

Chairman Pascrell, Ranking Member Kelly, and Members of the Oversight Subcommittee,

I deeply appreciate the opportunity to come before the committee to talk about United Way of Passaic County's work, our efforts to help people easily and accurately file their federal and state taxes through Volunteer Income Tax Assistance (VITA) program and the challenges and opportunities that COVID-19 has presented.

Millions of low-income Americans work hard for wages, but face obstacles in filing their taxes. In some cases, people don't owe taxes and are not required to file. What many don't realize is that they are entitled to tax refunds they can access by filing their taxes – refunds that can have a huge positive impact on a family with financial struggles. Still others cannot find qualified tax filing assistance and sometimes must rely on incompetent or unscrupulous tax-preparers, who file inaccurate tax returns and charge exorbitant fees.

This is where the VITA program and other services provided by United Way and our community partners in coordination with Prosperity Now help. This work has become even more crucial now that Economic Impact Payments are expedited through the tax system. Even more is at risk for those struggling through the pandemic and desperately need tax refunds and the Economic Impact Payments as we and our economy recover.

### **United Way of Passaic County**

For more than 80 years, United Way of Passaic County has been responding to the needs of the community. Together with thousands of individual donors and volunteers – and with hundreds of private, public, and social sector partners, we are working to make sure that every child in our community has the opportunity to succeed in school and in life. We do this by improving and expanding early learning opportunities, strengthening literacy and math skills, and supporting high school graduation and completion from post-secondary education.

Through our 211 helpline and our partnerships focused on the social determinants of health, we are working to improve health outcomes by changing the ways health systems interact with community-based organizations and improving the ways that economically vulnerable Passaic County community members and New Jerseyans connect to the services available. Most people across the U.S. can dial, text or visit 211 to be connected to a trained resource specialist to help and/or provide information and referrals to local health and human services.

### **Importance of EITC and CTC**

United Way of Passaic County is part of the network of 1,100 local United Ways across the United States working to support and advance targeted policies to reduce poverty and support and encourage work including the expansion of the eligibility and refundability of the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). To ensure that the credits can achieve their full potential towards helping low- and moderate-income working families, we urge Congress to fully extend the EITC's pro-work success to childless adults, including non-custodial parents, as well as workers and qualified foster youth under 25 and workers over 65. The CTC should also be made fully refundable to further help low-

and moderate-income families or, at the very least, Congress should let the credit begin to phase in at the first dollar of earnings, increase the phase-in rate and eliminate the \$1,400 refundability cap.

### **Volunteer Income Tax Assistance**

Our Volunteer Income Tax Assistance (VITA) program matches people to the EITC and CTC. This program is a free, volunteer-based tax assistance and preparation program assisting low- and moderate-income individuals with the state and federal returns. The Internal Revenue Service (IRS) set Feb. 12 as the date it would begin processing 2020 tax returns. The regular deadline to file a federal return is April 15, 2021.

For more than 10 years, United Way has helped working, low-income Passaic County community members file their taxes and in 2015 we became a grantee of the IRS VITA program. Over the years we have prepared and filed thousands of tax returns for our community, and we have seen how even modest refunds can be a lifeline for adults struggling to make ends meet. I would like to tell you what the program means to our community.

First, preparing one's tax return is an intimidating and expensive process, and low-income Americans are not immune to complex tax issues. Identity theft, disputes over dependents, and prior year tax problems are common issues that we address at the VITA program. Our community members rely on the VITA program to help them navigate difficult issues on their tax returns and connect them with resources such as the Taxpayer Advocate or non-profit legal representation.

The VITA program also provides a trusted service for individuals who are hesitant to interact with government, such as individuals who have been incarcerated, or recent immigrants.

More than anything else though, the VITA program helps low-income workers file an accurate tax return and maximize available tax credits, including the Earned Income Tax Credit, the Child Tax Credit and education tax credits. This past Saturday, our program prepared a tax return for a woman who will receive a \$9,000 federal refund!

Because of the high cost of paid tax preparation, low-income communities are prone to unscrupulous actors who prepare tax returns without adequate training or certification. The low-income taxpayer is then left to clean up their mess of an incorrect tax return. In contrast, VITA volunteers are trained and certified by the IRS. In our program, we have volunteers who return from year to year, and we have an extraordinarily high rate of accuracy in our returns. Our volunteers have developed years-long relationships with some community members, who trust and rely on the volunteers for their tax filing each year.

We also train and mentor college students who volunteer in the program as part of their pursuit of accounting degrees. I brought a picture of one of these volunteers, David, who is a student at Seton Hall University in New Jersey and volunteering for the first time this year. He said he loves tax preparation!

As the pandemic threatens the health and financial security of millions of Americans, VITA has innovated new and expanded services to help people avoid missing out on the tax credits and deductions they have earned.

## **MyFreeTaxes**

In addition to the in-person and virtual opportunities to interact with a volunteer tax preparer provided by VITA, United Way partners with MyFreeTaxes for free online tax preparation for low-income taxpayers.

As you may know, seventy percent of U.S. taxpayers are eligible to file their taxes for free - but many of them don't know about MyFreeTaxes. For the twelfth year, United Way is helping people easily and accurately file their federal and state taxes through MyFreeTaxes, accessible at [www.myfreetaxes.com](http://www.myfreetaxes.com).

Since 2009, more than 1.3 million low- and moderate-income people have used MyFreeTaxes – the program has helped individuals and households save \$260 million in filing fees and receive \$1.9 billion in refunds.

This pandemic is causing financial strife for so many across the country – and now is not the time for people who are struggling to pay rent or put food on the table to pay unnecessary fees while filing their taxes. Taxpayers can file their federal and state returns without spending any money in tax preparation fees.

The secure software walks one through the filing process and screens for common tax deductions and credits one may be eligible for, like the Earned Income Tax Credit or the Child Tax Credit. One can also use MyFreeTaxes to claim missed stimulus payments and file returns with self-employment income.

For those who need assistance filing their taxes, MyFreeTaxes connects them to the IRS's Volunteer Income Tax Assistance (VITA) program. That way, individuals who are not comfortable filing their own taxes or who face technology barriers are able to have their taxes completed for them.

## **Challenges and Opportunities Due to Pandemic**

The digital divide and a lack of access to technology has been one of the biggest obstacles to low-income families AND nonprofit service providers. Many nonprofit agencies that provide direct services had outdated technology and needed support to transition their employees to virtual work to continue serving clients. For the most part, job training, financial coaching, benefits screening/enrollment, and tax preparation are all primarily delivered in-person.

Agencies have had to find creative ways to serve clients virtually and to help clients manage technology challenges. Organizations have been more successful at maintaining relationships with existing clients; recruiting new clients in a virtual environment has been more challenging. Many public offices (housing, social security, etc.) are no longer accepting in-person clients or accepting them only on a limited basis. For clients without reliable access to technology, especially individuals who are homeless, this creates additional barriers to receiving services as previously they could just walk in.

Many Americans with limited digital access struggled to obtain their Economic Impact Payments as well as filing their taxes. Most free tax preparation sites and other financial capability programs were not offering in-person services during the pandemic. The IRS' tools for non-filers were online only.

To address this issue, United Way partnered with Code for America's GetYourRefund program in September to launch a 30-day pilot initiative to help close the digital divide preventing individuals from getting their stimulus payment. Code for America is a nonprofit which aims to address the widening gap between the public and private sectors in their effective use of technology and design.

While United Way of Passaic did not participate in the pilot, we look forward to learning from the pilot and how we may be able to participate in future expansion. It is our understanding that GetYourRefund.org is the first-ever free mobile app that provided tax help and connected thousands of Americans with low income to the (VITA) program—making it more accessible and breaking down barriers to tax filing. Through the pilot with GetYourRefund, the 211 Economic Impact Payment Helpline worked to make tax filing easier by providing personalized phone assistance—helping people get their stimulus payments. Helpline call specialists fielded 16.7k calls from GetYourRefund clients and completed nearly 300 intakes over the phone for individuals who needed GetYourRefund's assistance in completing IRS paperwork.

United Way also created an Economic Impact Payment information page on the 211.org website, which received 151,000 visitors through October 31. Individuals that needed to take action to receive their payment were directed to the IRS' Economic Impact Payment Tool or to UWW's 211 EIP Helpline.

### **Looking Forward**

United Way and our partners stepped up to achieved significant impacts in 2020. At least 7 million non-filers were able to use the IRS tools and obtain their payment. However, much work remains. Final numbers from the IRS are forthcoming, but we know that as of September, as many as 5 million Americans who typically do not file taxes had still not received their Economic Impact Payment.

United Way will continue our work helping low-income Americans obtain their Economic Impact Payments and file their taxes through the 2021 tax season.

As I close, I want to note that several Members of this Committee, including Chairman Pascrell, have visited and/or promoted the Volunteer Income Tax Assistance (VITA) program to their constituents, supported the expansion of the refundable credits and programs which help unemployed workers manage financially, provide a safety-net for our most vulnerable populations, ease the financial burden on nonprofits, and connect families with needed childcare and educational supports.

These necessary supports will help communities like Passaic County and throughout the United States recover and rebuild from the devastation caused by the pandemic.

Mr. Chairman, I'm happy to answer any questions.