

Creating Assets, Savings & Hope Buffalo

Rachel Swyers
University at Buffalo Law School



What is Creating Assets, Savings & Hope (CASH) Buffalo?

Created in 2004, Creating Assets, Saving & Hope (CASH) Buffalo works to increase the financial stability of low-to-moderate income families in Buffalo and Erie County.ⁱ CASH's mission is to increase the financial stability of low-income families by increasing access to tax credits, refunds, and needed income supports; improving financial literacy, and providing opportunities for homeownership, education, or other types of asset building.ⁱⁱ

What is CASH's involvement in free tax preparation?

CASH works with Buffalo Federation of Neighborhood Centers (BFNC) to provide ten taxation preparation sites at various places throughout the

city.ⁱⁱⁱ These sites assist individuals in filing, for free, both their federal and state taxes for the current year and up to the last three previous years.^{iv}

Individuals can also meet with a “CASH advisor” at these sites who can advise them on other financial matters and/or refer them to different financial services in the community.^v If an individual cannot visit a site, there are other options available. They can use free tax preparation software provided through CASH’s website (www.cashbuffalo.org) at myfreetaxes.com.^{vi} In addition, Daemen College operates an Income TAXi, which is a mobile tax preparation unit that connects to populations that lack transportation or are unable to go far from their homes.^{vii}

How do CASH’s free tax preparation services help combat poverty?

Free tax preparation services help low to moderate income individuals prepare and file their tax returns without fees and charges, including applying for the Earned Income Tax Credit (EITC). Created in 1975, the EITC is considered one of the nation’s largest antipoverty programs for working families.^{viii}

The EITC is a refundable federal income tax credit for low to moderate income working individuals and families, and when the EITC exceeds the amount of taxes owed, it results in a tax refund.^{ix} However, you have to file your taxes to be eligible for the credit. According to the IRS, the IRS still has over 1 billion dollars in unclaimed tax refunds for the 2008 federal income filing year, and half these refunds are worth more than 600 dollars.^x Some people eligible for the EITC did not file returns in 2008 because their income was low enough that they legally did not have to file.^{xi} By providing free tax preparation, CASH helps eligible individuals receive refunds and credits without the fees that for-profit tax preparation businesses charge.

Since CASH was created, it has successfully:

- Completed more than 62,000 state and federal tax returns for low-to-moderate income households in Buffalo to Erie County^{xii}
- Secured more than \$77 million in tax refunds and working family credits^{xiii}
- Located more than \$1,300,000 in income supports for local families and individuals to date^{xiv}
- Screened more than 9,000 individuals and families for income supports^{xv}

How do the services provided by CASH partners differ from for-profit tax preparation businesses?

CASH services are free and designed to benefit the customers, not exploit them. H&R Block, a for-profit tax business, will offer to file a Federal 1040EZ for free.^{xvi} However, H&R Block will then charge 39 dollars for each state tax return and an additional fee to claim the EITC.^{xvii} H&R Block will also charge extra for returns that include “income from self-employment, rental property, royalties, estates, trusts, partnerships, farming, or sale of assets.”^{xviii}

After H&R Block files your taxes, they offer a variety of ways to receive the money in your refund faster. One way is through a Federal Refund Anticipation Check (RAC) or a State Refund Anticipation Check. The tax preparer charges fees for this service, which may range from 25 dollars to several hundred dollars, and the bank will also charge their own add-on fees, typically about 30 dollars.^{xix} The client can receive the balance of

their refund, minus any fees, on an H&R Prepaid MasterCard, Direct Deposit, or check in about 7-14 days after the IRS has accepted the e-filed tax return, which is a tax return filed online.^{xx}

In contrast, according to the IRS website, if you e-file you can expect your return within 10-21 days. If that is the case, you may receive your actual full refund faster than your H&R Block MasterCard with



all the fees subtracted.^{xxi} At the most, according to the averages given by the IRS and H&R Block, H&R Block offers a time savings of two weeks.

What are Refund Anticipation Loans (RALs)?

RALs are typically short term loans offered by the tax preparation business which are repaid with a borrower's income tax refund. In 2009, RALs offered by Jackson Hewitt and H&R Block skimmed more than 600 million dollars from the refunds of 7.2 taxpayers.^{xxii}

Due to tighter regulations, the 2012 tax season is the last time that most banks will be offering refund anticipation loans (non-bank lenders may continue to offer them).^{xxiii} In the last year, the IRS eliminated the Debt Indicator, which was a service that helped tax preparers and banks make RALs by indicating whether a refund would be interrupted for certain debts.^{xxiv} Following this, the FDIC notified the RAL-lending banks that it regulates that the making of RALs without the Debt Indicator is "unsafe

and unsound.”^{xxv} Accordingly, as of 2011 there are only three small state-chartered banks left making RALs.^{xxvi}

As of last year, H&R Block stopped offering RALs and instead offers RACs – as described above.^{xxvii} Jackson Hewitt still offers RALs, and for their customers this year, Republic Bank is charging \$61.22 for a RAL of \$1,500, which translates into an annual percentage rate of 149%.^{xxviii}

How many low-income individuals and families pay for tax preparation services?

- 8,951,465 returns were filed in New York in 2008.^{xxix}
- 1,565,917 individuals applied for the EITC, and the total amount credited was \$3,147,431,670.^{xxx}
- The total amount of refunds was \$28,318,115,011.
- The number of RALs received was 394,663, and the total number of RACs was 709,800.^{xxxi}
- 5,913,739 individuals paid for their returns to be prepared and 186,473 used free programs like CASH.^{xxxii}

What other programs do CASH partners offer?

Pathway to Prosperity Model



There are many partners who provide services under the CASH umbrella. CASH Buffalo recently adopted the Pathway to Prosperity model to guide its asset building work. The programs that CASH offers fall under one of the levels.

1. First Level: Securing Economic Supports^{xxxiii}
2. Second Level: Managing Money^{xxxiv}
3. Third Level: Saving Money^{xxxv}
4. Forth Level: Making More Money^{xxxvi}
5. Fifth Level: Building Assets^{xxxvii}

CASH implemented Hope Centers, which are one-stop financial service centers that provide a full range of economic supports from each level. The first Center (Tri-Main Building, 2495 Main Street) has been providing services in the 14214/14215 neighborhood since 2008, while the newest Hope Center (Matt Urban Hope Center; 385 Paderewski Drive) opened to the public in November 2009.

How does CASH advertise their services to the public?

CASH Buffalo publishes a newsletter called the Financial Independence News. This newsletter contains information about the local services available through CASH member organizations and other financial

information, such as the Earned Income Tax Credit. This newsletter was distributed in Artvoice, at partner agencies, on the United Way campaign trail, and in other ways.. M&T has also supported the CASH coalition by providing CASH with a grant to put posters in Buffalo bus shelters and by putting the Financial Independence News in their local branches.^{xxxviii}

What are some of the unique challenges that arise when working with low income taxation preparation clients?

There are some individuals who cannot read, write, or speak English.^{xxxix} If an individual makes an appointment in advance, CASH can provide translation services for sign language.^{xl} Currently, there is no CASH site on the West Side of Buffalo, where many refugees have settled.^{xli} CASH has plans to make a permanent site in the West Side of Buffalo, but first needs to bring in paid translators or volunteers to translate at the site.^{xlii}

-
- ⁱ"CASH Coalition of Western New York: Mission and Principles." *CASH Coalition of Buffalo & Erie County*. Web. 20 Mar. 2012. <http://www.cashbuffalo.org/sitepages/ABOUT_mission_principles.html>.
- ⁱⁱ Id.
- ⁱⁱⁱ Id.
- ^{iv} Id.
- ^v Personal Communication. Ian Grogran, CASH Coach. 8 Mar. 2012.
- ^{vi} "CASH Coalition of Western New York: Tax Preparation." *CASH Coalition of Buffalo & Erie County*. Web. 20 Mar. 2012. <http://www.cashbuffalo.org/sitepages/RESOURCES_tax_prep.html>.
- ^{vii} "Daemen to Partner with BFNC." *Daemen College*. Web. 20 Mar. 2012. <<http://www.daemen.edu/news/Newsreleases/Pages/DaementoPartnerwithTheBuffaloFederationofNeighborhoodCenters,CASH,toProvideVolunteerLowIncomeTaxAssistance.aspx>>.
- ^{viii} "The Impact of Free Tax Preparation on New Haven's Econom." New Life Corporation & The Coalition for Working Families, 2011. Web. 27 Mar. 2012. <http://www.newlifecorp.org/images/EITC%20NLC-Casey%20Brochure_final.pdf>.
- ^{ix} "EITC Home Page--It's Easier than Ever to Find out If You Qualify for EITC." *Internal Revenue Service*. 14 Mar. 2012. Web. 27 Mar. 2012. <<http://www.irs.gov/individuals/article/0,,id=96406,00.html>>.
- ^x Ellis, Blake. "The IRS Has \$1 Billion in Unclaimed Tax Refunds for 2008." *CNNMoney*. Cable News Network, 23 Feb. 2012. Web. 27 Mar. 2012. <http://money.cnn.com/2012/02/23/pf/taxes/unclaimed_tax_refunds/index.htm>.
- ^{xi} Id.
- ^{xii} *CASH Buffalo Newsletter October 2011* (Oct. 2011). Print.
- ^{xiii} Id.
- ^{xiv} Id.
- ^{xv} Id.
- ^{xvi} "File in an H&R Block Tax Office." *Tax Offices*. H&R Block. Web. 28 Mar. 2012. <<http://www.hrblock.com/offices/tax-services-free-1040ez.html>>.
- ^{xvii} Id.
- ^{xviii} Id.
- ^{xix} Kruse, Jan. "Final Year for Bank Refund Anticipation Loan." *Consumer Federation of America*. National Consumer Law Center, 17 Jan. 2012. Web. 27 Mar. 2012. <<http://www.nclc.org/images/pdf/pr-reports/ral-pr-2012.pdf>>.
- ^{xx} "File in an H&R Block Tax Office." *Tax Offices*. H&R Block, 2012. Web. 27 Mar. 2012. <<http://www.hrblock.com/offices/tax-services-refund-options.html>>.
- ^{xxi} "Where's My Refund - It's Quick, Easy, and Secure." *Internal Revenue Service*. 22 Feb. 2012. Web. 27 Mar. 2012. <<http://www.irs.gov/individuals/article/0,,id=96596,00.html?portlet=101>>.
- ^{xxii} "Its Tax Time: Protect Your Refund from Predatory Lenders." Equal Voice, 11 Mar. 2012. Web. 28 Mar. 2012. <<http://www.equalvoiceforfamilies.org/2011/its-tax-time-protect-your-refund-from-predatory-lenders/>>.
- ^{xxiii} Id.
- ^{xxiv} Wu, Chi Chi. "An Epilogue for Quickie Tax Loans." *National Consumer Law Center*. Consumer Federation of America, Feb. 2011. Web. 27 Mar. 2012. <http://www.nclc.org/images/pdf/high_cost_small_loans/ral/report-ral-2011.pdf>.
- ^{xxv} Id.
- ^{xxvi} Id.
- ^{xxvii} "After This Year, No More Tax Refund Loans." *Bucks Blog*. New York Times, 20 Jan. 2012. Web. 27 Mar. 2012. <<http://bucks.blogs.nytimes.com/2012/01/19/after-this-year-no-more-tax-refund-loans/>>.

^{xxviii} Kruse, Jan. "Final Year for Bank Refund Anticipation Loan." *Consumer Federation of America*. National Consumer Law Center, 17 Jan. 2012. Web. 27 Mar. 2012. <<http://www.nclc.org/images/pdf/pr-reports/ral-pr-2012.pdf>>.

^{xxix} "2008 IRS NY Zip Codes." Internal Revenue Service, 2010. Web. 28 Mar. 2012.

^{xxx} Id.

^{xxxi} Id.

^{xxxii} Id.

^{xxxiii} Id.

^{xxxiv} Id.

^{xxxv} Id.

^{xxxvi} Id.

^{xxxvii} Id.

^{xxxviii} Id.

^{xxxix} Id.

^{xl} Id.

^{xli} Personal Communication. Katie Lyons, Project Manager of CASH Buffalo. 6 Mar. 2012.

^{xlii} Id.

Partnership for the Public Good
www.ppgbuffalo.org
237 Main St., Suite 1200, Buffalo NY 14203
