



## FEDERAL BUDGET COMMITS \$8 MILLION TO SUPPORT COMMUNITY TAX CENTERS

The recently enacted 2008 budget bill includes a boost for community tax centers that help working families file tax returns for little to no cost. The bill authorizes an \$8 million matching grant demonstration program for Community Volunteer Income Tax Assistance (VITA) programs through the end of Federal Fiscal Year 2009 (September 30, 2009). Community VITA programs play a critical role in Texas and across the nation by helping lower-income individuals claim valuable tax credits and refunds, including the Earned Income Tax Credit, and the Child Tax Credit.

### Community VITA Programs to Receive Federal Funding for First Time

This amendment marks the first time that Community VITA programs will receive federal funding. Because of the timing, virtually all of the funds will be distributed to local programs for the 2009 filing season.

The \$8 million in federal funding would leverage another \$8 million in matching support from non-federal sources such as state and local funds and private entities including corporations and foundations. The program—to be designed and administered by the IRS, in conjunction with the Taxpayer Advocate Service—will support the following activities:

- Extending VITA services to underserved populations and hardest-to-reach areas (urban and non-urban);
- Increasing capacity to file returns electronically;
- Improving quality control and the accuracy of VITA returns; and
- Enhancing volunteer training.

With a strong and emerging VITA infrastructure, Texas could stand to gain tremendously from this federal commitment, as nearly 1 in 4 tax filers are eligible for the EITC. In 2007, Texas Community VITA programs completed nearly 71,000 returns, including over 26,400 EITC returns. The City of San Antonio provides a model for local support of VITA programs.

Since 2003, the City of San Antonio has committed about \$1 million to support local VITA programs, while leveraging hundreds of millions of dollars in tax refunds and saving local workers \$6-\$8 million per year in tax preparation fees.

In 2007, HB 1948, by Representative Mike Villarreal, would have established a state grants program for established VITA programs, but did not pass. If enacted, Texas would have been able to use state funds to draw down \$1 million or more in total federal funding, but now will have to rely on other funding to pull down an adequate share for the 2009 filing season.

The National Community Tax Coalition plans to offer input to the IRS regarding the design of the community VITA program. For more information, see <http://www.tax-coalition.org/>.

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For more information about major VITA programs in Texas, see:

[http://www.sanantonio.gov/comminit/vita/VITA\\_Contacts.asp?res=1024&ver=true](http://www.sanantonio.gov/comminit/vita/VITA_Contacts.asp?res=1024&ver=true)

<http://www.foundcom.org/Saving-CTC.htm>

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