



# KENTUCKY Asset Success INITIATIVE

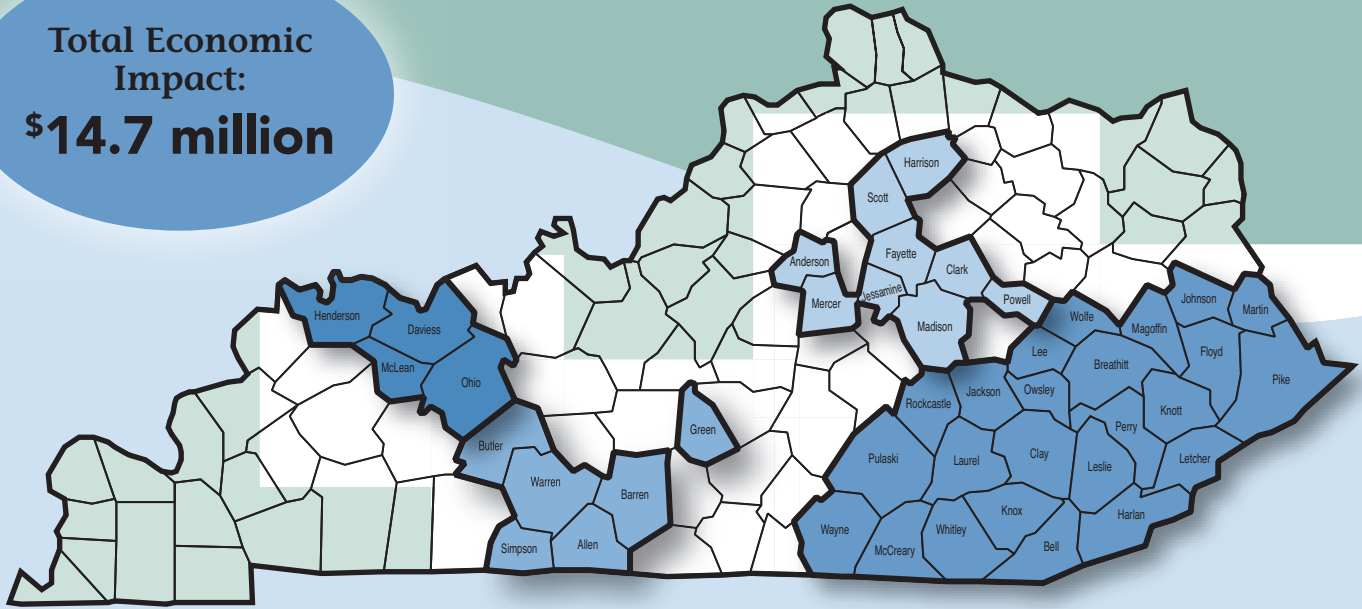


Free tax preparation, financial education and asset-building tools for working families

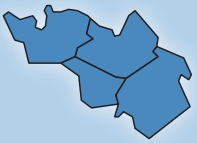


## 2008 OUTCOMES

Total Economic Impact:  
**\$14.7 million**



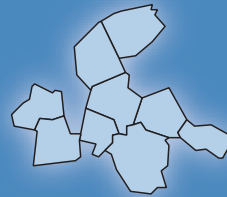
**6,817 families served • \$6.9 million in tax refunds returned**  
**2,203 families claimed the Earned Income Tax Credit**



### Green River Asset Building Coalition

Returns Filed	2032
Claiming EITC	651
EITC	\$906,774
Refunds	\$2,206,580

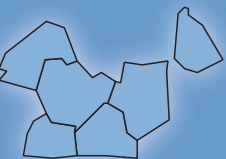
Regional Economic Impact  
**\$4,573,767**



### Central Ky. Economic Empowerment Project

Returns Filed	1253
Claiming EITC	443
EITC	\$622,586
Refunds	\$1,448,863

Regional Economic Impact  
**\$3,382,262**



### Barren River Asset Building Coalition

Returns Filed	605
Claiming EITC	184
EITC	\$240,506
Refunds	\$481,685

Regional Economic Impact  
**\$1,096,633**



### Eastern Ky. Asset Building Collaboration

Returns Filed	2927
Claiming EITC	925
EITC	\$1,164,633
Refunds	\$2,772,547

Regional Economic Impact  
**\$5,688,293**

Free tax-preparation sites operated by the Kentucky Asset Success Initiative (KASI) helped 6,817 working families claim tax refunds of \$6.9 million in 2008, generating \$14.7 million in economic activity in their communities.

In addition, because of the free services provided by KASI volunteer tax preparers, families saved \$1.4 million in tax preparation fees and refund-anticipation loans -- an average of \$205 per taxpayer.

KASI is an asset-building project that provides free tax-preparation services and financial education to low to moderate income families. In 2008 the initiative sponsored 46 free tax sites across the state. Those sites served families in at least 43 Kentucky counties.

The primary goal of the KASI free tax-preparation sites is to help more eligible working families apply for the federal Earned Income Tax Credit (EITC). The IRS estimates that as many as 20 percent of Kentucky families who qualify for the EITC do not claim it. More than 2,203 of the families served by the sites claimed nearly \$3 million through the EITC.

### Immediate savings

The free tax help saved families an average of \$150 to \$170 each in tax-preparation fees. In addition, the tax help sites filed returns electronically, which meant that participating families received their refunds quickly and were not tempted by refund-anticipation loans. Such loans cost taxpayers who claim the EITC, on average, an additional \$270. IRS data show a third of tax filers who claim the EITC typically obtain such loans.

### Largest government program for working families

The Earned Income Tax Credit is the federal government's largest program benefiting working families. An important goal of KASI is to ensure families who are eligible for the EITC claim it. More than 6,800 families took advantage of the free tax-preparation services in 2008 and more than 2,203 of those participating families claimed the EITC. The maximum credit was \$4,716 for a family with two or more children; \$2,853 for a family with one child and \$428 if there were no children.

The credit is often higher than the families' tax bill. When that happens, the federal government refunds the family the difference. In 2008 the average federal EITC claimed at KASI sites was \$1,350 and the average overall tax refund to families using a KASI site was \$1,013.

Research has shown that the EITC has a significant impact on many low to moderate income families because it reduces poverty, encourages employment, supplements low wages, helps families build assets and increases purchasing power.

### The benefit to communities

Overall, the tax sites generated more than \$2.93 million in EITC claims in 2008.

**236  
volunteers  
served  
low-income  
families at  
KASI sites**

## 2008 Asset Building Totals

**6,817 returns  
prepared**

**1793 in  
financial  
education**

**167 bank  
accounts  
opened**

**2,203  
Earned Income  
Tax Credits  
taken**

**603 in  
credit  
counseling**

**55 IDAs  
opened**

Research has shown that most taxpayers who claim the EITC spend the money in their communities. They may pay off loans, make overdue repairs on their vehicles or homes or make big ticket purchases like a new refrigerator. This spending creates a multiplier effect – every dollar the taxpayer spends is actually worth more. The KASI sites created an additional 36 to 79 cents per dollar of tax return in economic activity, depending on the location. For example, if a family uses its tax refund to repair a car, it pays a mechanic to do the work. That mechanic, in turn, receives income and will likely spend some portion of that on car parts as well as purchases for his own household. The storeowner who sells the car parts then receives payment from the mechanic and so on.

Using the multiplier effect, the tax refunds spurred more than \$14.7 million for the recipients' communities, according to calculations by University of Kentucky economist Dr. Alison Davis. Dr. Davis separating their refunds into expenditure categories. Then she used multipliers ranging from 1.36 to 1.79, depending on the location, to calculate the total economic impact.

### **Discouraging refund-anticipation loans**

KASI free tax-preparation sites have the obvious benefit of saving low to moderate income families tax-preparation fees. The sites are staffed by volunteers who are trained and certified by the IRS to complete all but the most complicated tax returns. Most commercial tax preparers

charge a basic fee with add-ons for completing additional forms such as the EITC, the child tax credit, and child/dependent care credit.

KASI free tax-preparation sites helped steer families away from refund anticipation loans (RALs). Many tax filers get RALs in order to receive their refunds on the same day file for them. The average RAL has an interest rate of 20 percent. However, the annualized interest rate of these loans generally exceed 200 percent, providing a very poor value for taxpayers' refund dollars.

Families often choose RALs because the payment is deducted from the amount of the refund and may seem reasonable to those who need their tax refunds quickly.

However, these fees are the equivalent of high-interest loans to tax filers in advance of their tax refunds. IRS data tell us that two of every five taxpayers in the KASI counties used a RAL.

We estimate that families using the KASI sites in 2008 saved \$1,067,000 in preparation fees and an estimated \$341,458 that would have gone for refund anticipation loan fees.

### **How KASI sites help taxpayers learn and save**

KASI sites also offer at no cost to tax filers are financial education, one-on-one financial coaching, free credit reports, and the opportunity to start building wealth through an Individual Development Account (IDA). An IDA is a matched savings account that rewards income-eligible families for monthly savings as they work toward a financial goal such as buying a home, paying for education, or starting a small business.

**KASI sites saved families \$1.4 million in tax-prep fees and RALs**

### **Support provided by:**

Kentucky Housing Corporation  
The Annie E. Casey Foundation  
Allstate Foundation  
Lawrence and Augusta Hager Educational Foundation  
The City of Owensboro  
Daviess County Fiscal Court  
The Federal Reserve Bank of St. Louis – Louisville Branch  
PBI Bank  
Fifth Third Bank  
Independence Bank  
Chase Bank – Owensboro  
BBT – Owensboro  
National City Bank – Owensboro  
Owensboro Municipal Utilities  
First Kentucky Bank – Ohio County

IDA holders who enroll through KASI tax sites have their savings matched 2:1. Most finish the program with \$6,000 – \$2,000 of their own money and \$4,000 in match funds. More than 200 participants are enrolled in the IDA program. Since 2004, 73 participants have purchased assets: 39 bought homes, 30 used their funds for higher education and four started small businesses.

In only four years KASI has grown from a dozen tax sites serving Eastern Kentucky to 44 sites serving 43 counties across the state. Unfortunately, KASI's growth has been outpaced by the proliferation of paid tax-preparers offering costly refund anticipation loans to families who can't afford them. KASI would like to be able to offer its services to families in every county in the Commonwealth. If you would like to help level the playing field for working families, call KDVA at 502 209-5382 .

Since 2004, 73 participants in KASI's Individual Development Account program have purchased assets: 39 bought homes, 30 used their funds for higher education and four started small businesses.

## KASI Member Organizations

### Barren River Asset Building Coalition

Barren River Area Safe Space Inc.  
 United Way of Southern Kentucky  
 HANDS, Inc. / The Tomorrow Center  
 Community Action of Southern Kentucky  
 The International Center  
 Housing Authority of Glasgow  
 Veterans Upward Bound  
 AARP  
 Barren River District Health Department  
 ALIVE Center  
 Bowling Green Daily News  
 Service One Credit Union  
 Bowling Green/Warren Co. Community Ed.  
 US Bank  
 The Salvation Army  
 Junior Achievement  
 Warren County Department of Protection and Permanency  
 Housing Authority of Allen County  
 Green County Adult Education

### Green River Asset Building Coalition

OASIS  
 Audubon Area Community Services, Inc.  
 Catholic Charities  
 Daymar College  
 Owensboro Community & Technical College  
 Public Life Foundation of Owensboro  
 United Way of the Ohio Valley  
 Boulware Mission  
 Housing Authority of Owensboro  
 Brescia University  
 Blessed Sacrament Chapel  
 St. Vincent de Paul  
 St. Pius X Catholic Church  
 Ohio County Public Library  
 University of Kentucky Extension Service

### Central Kentucky Economic Empowerment Project

Calvary Baptist Church  
 Clark County Community Services  
 Community Action Council  
 Don't Borrow Trouble  
 Lexington Central Library  
 Lexington Fayette Urban County Government  
 Low Income Taxpayer Clinic  
 Opportunity for Work and Learning  
 United Way 2-1-1  
 University of Kentucky Law School  
 Urban League  
 YMCA Center for Achievement  
 Kentucky River Foothills CAA  
 Bluegrass Domestic Violence Program

### Eastern Kentucky Asset Building Coalition

Bell-Whitley CAA  
 Big Sandy Area CAP  
 Hazard-Perry County Community Ministries  
 KCEOC CAP  
 LKLP CAA  
 Owsley County Action Team  
 Department for Community Based Services  
 Housing Development Alliance Inc.  
 Kentucky Office of Employment and Training  
 Lake Cumberland Community Action Agency  
 Eastern Kentucky Concentrated Employment Program



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**C-KEEP is a  
 LexLinc Initiative**



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