
U.S. Congressman Jim Cooper

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NASHVILLE FAMILIES LOSE OUT ON TAX REFUNDS WORTH MILLIONS

—community-wide coalition to help families get cash from the IRS;
avoid high fees and abusive lenders

NASHVILLE—Hard-working Davidson County families are losing millions in tax refunds each year — money that should be in their pockets, their bank accounts and the cash registers of local businesses. That’s the message of a group of community leaders who have come together to make sure Davidson County families, and the local economy, are working to bring the dollars back home.

“Too many low-income, and not so low-income, working families in Nashville are missing out on hundreds, even thousands, of dollars each year simply because they don’t collect the full amount of the tax refund they earned,” U.S. Rep. Jim Cooper said today at a press conference announcing the new initiative. “It’s a tragedy for each of these families and, what’s more, it’s a big loss for our entire community. By working together, we can help families keep the money they’re entitled to and use it to build a better future here in Middle Tennessee.”

Kevin Lavender, Commissioner of the Tennessee Department of Financial Institutions, agrees. “Through improved awareness efforts, it is our hope that more families will take advantage of collecting the full amount of the tax refund they earned. We encourage them to invest those hard-earned dollars wisely in order to better their families and the community.”

The “Earn It! Keep It! Save It!” campaign targets the more than 42,000 Davidson County families who are eligible to file for a tax refund under the federal Earned Income Tax Credit (EITC). According to the Internal Revenue Service, 8,000 Davidson County families fail to claim their EITC refund annually, accounting for more than \$5 million that is lost to the Nashville economy. In many cases, a family’s income is so low they are not required to file a tax return. But people who don’t file tax forms cannot receive their EITC refund. In addition, the paperwork required to file the EITC return is complicated, leading many EITC-filers to turn to high-cost commercial tax preparers for assistance.

In 2001, 34,147 Davidson County families filed an EITC return and claimed \$55.9 million in refunds. More than half of those filers lost a significant portion of their refund because they filed using a ‘refund anticipation loan,’ or RAL. RALs are typically offered by commercial income tax preparation firms that charge consumers a fee to get their anticipated tax refund before the government actually sends them a check. Since many EITC-filers are also without a bank account, this is the fastest way for them to receive their refund. Many taxpayers don’t

realize that if they had a bank account, their refund could be direct deposited for free in approximately one week.

Commercial services offering RALs typically target low-income neighborhoods that are likely to have EITC-filers. They often charge effective loan rates that are close to 200 percent, prompting concerns about abusive lending practices. Overall, an estimated \$2.1 million was unnecessarily lost in 2001 when EITC filers in Davidson County turned to commercial tax preparers and filed with a RAL.

In addition to Congressman Cooper and Commissioner Lavender, the “Earn It! Keep It! Save It!” coalition includes the Metropolitan Government of Nashville, the IRS, Community IMPACT!, Woodbine Community Organization, Conexion Americas, the Federal Reserve Bank, and the many members of both the Nashville Earned Income Tax Coalition and the Nashville Area Tennessee Saves Campaign.

The “Earn It! Keep It! Save It!” effort will focus on three areas: community outreach to alert EITC-eligible families and individuals that they may have earned a refund, announcement and staffing of free EITC tax preparation sites operated by the IRS and trained volunteers (VITA sites), and help from area financial institutions in setting up a free or low-cost savings account.

The free tax preparation services for all EITC-eligible filers will be available at VITA locations across Nashville including: the Woodbine Community Organization in Woodbine, two Community Impact! sites at the YMCA and St. Ann’s Episcopal Church in East Nashville, the offices of Conexion Americas and at 100 Oaks Mall.* The sites will open beginning Saturday, January 24th. Woodbine Community Organization, Conexion Americas and Community Impact are partners in the Annie E. Casey-affiliated National Tax Assistance for Working Families Campaign.

The EITC has become an increasingly important part of the tax code since it was launched in 1975. It is considered one of the most successful anti-poverty programs ever developed, lifting nearly 5 million people a year above the poverty line. It is a refundable federal income tax credit that can provide substantial benefits — up to \$4,204 to qualified filers in tax year 2003, depending on income, family size and marital status. In tax year 2001, approximately 19 million tax payers across the country claimed the EITC, for a total of \$32 billion dollars.

The “Earn It! Keep It! Save It!” campaign is supported by the Nashville Area Tennessee Saves campaign which is part of the Tennessee Saves effort. The group is made up of educational, government and community organizations, as well as area financial institutions. All are committed to helping low to moderate income Tennesseans build wealth through financial and savings education. The Nashville Area Tennessee Saves group encourages individuals to become Tennessee Savers and will conduct financial planning workshops at area businesses, community organizations and churches. Financial institutions participating in the workshops and offering the free or low-cost savings accounts include AmSouth Bank, The Bank of Nashville, Citizens Bank, Pinnacle Financial Partners, PrimeTrust, SunTrust Bank, and US Bank. More information about the Nashville Area Tennessee Saves campaign, including participating financial institution partners, can be found at <http://tennesseesaves.org>.

Information about the “Earn It! Keep It! Save It!” initiative, as well as the schedule of operating hours for each of the free tax preparation sites, can be found at Congressman Cooper’s web site: www.cooper.house.gov.

For additional information about the Tennessee Department of Financial Institutions and Consumer Education, visit their website at <http://www.state.tn.us/financialinst/>.

Additional information on the EITC and VITA sites is also available through the Metro Nashville Mayor's Office at 862-5000 or on the web: <http://www.nashville.gov/EITC/index.htm>.

Information about EITC eligibility requirements can be found at www.irs.gov.

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* see attached schedule for details on hours of operation/location/contact for each of the four EITC tax preparation sites.