

Volunteer Income Tax Assistance (VITA) Grants

Funding Integrated Service Delivery

The Volunteer Income Tax Assistance (VITA) program originated with the Tax Reform Act of 1969 and offers free tax help through community organizations and government entities for low to moderate income individuals who cannot afford professional assistance. The VITA Grant Program was created in 2007 to extend VITA services to hard-to-reach clients in both urban and non-urban areas; increase the capacity of programs to file taxes electronically; heighten quality control; enhance volunteer training; and improve the accuracy of tax returns filed at volunteer sites.¹ The program has a narrow scope, and organizations may find that many of the expenses of running a free tax preparation site are not allowable; however, since funds flow directly to organizations, it may be a good option for providers of integrated services seeking to strengthen their capacity to provide tax preparation services.

Elements of Integrated Service Delivery							
Infrastructure		Core 1: Employment and Career Advancement		Core 2: Income Enhancements and Work Supports		Core 3: Financial and Asset Building	
Case Management		Job Training		Tax Preparation	●	Financial Coaching	
Research & Evaluation		Case Management (for employment)		Income Supports		Savings and Asset Building Programs	
Technology	●	Job Retention Support		Supportive Services/ Human Services Referrals			
				Financial Aid			

State and Nonprofit Examples

TAX HELP New Mexico, Albuquerque, New Mexico: TAX HELP New Mexico trains students of accounting and other subjects from New Mexico high schools and Central New Mexico Community College (CNM) to be volunteer tax preparers through an online, credit bearing course. The course is attractive to students because it teaches a real skill and fulfills a high school online learning graduation requirement. The course is also available to non-student volunteers. Those trained through the course volunteer at 48 tax sites throughout the state, including one on the campus of CNM, which also houses the state's only Center for Working Families. Many of the other tax sites have become robust, incorporating financial literacy and work supports information. TAX HELP New Mexico was New Mexico's only recipient of IRS VITA Grants in 2009, 2010 and 2011. The IRS has allocated less funding to the program in recent years, from just under \$144,000 in 2009 to \$75,000 in 2011.² However, the program has been successful in leveraging other funding sources, including funds from the New Mexico Higher Education and Taxation and Revenue Departments, as well as from private foundations.³

The Center for Economic Progress, Chicago, Illinois: The Center for Economic Progress (CEP) receives one of the largest VITA Grants in the country, and serves among the greatest number of people in free tax preparation sites throughout the city of Chicago. CEP co-locates with 10 of the 12 Center for Working Families (CWFs) in Chicago during tax season. It also works out of other organizations and community colleges, and runs various one-day tax clinics.⁴ The financial coaches at the CWF locations pull credit scores and provide one-on-one coaching for those who come to have their taxes prepared. CWF coaches are also able to help individuals ensure they have the right documentation, and to make them aware of the program's banking partners and opportunities to pursue new, specialized banking products. CEP also houses the National Community Tax Coalition which provides leadership in advocating for increased federal investments in free tax preparation programs.⁵

Eligibility and Targeting

VITA Grants provide funding to nonprofit organizations and government entities in underserved areas that run free tax preparation programs. Populations served include low-income people in urban and non-urban areas, people with disabilities, those who are non-English speaking persons; elderly taxpayers, and Native Americans.⁶ For the 2009 tax year, individuals earning less than \$49,000 were eligible to receive free tax preparation.⁷ Potential demand for free tax preparation services far exceeds the supply; only about 2.5 percent of those who file for the Earned Income Tax Credit have their taxes prepared by volunteer tax preparers.⁸

Community tax preparation services provide eligible filers with the information and resources they need to apply for tax credits and deductions. These services also reduce the transaction costs associated with filing. In FY09, 147 organizations received \$7.4 million in VITA grants to support free tax preparation services in underserved communities.⁹

The IRS also supports related but separately administered grant programs focusing on the elderly and non-English speaking. Tax Counseling for the Elderly (TCE)¹⁰ provides targeted funding for tax preparation sites that serve individuals aged 60 and older, and the Low-Income Taxpayer Clinic (LITC) provides grant funding to organizations that provide legal representation to low-income taxpayers in federal tax controversies, as well as tax education and outreach for taxpayers who speak English as a second language.¹¹ All of these programs are small. In 2010, the IRS awarded just over \$5 million to TCE grantees and just under \$10 million to LITC grantees.¹²

Services/Program Support

VITA Grants are provided by the IRS to:

1. Enable VITA programs to extend services to underserved populations in the hardest-to-reach areas, both urban and non-urban;
2. Increase the capacity to file returns electronically;
3. Heighten quality control;
4. Enhance training of volunteers; and
5. Improve the accuracy rate of returns prepared at VITA sites.

Federal Funding: Funded at \$8 million per year for Fiscal Year (FY) 2008 and FY09. In FY10 (for the 2011 tax filing season) the program was funded at \$12 million. For the first time in 2011, VITA sites can apply for multi-year funding for up to three years.

Type of Program: Project grants to government and nonprofit entities, with a matching requirement.

Agency with Jurisdiction: U.S. Department of the Treasury, Internal Revenue Service (IRS).

Non-Federal Funds: VITA has a 100 percent matching requirement. This means that, if an organization received a \$50,000 grant, it must match that funding with at least \$50,000.

Allowable expenses include technology, such as computers, printers and other related supplies; facilities costs; and the costs of training volunteers and running a VITA site, including publicity, interpreter services and office supplies. Applicants are encouraged to request funding for computers and printers when community resources are not available. Tax software is not an allowable cost as the IRS provides VITA sites with TaxWise software without charge. Support services, such as child care for those receiving tax preparation, and wraparound services including financial literacy are explicitly excluded from the list of allowable expenses.¹³

The program requires organizations to provide a one-to-one match for the funds they receive in the form of cash, computer hardware and software, and third party in-kind contributions, including space, volunteer time, supplies and advertising. Only funds expended in support of the VITA Program qualify as matching funds. However, all contributions, including cash and third party in-kind contributions, are accepted as part of grantee cost sharing if they meet a set of conditions.¹⁴

Program Limitations

VITA Grant funding requires a one-to-one match on all funds received. It also has very narrow and specific allowable uses. Providers of integrated services would need to be able to specifically identify costs related to free tax preparation services, rather than the full set of bundled services. Additionally, VITA Grant funding is small compared to the total number of VITA sites.

Grantees and Application Process

A list of 2011 VITA grant recipients is available at:

http://www.irs.gov/pub/newsroom/vita_grant_recipients_2011-110510.pdf.

The most recent Application Package is available at: <http://www.irs.gov/pub/irs-pdf/p4671.pdf>.

¹ “IRS VITA Grant Program,” U.S. Department of Treasury, Internal Revenue Service, November 10, 2010, <http://www.irs.gov/individuals/article/0,,id=184243,00.html>.

² “TAX HELP New Mexico,” <http://www.newmexicoresources.org/pages.cfm?contentID=66&pageID=12&Subpages=yes>, “2010 VITA Grant Recipients,” U.S. Department of Treasury, Internal Revenue Service, http://www.irs.gov/pub/irs-utl/2010_vita_grants.pdf, and “2011 VITA Grant Recipients,” U.S. Department of Treasury, Internal Revenue Service, http://www.irs.gov/pub/newsroom/vita_grant_recipients_2011-110510.pdf.

³ “TAX HELP New Mexico,” Central New Mexico Community College, <http://www.cnm.edu/taxhelp/index.php>

⁴ “Get your Taxes Done for Free,” Center for Economic Progress, <http://www.economicprogress.org/index.php/c/Services>.

⁵ Ed Finkel, “Tax Refunds Soon to Flow through the City,” Local Initiative Support Corporation, February 1, 2008, <http://www.lisc-chicago.org/display.aspx?pointer=5136>.

⁶ “Volunteer income Tax Assistance Grant Program Overview and Application Package,” U.S. Department of Treasury, Internal Revenue Service, 2010, <http://www.irs.gov/pub/irs-pdf/p4671.pdf>.

⁷ “Ten Facts about IRS Volunteer Tax Assistance,” U.S. Department of Treasury, Internal Revenue Service, <http://www.irs.gov/newsroom/article/0,,id=108104,00.html>.

⁸ 2007 Census Data from the Brookings Institution, Metropolitan Policy Program, “EITC Interactive Data,”

⁹ “VITA Funding Talking Points,” National Community Tax Coalition, <http://www.tax-coalition.org/policy-resources/vita-funding/Talking%20Points%20FY2011.pdf/view>

¹⁰ “Tax Counseling for the Elderly,” U.S. Department of Treasury, Internal Revenue Service, <http://www.irs.gov/individuals/article/0%2C%2Cid=109754%2C00.html>

¹¹ “Low-Income Taxpayer Clinic, Grant Recipients Announced,” U.S. Department of Treasury, Internal Revenue Service, <http://www.irs.gov/newsroom/article/0,,id=221524,00.html>; and “Low-Income Taxpayer Clinics,” <http://www.irs.gov/advocate/article/0,,id=106991,00.html>

¹² For more information and a list of TCE grantees, visit: <http://www.irs.gov/individuals/article/0%2C%2Cid=109754%2C00.html>. And, for more information on LITC, visit: <http://www.irs.gov/advocate/article/0,,id=106991,00.html>.

¹³ “Appendix B, Exhibit 1: Allowable/Unallowable Expenses.” Volunteer income Tax Assistance Grant Program Overview and Application Package, 2010. Page 59. <http://www.irs.gov/pub/irs-pdf/p4671.pdf>.

¹⁴ They must follow the Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations (2 CFR 215). These matching funds and in-kind contributions must be verified by the grantee’s records; not included as contributions or a match from other federally-assisted projects or programs; necessary for “proper and efficient accomplishments of program objectives;” allowable costs; not paid for by the federal government under another award except where authorized by Federal statute; provided for in the approved budget; and conforming to other provisions of the Law. Volunteer Income Tax Assistance Grant Program Overview and Application Package, 2010. Page 8. <http://www.irs.gov/pub/irs-pdf/p4671.pdf>.