chosen to go into greater depth about issues raised through site self-assessment surveys. Below are key themes that emerged from the focus groups.

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Timing and Variety of Outreach

Most focus group participants concluded that they would have been more successful had they started outreach to employees earlier. One of the reasons they were not able to do this was because they did not receive the grant funding in time and could not spend on outreach with funds they did not yet have in hand. A site representative referred to the need to get ahead of the “mad rush to file” by building in a longer planning and outreach period preceding the start of tax season.

Participants also said that using multiple types of outreach strategies is most effective. Sending information to employees’ personal email allowed them to learn about services while at home with time to read emails. In addition, Goodwill employees are diverse, so outreach efforts need to be diverse. One site employs many who are blind or visually impaired, and another site employs refugees who speak many different languages. In addition, employees range in age and digital/ technological capabilities.

Relationships

Many of the sites credited one-on-one, face-to-face interactions between a financial or career coach and an employee as being the most effective way to increase access to the EITC. This built trust and allowed for education and/or clarification around filing taxes at VITA sites. For example, for employees who were hesitant to use Goodwill-sponsored VITA services because they did not want to share personal financial information with their employer, coaches reminded employees that Goodwill’s human resources already has this information. Another participant said that one employee assumed that free tax services meant that their taxes would be completed on paper.

Regarding relationship building, one focus group participant said, “There were one-on-one interactions between the coaches and their team members, and they were proactively...making available the information....It was a conversation and it wasn’t one conversation, it was multiple conversations over the course of a few months.

While four of the five sites employ coaches who are working on this relationship-building year-round, project leaders of the site that does not have coaches worked to build that trust in real-time, referring to this as a “trust-building year.” Sites widely agreed that the work done this year to spread awareness, educate, clarify, incentivize, and provide positive tax preparation experiences will increase the number of both employees and community members who utilize free tax preparation services in years to come and subsequently increase the number of people who receive the EITC.

“...start early in building a relationship with the employees so they feel more comfortable sharing certain...information with us as well.”

In addition to internal relationships, community partnerships are important for building relationships with employees. Finally, many employees will share what they learned with friends and family, thus expanding the project’s reach.

(Financial) Behavior Change

Every site struggled with encouraging employees to use free rather than paid tax assistance services. Some employees wanted their refunds as soon as possible, even though waiting a matter of weeks could have saved them a couple or a few hundred dollars. One site reported that a local paid preparer was offering a Christmas loan to those who filed their taxes with that preparer. And some employees desired to file their taxes with paid preparers out of habit – a finding corroborated through employee surveys.

“...it’s amazing how little our team members know about...filing taxes and why you’d want to do that and how it all works and I was really glad that we got an opportunity to help them with that.”

Concerning employee survey responses, sites speculated that use of paid preparers stemmed from comfort and trust (e.g., a person who is blind/visually impaired has their taxes prepared by the same person because they have found someone they trust). Speculation also centered on the role of family or social pressure (e.g., an employee has their taxes prepared by a family member or friend of the family).

Concerning the tendency of some employees to return to paid preparers each year to file their taxes, one site said, “Our second biggest challenge is employees not wanting to upset the person that has done their taxes in the past. With people in poverty or working poor, relationships are huge and if trust is broken they lose a resource they may need in the future.”

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One site did mention that some employees believed they could afford to pay a paid preparer because they had recently received a large Economic Impact Payment.²⁹ Concerning the act of saving part or all of one's refund, many focus group participants commented that this was not an option for many of their employees "because they live paycheck-to-paycheck."

When discussing employees saving their refund, one participant remarked, "But...at the same time...we wouldn't do what we do if we didn't believe that there are people who can make a change, and want to make a change, and that... one conversation...might...have some impact, and it'll start to change things, but...it's not the majority, for sure."

"... it's amazing how difficult it is to get a person to change their financial behaviors"

Benefits of the Grant

Sites credited the grant with giving them a significant boost with respect to tax assistance efforts:

"We always know where the VITA sites are, and we always encourage our team members to go. But we were 10 times more proactive this year, because...of the US Chamber of Commerce grant...we made this a priority, and...we were intentional, very intentional. About having the conversations and collecting the responses."

The grant was also credited with offering important guidance concerning tax assistance strategies and tactics.

“...the pilot was just an excellent resource and guide for strategic planning...these are things that we’ve done and we’ve done traditionally, but with... guidance from the pilot, it just encouraged us to incorporate some ...different types of efforts and strategies to increase...access, and again, hopefully increase the number of individuals that are eligible for EITC”

One site representative appreciated the structuring and scaffolding processes of the pilot, which they said will help them plan for and test different approaches to offering tax assistance services in the future. Another site representative mentioned that conducting surveys and hearing feedback from employees about their needs and fears will help the site improve tax assistance efforts.

Characteristics, Tax Filing Behaviors, and Financial Need of Employees

The main, cross-site employee survey and site-specific surveys provide information about the employees who participated in the pilot project, including their demographic and tax-related characteristics, tax filing behaviors, and their financial needs. Examining this information can help sites understand their target audience and the ways in which they may have been impacted by the pilot project. The findings presented below do not equally represent all five sites as employee participation in surveys varied by site.

Concerning demographic and tax filing characteristics displayed in Tables 5 and 6 below, employees tended to be older, female, and full-time employees who filed as single and did not have dependents to claim.

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Table 5. Demographic Characteristics

| Characteristic | Employee Survey ¹ | Characteristic | Employee Survey ¹ |
|------------------|------------------------------|---------------------------|------------------------------|
| Age | | Hispanic identity | |
| 18-24 | 4% | Yes | 16% |
| 25-34 | 18% | Employment status | |
| 35-44 | 7% | Full time | 89% |
| 45-54 | 27% | Part time | 4% |
| 55-64 | 33% | Retired | 4% |
| 65+ | 11% | Unable to work | 2% |
| Gender | | Site | |
| Female | 78% | Chesapeake | 52% |
| Male | 22% | Manasota ¹ | 34% |
| Racial identity | | Central Michigan | 12% |
| African American | 38% | East Texas | 2% |
| White | 51% | Finger Lakes ¹ | 0% |
| Asian or | 2% | | |
| Asian American | | | |
| Other | 9% | | |

¹Sites which administered their own survey in addition to the main employee survey.

Various data sources were used to describe the tax filing characteristics and activities of Goodwill employees who participated in the project:

Table 6. Tax Filing Characteristics

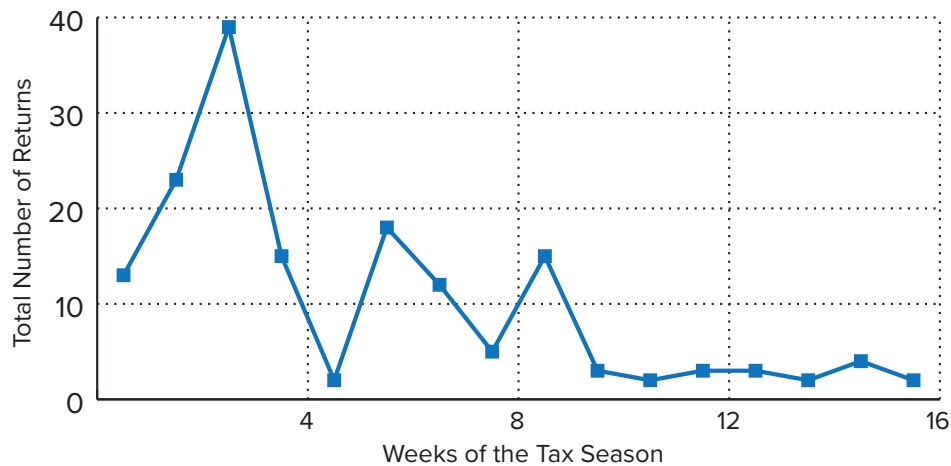
| Characteristic | Chesapeake | East Texas | Employee Survey ¹ | All U.S. Tax Filers ² |
|---------------------------|------------|------------|------------------------------|----------------------------------|
| Filing Status | | | | |
| Single | 72% | 78% | 64% | 48% |
| Head of Household | 14% | 9% | 16% | 14% |
| Married filing jointly | 6% | 13% | 14% | 36% |
| Married filing separately | 8% | <1% | 6% | 2% |
| Dependency | | | | |
| Tax dependent | -- | -- | 4% | |
| Claim dependents | -- | -- | 22% | 31% |
| N | 161 | 184 | 50 | 153m |

Note: These figures may include an unknown number of duplicate responses from the other sources undetermined number of responses. ²Filing status and dependency information is from 2018 and 2017 tax returns, respectively — the most updated sources from the IRS.^{30,31}

When asked whether they filed a tax return last year, 12% of employees at Goodwill Manasota said they did not and 3% were unsure. Most of those who did not file said they did not file because they were not working or had incomes below the amount required to file. Additional reasons included being incarcerated and being claimed as a dependent by another tax filer, usually a parent.³² Of those who said they planned to file taxes this year, 19% of Goodwill Manasota employees said they were not interested in learning whether they might receive a refund.

As seen below from one project site, most employees filed early in tax season – probably because they were eager to receive refunds.

Figure 3. Returns by Week - Goodwill of the Chesapeake



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Over a quarter (26%) of employees claimed the EITC. The actual proportion of employees who received the EITC may be higher as some said they were unsure whether they received it.

Table 7. EITC Claims

| EITC Status | Chesapeake | East Texas | Finger Lakes | Manasota | Employee Survey ¹ | U.S. Tax Filers ² |
|-----------------|------------|------------|--------------|----------|------------------------------|------------------------------|
| Received | 20% | 15% | 38% | 29% | 28% | 19% |
| Did not receive | 80% | 85% | 49% | 64% | 42% | 81% |
| Unsure | -- | -- | 13% | 7% | 30% | -- |
| N | 161 | 233 | 162 | 580 | 50 | 153M |

Note: These figures may include an unknown number of duplicate responses from the other sources undetermined number of responses. ² Information is for 2019 tax returns, the most updated source from the IRS.³³

Employees' use of free tax filing options varied across sites corresponding to the different configurations sites used (see Table 3 above), though the use of paid preparers was low.

Table 8. Tax Filing Methods

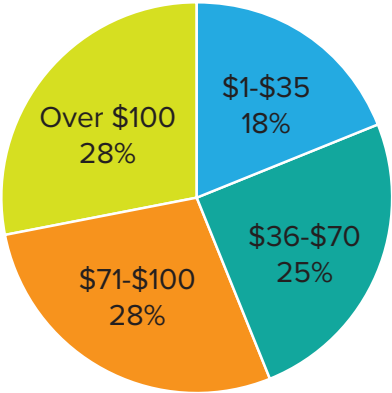
| Filing Method | Finger Lakes | Employee Survey ¹ |
|------------------------|--------------|------------------------------|
| VITA site ² | 23% | 69% |
| Online | 55% | 16% |
| Paid preparer | 22% | 10% |
| Other method | -- | 6% |
| N | 160 | 50 |

Note: These figures may include an unknown number of duplicate responses from the other sources undetermined number of responses. ² Includes in-person, drop-off, and virtual.

Among Goodwill of the Finger Lakes employees, those who received the EITC were much more likely to use a VITA site (43%) than those who did not receive the EITC (10%) $\chi^2(3, N = 162) = 34.59, p < .001$.

In addition to the results in Table 8, Goodwill Manasota surveyed employees about their intentions to file 2020 taxes. A third said they planned to use a VITA site, 27% a paid preparer, and 24% planned to file on their own. The remaining 16% were unsure of how they would file. Among Goodwill of the Finger Lakes employees who used a paid preparer, most (72%) paid less than \$100 in fees.

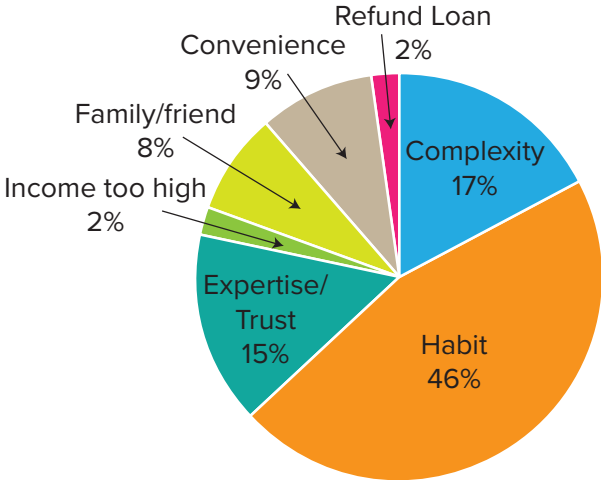
Figure 4: Tax Filing Fees - Paid Preparers



Note: Based on responses from 64 employees of Goodwill of the Finger Lakes who said they used a paid preparer to file taxes.

Those who planned to use a paid preparer gave the following reasons reflected in Figure 5 below:

Figure 5: Reasons for Using a Paid Preparer



Note: Based on responses from 98 employees of Goodwill Manasota when asked why they planned to use a paid preparer.

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Though most employees did not opt to use a paid preparer, for those who choose this option, it is important to understand why as using free services can save employees as much as \$200 in tax filing fees. The main reason – mentioned by nearly half of employees planning to use a paid preparer – is habit: employees going to the same accountant or tax preparation service each year.

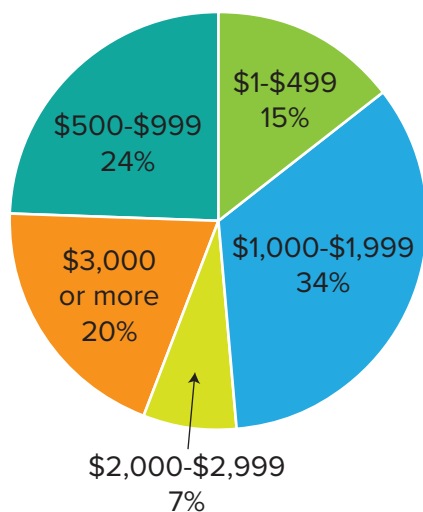
The next most frequent reason was that some employees' returns are complex – such as having income from multiple businesses to report – followed by believing paid preparers had tax expertise they could trust. Interestingly, being able to access a refund anticipation loan (RAL) was mentioned by only two individuals as a reason to use a paid preparer. Similarly, only one out of 162 employees of Goodwill of the Finger Lakes received an RAL.

Refund Receipt, Intentions, and Behavior

Most (83%) of Goodwill Manasota employees who planned to file a tax return expected to receive a refund. From the main employee survey, 84% said they actually received a refund, suggesting that employees are able to accurately anticipate refunds. 16% said they did not receive a refund for the prior tax year.

Refund amounts among 41 employees in the main employee survey are reflected below in Figure 6.

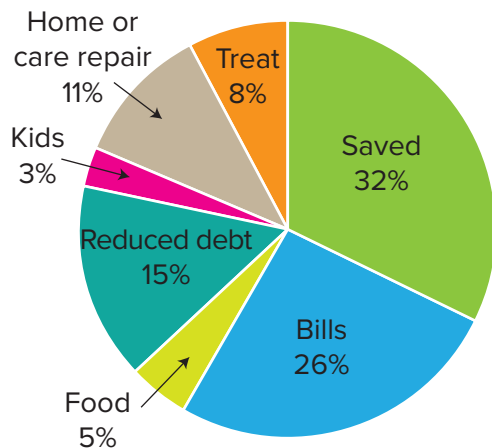
Figure 6: Refund Amounts



Concerning refund intentions, nearly half (47%) of Goodwill Manasota employees planned to put at least some of their refund into savings. Paying bills was the next most frequent response. Refund intentions did not vary based on whether employees received the EITC. However, fewer employees (41%) who used a paid preparer planned to save their refunds compared to those who used free tax filing assistance (52%), though this difference was not statistically significant.

Actual refund use was similar among employees of Goodwill of the Finger Lakes. The two most common uses were to pay or catch up on bills (40%) and save (32%). Slightly more employees who received the EITC saved their refunds (35%) than those who did not receive the EITC (30%) – a difference that was not statistically significant. From the main employee survey, refund uses were similar:

Figure 7: Refund Uses



A quarter of employees said that they used their refunds differently this year compared to the prior year. Though only 15% said someone talked to them about how they could use their refund, over half (51%) said someone talked to them about getting help with their finances, and most (76%) said they were somewhat or very likely to get help. However, 43% and 21% said they were somewhat or very concerned about someone at work knowing about their personal financial situation if they received help with their taxes or other financial issues at work.

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Employee Financial Needs

It is important to consider refund use relative to the financial needs employees have. Most employees said it is at least somewhat difficult to cover their usual expenses and over a third said they at least sometimes have too little food to eat. Over half (57%) of employees have less than \$1,000 in emergency savings – less than the average monthly rent in the U.S. for an apartment.

Table 9. Employee Financial Needs

| Need | Employee Survey ¹ |
|------------------------------|------------------------------|
| Difficulty covering expenses | |
| Very difficult | 9% |
| Somewhat difficult | 50% |
| Not at all difficult | 41% |
| Not enough food | |
| Often true | 4% |
| Sometimes true | 33% |
| Never true | 63% |
| Own a savings account | 81% |
| Amount of emergency savings | |
| None | 19% |
| Less than \$500 | 24% |
| \$500 to \$999 | 14% |
| \$1,000 to \$1,999 | 10% |
| \$2,000 or more | 33% |
| | N |
| | 46 |

No employees who said they save all or part of their refund said they had nothing in emergency savings (compared to 29% of employees who did not save their refunds). It might be that these employees who saved all or part of their refund had just established emergency savings using those refunds. Also, those who saved their refunds were less likely to say they had difficulty covering their usual expenses (43%) compared to those who did not save their refunds (64%). It could be that some employees might want to save but need to attend to immediate financial needs. Similarly, those who said they used their refunds to catch up on bills were more likely to say they have difficulty covering usual expenses (65%) compared to those who used their refunds for other purposes (50%).

DISCUSSION

The focus of this pilot project evaluation was to examine successes and challenges in offering free tax assistance and increasing use of the EITC through the workplace and to learn more about the characteristics, needs, and behaviors of employees who received help. Unsurprisingly, a key theme was how sites had to adjust their services and activities around social distancing and other public health guidelines associated with the COVID-19 pandemic. The main consequence was that all aspects of the tax filing assistance process – from outreach through tax filing – simply took longer and reached fewer people than usual.

Also, certain practices such as asking employees to drop off tax forms and encouraging the use of digital and online services were met with resistance from some employees. The COVID-19 pandemic offered sites a natural experiment in remote and digital delivery, which was not favorably evaluated by sites who said in-person services are more effective. The pandemic seemed to help illuminate the limitations of digital and online engagement among Goodwill employees.

Still, sites used a rich variety of outreach, communication, and engagement strategies including the creative use of incentives such as gift cards and contests. Sites generally agreed that using multiple outreach methods was important, though employees were less responsive to digital outreach such as text messages and social media. Sites cited the importance of relationship and trust building through direct, in-person interaction.

Assessing the ultimate success of engaging employees with free tax assistance was difficult. One key reason for this: sites referred employees to community partners who delivered in person, drop-off, and/or virtual VITA services and sites were unable to track the extent to which employees used these options. Another key reason was that sites shared information about free online filing options but lacked a way to track whether employees followed through with these recommendations.

Nonetheless, one site (Chesapeake) found that about half of employees who were offered free tax filing assistance received it. Another point of comparison is that the percentages of employees claiming the EITC was higher across sites than for the U.S. population as a whole, though this may reflect that, proportionately, more Goodwill employees are EITC eligible than the U.S. population.

Despite sites' concerns, only 10% to 22% of employees used paid preparers. The key reason for continued use of paid preparers was habit, reflecting what behavioral economists refer to as inertia or status quo bias – the tendency for people to choose inaction over action. Sites were specifically concerned that employees would go to paid preparers to receive refund anticipation loans (RALs), yet only a few employees mentioned this as a reason to use a paid preparer or said they actually received an RAL through a paid preparer.

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Employees were more likely than the average U.S. tax filers to file as single and claim the EITC, and less likely to file as married filing jointly and to claim dependent children. An implication of this finding is that it might be more difficult to engage and motivate employees without children to receive tax assistance to claim the EITC because the maximum amount for filers without qualifying children (\$543) is dramatically lower than that for filers with qualifying children (\$6,728). This is especially true for employees whose earned income are in the phase-in and -out regions for the credit.³⁴

In addition, the maximum incomes for EITC eligibility for single and married tax filers without qualifying children for the 2020 tax year were \$15,980 and \$21,920 while maximum incomes for single and married tax filers with qualifying children was \$42,158 to \$57,414. Thus, Goodwill employees without qualifying children who make more than \$8 (single) to \$11 (married) an hour are probably not eligible for the EITC. Nearly 40% of employees receive refunds of less than \$1,000.³⁵

Availability and generosity of state EITCs may also have been a factor affecting employees' interest in using tax assistance. Of the five states represented in the pilot, two (Florida and Texas) do not offer a state EITC. Among the other three states that offer a state EITC, Maryland has the most generous credit in the U.S. (notably, Goodwill of the Chesapeake reported over half of employees receiving tax assistance).

The two most common uses of refunds among employees were saving and paying/catching up on bills, followed by debt reduction. The main implication of this finding is that employees prioritize needs over wants in using their refunds. Site representatives were sympathetic to employees who believed they could not save their refunds because they are living paycheck to paycheck.

RECOMMENDATIONS

The following set of recommendations relate to different aspects and phases of offering free tax assistance through the workplace. Some recommendations were based on comments and ideas expressed by site representatives in focus groups and others reflect what sites are already doing. Where noted, some ideas are informed by behavioral economic principles and concepts.³⁶

- 1. Get buy-in from store managers.** Store or district managers can help by giving employees time to learn about tax filing, receive filing assistance, and talk with a financial coach. Managers themselves may benefit from financial coaching. One site representative recalled having side conversations with managers who had questions about personal financial issues.

2. Outreach: begin in November and use multiple strategies. Outreach should start early to circumvent employees using paid tax preparers. Planning for tax season should start at least by early October. As one site representative noted, people retain and understand information in different ways; information about taxes should be shared face-to-face, during team and one-on-one meetings, via emails and newsletters (print and digital), social media, and video messages. While most employees seemed to value in-person communication, some employees said they appreciated emails to their personal as well as work accounts so they can read about tax filing at home. Too little information was available for this evaluation regarding the use of text messages, yet text messages have been shown to be effective as a way to promote health behavior change.³⁷ In particular, text messages could be effective as reminders to file taxes and use free assistance. To help employees prepare for tax filing, training on how to use HRIS software may be needed so employees can retrieve W2 forms. Employees who left the organization during the tax year should be contacted so they know they can still access VITA services.

a. Tailor outreach messages about using paid preparers. Communication could include a visual that demonstrates the average cost of going to a paid preparer and/or images of what this money could be spent on instead, such as several bags of groceries or a pair of air pods. That way, the habit of using paid preparers as the default some employees select is framed as a loss to tap into loss aversion as a powerful motivator. The communication should also make it clear that to avoid the prospective loss of groceries or air pods, employees should use free tax assistance, so the alternate action is clear. It would help to illustrate or highlight the ease and convenience of using free assistance. In addition, sites could use social proofs in messages – information about how other employees are using free tax assistance offered by trusted experts – financial coaches and/or IRS-certified volunteers who use software similar to that used by paid preparers. (See Appendix B for a full list of recommendations from site representatives).

b. Continue to incorporate tax literacy. Some employees may not understand why they must file or the benefits of doing so – especially young employees who have never filed. A common misconception is that one is not required to or cannot file taxes if they are claimed as a dependent on someone else's return. Additional topics to address include:

- i. Awareness of state EITCs
- ii. How withholding decisions on the W4 relate to tax returns
- iii. Benefits of married filing jointly³⁸
- iv. Tax treatment of Social Security and unemployment assistance benefits
- v. EITC phase-in and phase-out ranges and differences in credit amounts and income limits for those with and without qualifying children

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- c. Tailor EITC outreach.** Certain individuals are less likely to claim the EITC, including those living in rural areas, the self-employed, persons receiving SSI or SSDI benefits, those without a qualifying child, non-English speakers, grandparents who are caring for grandchildren, and those who have experienced a recent change in their employment, marital, or family status.³⁹ Another group of employees to consider focusing on are those whose earned income changed from the prior year as these employees may be newly eligible or their credit amount may change based on the EITC's phase-in and phase-out ranges.
- 3. Make tax filing assistance convenient and flexible.** Offer drop off/pick up options, enable employees to receive help just before or after a shift, locate sites at or near worksites, and offer different preparation options to fit employees' preferences and comfort levels—virtual, drop off, in-person, and self-file.
- 4. Continue to offer financial coaching with tax assistance.** A distinct advantage of Goodwill Industries in offering or coordinating free tax assistance services is the availability of financial coaching for employees. If individuals come to a VITA site only to file their taxes, an important opportunity is lost to receive financial guidance about other issues. In addition to guidance about what to do with refunds (see #4 below), coaches can review returns with employees to determine if they might be over-withholding. While some individuals might prefer over-withholding as a method of “forced” saving, others might need more money in their paychecks now to avoid problems paying for basic needs and avoid increased debt. Financial coaches can also use the tax filing moment as an opportunity to introduce employees to coaching as a service to help them achieve financial goals related to improving credit scores, reducing debt, saving, and accessing government benefits and community resources. Another strategy is to engage community partners in offering financial coaching or counseling. One site representative mentioned partnering with a credit counseling organization to provide financial coaching to employees, which is a way to reach employees who prefer to talk to and get help from someone outside of Goodwill.
- 5. Continue to encourage employees to save refunds.** Tax refunds are “windfalls” – irregular income boosts – that employees can use to meet their financial goals. Refunds are especially good opportunities for employees to establish or add to emergency savings, and research shows that low-income individuals can save when offered encouragement, incentives, and support⁴⁰ through interventions⁴¹ that help overcome barriers including psychological biases.⁴² Most Goodwill employees surveyed have savings accounts, but most have less than \$1,000 in emergency savings. About a third of employees said they saved at least part of their refund, which is very encouraging. A study of refund saving among low-income individuals who filed taxes online using TurboTax Freedom Edition found that only around 8-13% deposited their refunds into a savings account. Savings rates were higher when filers receive messages encouraging saving for emergencies and where saving is the first (default) option for how to receive one's refund.⁴³ (See “Evaluating tax time savings interventions and behaviors” in the resource list below for more information about savings interventions through VITA.)

- a. **Boost refund savings:** Encourage employees to sign up for the AARP Foundation’s “Save Your Refund” sweepstakes (see resources below).

- b. **Offer savings incentives:** Consider offering a match on employee refund savings. Matches can be structured in many different ways – a full dollar-for-dollar match up to a certain limit, a lower match rate (e.g., 25%), and/or matches on refund amounts retained in savings after 3 months or longer, etc.

- c. **Continue to encourage saving after tax season.** Access to financial coaches offers Goodwill employees the opportunity to help employees achieve savings goals year-round. Saving all or part of one’s refund can provide a significant source of momentum, especially with matches or other incentives. Small, recurring deposits (e.g., \$5-\$25) can also be matched or otherwise encouraged to build a savings habit.⁴⁴ Prompting employees to sign up for split paycheck deposits is a very effective method where savings deposits are made automatically each payday. The fifth of employees without savings accounts may need guidance in finding a bank or credit union that offers savings accounts that meet Bank On’s National Standards.

A point of caution: saving should not be the only use of refunds to take into consideration. Refunds can be used to exit high-cost payday loans or reduce or pay off high-interest credit card balances, catch up on back rent to avoid eviction, become current on utility bills to avoid cut-offs, pay for car repairs, make important large purchases (e.g., washing machine), or buy things for their children. Also, tax refunds may be the only opportunity each year for some individuals to “splurge” and treat themselves.

To motivate saving, coaches can ask employees “What will happen if you don’t save for _____?” Another suggestion is to ask an employee if there is something they can give up or cut back on temporarily (either on a trial basis or until the goal is reached), in the name of achieving the savings goal. A third coaching technique is to suggest visiting a food bank or food pantry to reduce monthly food costs and then saving what would have been spent. Again, this can be framed as a temporary action to reach a financial goal. An important goal of motivating small-dollar savings is for employees to build self-efficacy around saving – belief in one’s ability to save.

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Resources for continued learning and for tax assistance:

AARP Foundation: [Save Your Refund](#) (tax filers enter a sweepstakes when they save refunds)

[EITC Funders Network](#) (learning resources and networking opportunities)

IRS: [Free File Alliance](#)

Prosperity Now: [Taxpayer Opportunity Network](#)

Prosperity Now: [Evaluating tax time savings interventions and behaviors](#)

Washington University in St. Louis: [A toolkit for expanding financial capability at tax time](#)

APPENDIX A

EITC Pilot - Final Focus Group Questions

1. Get verbal consent from all participants for recording session. Once I have this, hit record, then announce that I have gotten verbal consent from everyone to record.
2. Introduce self very briefly: SW, financial stability, financial coaching, VITA.
3. Please turn on video.
4. Explain the purpose of the focus group – to take a deeper dive (than captured in the surveys) into the experiences, successes, and challenges each site had in implementing their projects.
5. Housekeeping:
 - a. If you could stay on mute when you're not speaking, that would be great.
 - b. Give everyone a chance to speak.
 - c. I will copy/paste my questions into the chat box.
6. Introduce yourself, title, and your role in the pilot.
 - How were your overall outreach efforts this year different from previous years?
 - Following up on this question: To what degree do you feel that the differences made a positive impact on how many employees were able to access the EITC?
 - What was the single most effective effort your team made to increase access to the EITC? What made it effective?
 - Is it better to focus on a limited number of outreach strategies or use many different strategies? Why?
 - Tell me about timing. When is it best to reach out to workers about the upcoming tax season?
 - We heard you that a major issue is “losing” employees to paid preparers - both because it's their preference/way of doing things and because they can access their refund earlier. What did you do or what could you do for the former—for those for which it is a preference?

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- To follow up on this question: Are there any creative solutions you can think of to solve this issue, and if so, what are they?
- Time for optional/time permitting/relevant questions?
- Closing question: What was the most important takeaway from this pilot?

Optional/time permitting/relevant questions:

- **IF THE SITE DID NOT DO ANYTHING TO ENCOURAGE (incentivize) REFUND SAVINGS:** There have also been some efforts to encourage folks to consider saving part of their refund before they file—either through a pre-season savings pledge postcard they receive in the mail or a worksheet they fill out that asks what they’re saving for while they’re waiting to file. It normalizes saving part or all of your refund, which we know is something many don’t consider, for many good reasons. What is your sense that something like this would be effective in increasing refund savings among your employees?
- **IF THE SITE DID ANYTHING TO ENCOURAGE REFUND SAVINGS:** What was the uptake for your refund savings encouragement/ incentives? What could have made that number higher?
- **IF THE SITE COORDINATED WITH FINANCIAL COACHING SERVICES:** Talk to me about your financial coaching services: are income tax conversations automatically discussed at some point (e.g., intake, each session), only if the client brings it up, right before/during tax season, or a combination of these?
- **IF THE SITE COORDINATED WITH FINANCIAL COACHING SERVICES AND FOLLOWED A PARTICULAR SCRIPT OR SET OF GUIDELINES FOR DISCUSSING THE EITC WITH EMPLOYEES:** Can you please tell me about the script or guidelines your financial coaches used for discussing the EITC with employees?

APPENDIX B

Additional Ideas for Encouraging Use of Free Tax Assistance and Discouraging Use of Paid Preparers

The following is a list of recommendations from site representatives:

1. Promote VITA sites as a tax center, as places like H&R block do, i.e., consider branding your tax VITA sites.
2. Promote free tax preparation as a benefit through human resources while noting income eligibility guidelines.
3. Have conversations with employees about waiting just two weeks to receive their refunds rather than use a refund anticipation loan through a paid preparer.
4. Visit the sites before anyone can even file with a paid preparer. Offer appointments well ahead of time so people have it on their calendar.
5. Educate employees about how paid preparers are charging when you can access their services for free, what type of accounts they are having you open up with them to be able to get your refund, how they are using the same software free sites use, how they don't have earlier access to the IRS.
6. Encourage those who have used VITA to recruit others.
7. Ask individuals if they would prefer to receive their full refund or use part of their refund to pay for assistance they can get for free.
8. Have future-oriented conversations with employees, especially ones that tend to struggle with monthly bills. Offer that they could have the money they would not spend on a paid preparer to use towards rent or utilities down the road.
9. Put an emphasis on the word "free."
10. Share this mantra with employees: "Every penny you spend is a decision."
11. Offer incentives, and let people know there will be incentives offered early.
12. Have more physical presence in the stores.

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ENDNOTES

For a summary of EITC research see the Urban Institute and Brookings Institution Tax Policy Center Briefing Book updated May 2020 <https://www.taxpolicycenter.org/briefing-book/how-does-earned-income-tax-credit-affect-poor-families>

1. See <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>
2. See <https://www.irs.gov/e-file-providers/about-the-free-file-alliance>
3. Hoynes, H., & Rothstein, J. (2016). Tax policy toward low-income families [NBER Working Paper No. 22080]. Cambridge, MA: National Bureau of Economic Research.
4. In addition to wages from an employer, earned income includes income from self-employment such as doing “gig” work like being an Uber driver.
5. A child of any age who was permanently and totally disabled at any time during the tax year and adult children under age 24 who were full-time students.
6. See <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit-eitc>
7. See <https://taxfoundation.org/earned-income-tax-credit-eitc/>
8. Hoynes, H. (2019). The earned income tax credit. *The Annals of the American Academy of Political and Social Science*, 686(1), 180-203.
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21. Despard, M. R., Frank-Miller, E., Zeng, Y., Fox-Dichter, S., Germain, G., Grinstein-Weiss, M., & Covington, M. (2020). Employee financial wellness programs: Promising new benefit for frontline workers?. *Compensation & Benefits Review*, 52(4), 156-174.
22. Those who had filed their returns prior to the enactment of the ARP and reported income from unemployment benefits should have received automatic refunds from the IRS.

23. For example, Goodwill Industries of the Chesapeake incorporates the offer of financial coaching during new employee orientation.
24. Goodwill Manasota has a Homebuyers Club to provide case management for employees who want to improve their credit score and/or become a first-time homebuyer.
25. SSI =Supplemental Security Income; SSDI = Social Security Disability Insurance. Both programs offer a monthly benefit to individuals living with a disability that limits their ability to work and allow recipients to work and earn a limited amount of income without losing benefits.
26. Such as accounts in delinquency and/or collections.
34. See Figure 1 at <https://taxfoundation.org/earned-income-tax-credit-eitc/>
35. Refunds were likely not due to the EITC alone but included other refundable credits and over-withholding.
36. Sites can refer to resources offered by the Duke University Center for Advanced Hindsight, including a set of behavioral economics “flash cards,” which can be a fun way to learn about behavioral interventions to use and test at tax time: <https://advanced-hindsight.com/resources/>
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38. Those who file as married filing separately are not eligible for the EITC.
39. Tax Policy Center. (2021). Key elements of the U.S. tax system: Do all people eligible for the EITC participate? Urban Institute and Brookings Institution. <https://www.taxpolicycenter.org/briefing-book/do-all-people-eligible-eitc-participate>
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44. If the Goodwill organization cannot offer a match, coaches can refer employees to SaverLife, an online savings platform that helps individuals set and track progress toward goals and offers saving incentives.



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