

Texas Saves at Tax Time 2011:

Best Practices to Operating a Tax-time Savings Project

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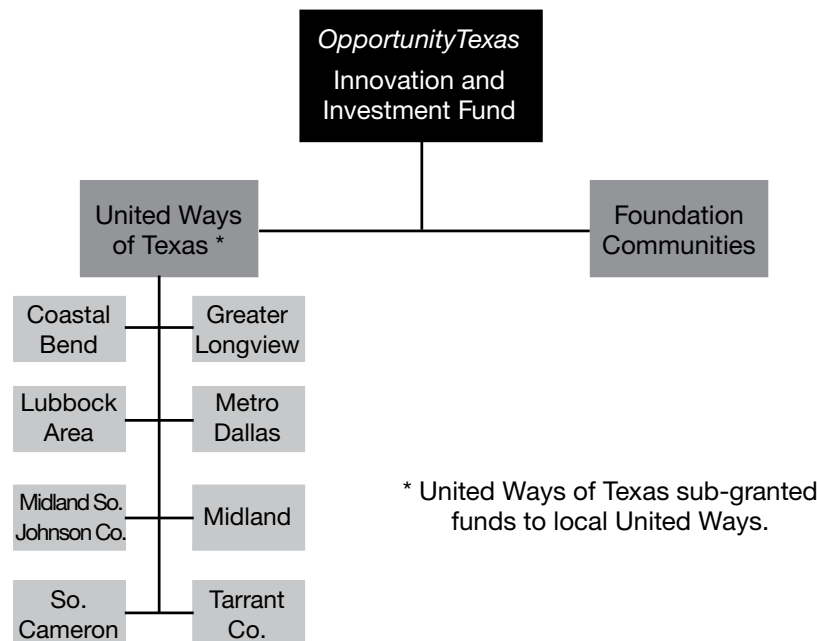
Introduction

Promoting saving at tax time is increasingly seen as an important asset building innovation and opportunity. For many families, tax refunds may be the largest lump sum of money they receive all year. During the 2011 tax season, the average household income of a Texas VITA site filer was \$20,730 and the average refund was \$1,935. Additionally, people now can save directly on their tax return, making tax-time saving easier and more automatic.

Through the Innovation and Investment Fund, *OpportunityTexas* promoted savings during the 2011 tax season by extending grants to United Ways of Texas (UWT) and Foundation Communities (FC) of Austin to encourage VITA clients to split and save a portion of their tax refund through a U.S. Savings Bond, which provides an immediate and simple way for VITA filers to save. A filer doesn't need a bank account or good credit to purchase them, and they can be purchased for as little as \$50.

We developed this guide to share the results and lessons learned, including common challenges and best practices, from the inaugural *OpportunityTexas* tax-time savings project. Simply put, the results show that incentives help increase tax-time savings. Altogether, UWT and FC distributed savings incentives to 265 filers, which generated participant savings of nearly \$30,000, over double our initial investment. We hope these findings will encourage VITA partners to launch a local effort to promote savings at tax-time. By sharing these best practices, we also hope to add value to ongoing VITA savings efforts.

OpportunityTexas Tax-time Savings Grants



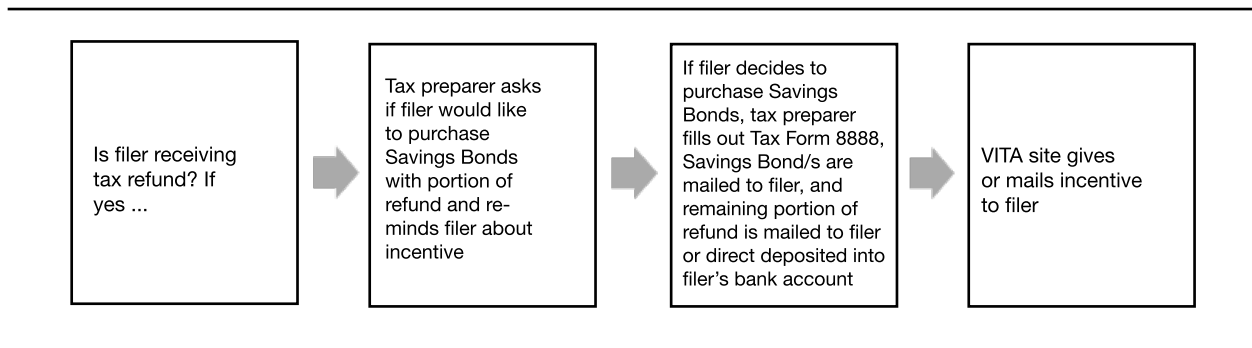
Overview of the Tax-time Savings Projects Funded by OpportunityTexas

While both UWT and FC used grant funds to incentivize saving at tax time, their projects and methodologies varied. United Ways of Texas sub-granted their grant funds to the following eight local United Ways and/or their community partners operating VITA sites to carry out the project - Southern Cameron County, Costal Bend, Longview, Lubbock, Midland, Tarrant County, Mid and South Jefferson County, and Metropolitan Dallas. All of UWT's grantees offered the same incentive, a \$50 U.S. Savings bond, to VITA site filers who received at least a \$500 tax refund and purchased at least \$100 in U.S. Savings Bonds on the tax form.

FC tested a number of incentives to see which type and amount of incentive would best motivate filers to save. To be eligible to receive their incentive, VITA clients had to purchase at least \$50 in U.S. Savings Bonds. FC varied its incentives every few days and did not disclose plans for future incentives. Some days, clients were offered only one incentive and other days clients had a choice between two different incentives. FC offered the following incentives at various times:

- \$10 and \$20 HEB® (Supermarket) Gift Cards
- \$5 and \$10 Whataburger® (Fast Food Restaurant) Gift Cards
- \$50 U.S. Series I Savings Bond
- Tote Bag
- Choice between \$10 HEB® Gift Card and \$10 Whataburger® Gift Card
- Choice between \$50 U.S. Series I Savings Bond and \$20 HEB® Gift Card
- Choice between \$20 HEB® Gift Card and \$20 Whataburger® Gift Card

The following diagram illustrates the ease by which filers can quickly save and receive savings incentive.



Source: IRS website.¹

While both FC and local United Ways utilized the \$50 U.S. Savings Bond as an incentive, VITA sites will need to choose an alternative incentive for the 2012 tax season because U.S. Treasury plans to terminate its paper Savings Bond program in January 2012 outside of the paper Savings Bonds filers can purchase on their tax returns and receive via mail.

Project Goals

UWT and FC had a combined goal of incentivizing 650 VITA site filers to save at tax time. Prior to the beginning of the project, both organizations had hoped to motivate individuals to save for the first time or to save a portion of their tax refund for the first time.

Project Results

Savings Bond Take-Up Rates

Combined, FC and UWT tax-time savings projects motivated 265 filers to save nearly \$30,000 at tax time. These projects created many new savers, with 74% of incentive recipients reporting that it was their first time to save a portion of their tax refund.² They also motivated filers to save for education, the most common reported savings purpose of incentive recipients, with over 30% of incentive recipients reporting this savings goal.³

Average incentive take-up rates varied across projects and incentives.

Average Incentive Take-up Rates

| Foundation Communities | Local United Ways | Combined | Take-up Rate Range Across VITA Sites and Incentives |
|------------------------|-------------------|----------|---|
| 4.2% | 1.1% | 2.1% | < 1% - 8.5% |

Incentive take-up rate is the percentage of filers served at VITA sites operating the project over the project period who purchased a Savings Bond and received an incentive.

Source: United Ways of Texas and Foundation Communities OpportunityTexas Grant Reports

While there is room to improve these take-up rates, they are a substantial improvement over the savings rate at Texas VITA sites during the 2010 tax season, during which only .08% of Texas VITA filers purchased Savings Bonds or split their tax refund on the tax return.

The following chart lists incentive take-up rates at FC by incentive; Exhibit A (Appendix) analyzes FC incentive take-up rates on days when clients could choose different incentives. Of note, the \$20 HEB® gift card had nearly the same take-up rate as the \$50 U.S. Savings Bond, showing that even a lower value gift card can have nearly the same take-up rate as a less liquid higher value incentive. A FC staff member reported that when filers were given the choice between the \$20 supermarket gift card and the \$50 Savings Bond, the majority preferred the supermarket gift card, but many times volunteers persuaded filers to select the \$50 Savings Bond instead.

Foundation Communities: Incentives Distributed & Take-up Rates

| | Take-up Rate | Number of Incentives Distributed | Days Offered |
|---|--------------|----------------------------------|--------------|
| \$50 U.S. Savings Bond | 7.9% | 17 | 2 |
| \$20 Supermarket Gift Card | 7.6% | 19 | 3 |
| Tote Bag | 5.3% | 13 | 4 |
| \$10 Supermarket Gift Card | 4.2% | 16 | 4 |
| Choice Between \$50 U.S. Savings Bond and \$20 Supermarket Gift Card | 3.9% | 53 | 24 |
| Choice Between \$20 Fast Food Restaurant Gift Card and \$20 Supermarket Gift Card | 3.6% | 32 | 23 |
| \$5 Fast Food Restaurant Gift Card | 3.2% | 5 | 2 |
| Choice between \$10 Fast Food Restaurant Gift Card and \$10 Supermarket Gift Card | 2.4% | 6 | 4 |
| \$10 Fast Food Restaurant Gift Card | 2.1% | 4 | 2 |
| Days No Incentive Was Offered | 1.2% | 5 | 7 |
| Average Take-up Rate When Incentive Was Offered | 4.2% | 165 | |

Source: Foundation Communities OpportunityTexas Grant Reports

Characteristics of Incentive Recipients and all Filers Served at Project VITA Sites

The following chart outlines a few characteristics of incentive recipients and all filers served at participating VITA sites over the project period and Exhibit B (Appendix) provides additional information about incentive recipients. Across all project sites, the average refund of incentive recipients was higher than the average refund of Texas VITA site filers overall. The average refund of all filers served at participating local United Ways over the project period was also below the average refund of local United Way incentive recipients, showing that filers with higher refunds were more likely to save.

Characteristics of Incentive Recipients and all Filers Served at Project VITA Sites

| | Local United Ways | Foundation Communities | Combined |
|---|-------------------|------------------------|---------------|
| Average Refund of Incentive Recipients | \$2,832 | \$2,544 | \$2,658 |
| Average Refund of All Filers Served at VITA Sites Where Incentive Was Offered | \$1,796 | Not available | Not available |
| Average Household Income of Incentive Recipients | \$19,688 | \$20,316 | \$19,953 |
| Average Household Income of All Filers Served at VITA Sites Where Incentive Was Offered | \$18,986 | \$20,502 | \$19,454 |
| Average Amount of Savings Bonds Purchased | \$111 | \$125 | \$119 |

Source: United Ways of Texas and Foundation Communities OpportunityTexas Grant Reports

Across projects Savings Bond purchasers’ average household income was relatively low and similar to the average household income of Texas VITA site filers overall, showing that low-income households can and will save if offered the right incentive.

The average amount of Savings Bonds purchased was similar across FC and UWT projects. However, the minimum Savings Bond purchase amount differed between the two projects. UWT filers had to purchase \$100 in Savings Bonds to receive an incentive, whereas FC filers had to only purchase a \$50 Saving Bond. Local United Way incentive recipients tended to save the minimum amount to qualify for the incentive whereas FC filers saved well above the project’s minimum savings requirement.

Common Challenges and Best Practices

Project Coordination: Staffing and Training

VITA sites found that adequate staffing of their project and training of staff and volunteers was critical to the project’s success.

Common Challenges

- **Late project implementation limited volunteer training and project promotion.** The majority of grantees received project funding in January after staff and volunteers had already been trained, making it more difficult to carry out effective staff and volunteer training. Based upon this experience, organizations should commit probably no later than mid-November for a successful tax-time savings project. Moreover, a saving incentive project should be underway in time for the opening of tax season because clients with the highest refunds tend to get their taxes prepared early in the tax season.
- **Volunteer and client discomfort with Savings Bonds.** In part because of limited training, some grantees reported that their volunteers felt uncomfortable promoting Savings Bonds because they felt that they were a poor investment or didn’t want to act as a “salesperson” for bonds. In addition to volunteer concerns about Savings Bonds, grantees reported that some clients were hesitant to purchase Savings Bonds because they:
 - were not familiar with them;
 - had mistrust of the federal government; and
 - had concerns about not being able to access their money for a year.

It’s important that volunteer and staff trainings make the case for Savings Bonds as an easy and secure savings vehicle and help volunteers address client concerns. Savings Bonds provide a simple and immediate way for clients to save. It’s also important to not assume that all filers will be on board to purchase a Savings Bond just because there is an incentive or match. Not all clients want Savings Bonds, but many are interested in saving for their children, so consider marketing the promotion as a gift for their children’s savings.

- **Clients felt they could not save any portion of their refund** because they had immediate uses for it. United Ways of Texas reported that across local United Way project sites, this sentiment was “overwhelming stated as the biggest challenge to encouraging filers to purchase a bond.” One way VITA sites can assuage this client concern is to prime filers about saving before they arrive at the VITA site. Other clients were reluctant to save because they were concerned about asset limits for public benefit programs. It’s important that volunteer and staff training include information about asset limits as well as a handy “cheat sheet” on asset limits for Texas public benefit programs.

Emerging Best Practices

Grantees found the following training and staffing practices most effective:

- **Select at least one staff member to coordinate the project** to increase credibility with volunteers. The project should be staffed accordingly, for the first few weeks of the project. Once volunteers become comfortable with the incentive program, the project can be partly turned over to volunteers. For example, volunteers can complete the client survey and incentive order form and the staff member coordinating the project can mail the incentive to the filer the following day. See Foundation Communities’ “Claim My Prize Form,” posted on our website, which FC volunteers used when a project staff member wasn’t available to provide the incentive.
- **Create tax site volunteer buy-in** by integrating training on Savings Bonds into the volunteer training curriculum and stressing to volunteers that VITA sites should be a place to help filers become financially stable, not just a place where filers get their taxes prepared, and that savings is a key element of financial stability. A United Way staff member of Southern Cameron County noted that next tax season “[during] our volunteer training session...we will address the issue that most low-income individuals will not be receiving investment advice from professional investment planners and that a simple conversation with a tax preparer may be the only encouragement a family gets to save money.” To maintain tax site volunteer buy-in, consider creating a competition amongst tax site volunteers for who can sell the most bonds.
- **Develop and use a daily procedures document** to help the project run smoothly. See Foundation Communities’ “Savings Bond Pilot Operations Manual” posted on our website for an example of such a document.
- **Provide staff and volunteers with a Savings Bond information sheet** and consider creating a webpage containing all necessary information about Savings Bonds for staff and volunteers. FC created this Web page about Savings Bonds as a resource for their staff and volunteers.
- **Use D2D’s training materials on Savings Bonds**, which are available for download from their Bonds Make it Easy Web site.
- **Regularly remind staff and volunteers about the project.** One program found it helpful to regularly email volunteers about the project. Another reminded volunteers to talk about the incentive when they signed in at the beginning of their shift and gave each volunteer a “Conversation Starters” document to help them start talking with clients about Savings Bonds. Sites also placed reminders to talk to clients about Savings Bonds on every tax preparer’s and quality reviewer’s computer station.

Data Collection

Data collection and evaluation are important components of a tax-time savings project. Quality demographic information can indicate which types of clients are more likely to save and why. We have identified two primary ways sites can collect information on incentive recipients. First, sites can survey filers who received an incentive and record this information outside of TaxWise. Alternatively, sites can use the “prep use” fields within TaxWise to record which filers received an incentive and additional information about incentive recipients. It’s important that sites use the prep use fields because while summary information on all filers served at the VITA site can be pulled from TaxWise, it is not possible to sort filer information by filers who received an incentive without using the prep use fields. The prep use fields can be pulled using the NTA report from the National Community Tax Coalition. Next tax year, TaxWise will include the Preparer’s Use Form, which will boost the number of available prep use fields. Sites will be able to pull the Preparer’s Use Form with the NTA report.

Outreach and Marketing

Emerging Best Practices

Direct Communication

- **Task all volunteers and staff to individually discuss the Savings Bond incentive project with each taxpayer.** Sites found they were most successful if they tasked each volunteer with this responsibility, including Site Coordinators, Volunteer Intake Specialists, Tax Preparers and Quality Reviewers. A message a few groups found particularly effective was that filers would receive an immediate 50% return on their investment with the incentive, which was “the best return in the country.” Sites also found it helpful to highlight the importance of saving for emergencies, education, etc. with filers and that Savings Bonds could be purchased for children by naming them as a co-owner on the bond.
- **Provide each client with information about the project when they enter the VITA site,** including an information sheet about Savings Bonds and a flyer that explains the incentive. Foundation Communities handed out this quarter sheet flyer that explained the incentive to clients. This is particularly helpful for sites that do not have volunteer or staff capacity to discuss the incentive one-on-one with clients. D2D has a number of marketing materials that our grantees used available for download on its Bonds Make it Easy website. Grantees also used IRS promotional signs and buttons. All marketing materials should be in both English and Spanish.

Signage

- **Display materials promoting Savings Bonds, including posters, table tents, and brochures in areas throughout the tax preparation site.** Sites also found it helpful to display a blown-up picture of a Savings Bond to serve as a visual guide for volunteers and staff to explain Savings Bonds to filers. One site took pictures of filers who received an incentive by the Savings Bond and displayed the pictures on a wall. Another site hung balloons on the signs promoting Savings Bonds, which attracted children and consequently their parents to the signs. One site also found it effective to run a YouTube Savings Bond video clip on continuous play in the waiting area.

Incentives

- **Offer larger incentives at the beginning of tax season** if your site plans to offer a variety of incentives during the tax season to best raise awareness and excitement for the incentive project amongst volunteers and filers.

External Promotion

- **Include information about the incentive project on VITA site promotional materials and share information about the promotion with VITA site partners/coalition members in advance** so they can help market the opportunity to their existing clients. Also consider marketing the opportunity during existing radio, television and newspaper interviews and articles.

Top Eight Tips to Running a Successful Savings Bond Incentive Promotion

1. **Create tax site volunteer buy-in** by integrating training on Savings Bonds into the volunteer training curriculum. The training on Savings Bonds should stress that VITA sites should be a place to help filers become financially stable and make the case for Savings Bonds as a good savings vehicle for clients.
2. **Task all volunteers and staff to individually discuss the Savings Bond incentive project with each taxpayer.**
3. **Provide tax preparers and other volunteers with an information sheet about Savings Bonds during their shift at the VITA site.**
4. **Regularly remind staff and volunteers about the project.**
5. **Develop and use a daily procedures document to help the project run smoothly.**
6. **Provide each client with information about the project when they enter the VITA site**, including an information sheet about Savings Bonds and a flyer that explains the incentive.
7. **Include information about the incentive project on VITA site promotional materials and share information about the promotion with VITA site partners/coalition members in advance** so they can help market the opportunity to their existing clients and talk to their clients about saving a portion of their refund before they arrive at the VITA site.
8. **Display materials promoting Savings Bonds, including posters, table tents, and brochures in areas throughout the tax preparation site.**

Conclusion

Tax time is an important savings moment. For many families, it's the only time during the year they have funds available to save. While some VITA sites in Texas are beginning to capitalize on this moment by promoting savings at their sites, significant opportunity exists for many more VITA sites around the state to do so; during the 2011 tax season, only 15% of Texas VITA sites served any clients that submitted Form 8888 to purchase Savings Bonds on the tax form or split their tax refund.

Savings Bonds are a good tax-time savings product for VITA sites to promote because they provide an automatic and simple way for filers to save. A filer doesn't need a bank account or good credit to purchase them, and they can be purchased for as little as \$50. We learned from these projects that relatively small value incentives significantly increase tax-time savings. We also learned that VITA sites were much more likely to promote savings at their site if the site incentivized filer savings.

OpportunityTexas is committed to increasing the number of savers at Texas VITA sites, hoping to see a larger and larger share of Texans save a portion of their refund. We would love to partner with your organization to help you think through how to increase the number of VITA site savers in your community. Every eligible Texan should have the opportunity and encouragement to save at tax time.

Endnotes

¹ www.irs.gov/individuals/article/0,,id=217762,00.html.

² This percentage calculation is for those incentive recipients that reported this information.

³ This percentage calculation is for those incentive recipients that reported this information.

Exhibit A

**Foundation Communities: Incentive Take-up Rates on Days
When Client Had a Choice Between Incentives**

| Incentive | Number of Fast Food Restaurant Gift Cards Distributed | Number of Supermarket Gift Cards Distributed | Total Incentives Distributed | Days Offered |
|---|---|--|------------------------------|--------------|
| Choice Between \$10 Fast Food Restaurant Gift Card and \$10 Supermarket Gift Card | 2 | 4 | 6 | 4 |
| Take-up Rate 2.4% | | | | |
| Incentive | Number of U.S. Savings Bonds Distributed | Number of Supermarket Gift Cards Distributed | Total Incentives Distributed | Days Offered |
| Choice Between \$50 U.S. Savings Bond and \$20 Supermarket Gift Card | 45 | 8 | 53 | 24 |
| Take-up Rate 3.9% | | | | |
| Incentive | Number of Fast Food Restaurant Gift Cards Distributed | Number of Supermarket Gift Cards Distributed | Total Incentives Distributed | Days Offered |
| Choice Between \$20 Fast Food Restaurant Gift Card and \$20 Supermarket Gift Card | 5 | 27 | 32 | 23 |
| Take-up Rate 3.6% | | | | |

Source: Foundation Communities OpportunityTexas Grant Reports

Exhibit B**Profile of Incentive Recipients and Other Project Statistics***

| | Local United Ways | Foundation Communities | Combined |
|---|--------------------------|-------------------------------|-----------------|
| Total Incentives Distributed | 100 | 165 | 265 |
| Total Filers Served at VITA Sites Operating Project Over the Project Period | 8,913 | 3,940 | 12,853 |
| Average Take-up Rate | 1.1% | 4.2% | 2.1% |
| Female | 70% | 56% | 61% |
| Male | 30% | 44% | 39% |
| Ethnicity | | | |
| Hispanic and Other | 46% | 47% | 47% |
| White | 21% | 42% | 34% |
| African American | 29% | 8% | 16% |
| Asian/Pacific Islander | 3% | 1% | 2% |
| America Indian/ Alaskan Native/ Hawaiian | 1% | 2% | 2% |
| Average Refund | \$2,832 | \$2,544 | \$2,658 |
| Average Refund of All Filers Served at VITA Sites Where Incentive Was Offered | \$1,796 | Not Available | Not Available |
| Average Amount of Savings Bonds Purchased | \$111 | \$125 | \$119 |
| Filer Had Not Saved Refund in the Past | 68% | 78% | 74% |
| Filer Purchased Savings Bond for Child | 25% | 37% | 32% |
| Average Household Income of Incentive Recipients | \$20,316 | \$19,688 | \$19,953 |
| Average Household Income of all Filers Served at VITA Sites Where Incentive Was Offered | \$18,986 | \$20,502 | \$19,454 |

continued on next page

Exhibit B, cont'd**Profile of Incentive Recipients and Other Project Statistics***

| | Local United Ways | Foundation Communities | Combined |
|-----------------|--------------------------|-------------------------------|-----------------|
| Savings Purpose | | | |
| Education | 31% | 37% | |
| Retirement | 16% | 4% | |
| Housing | 5% | 2% | |
| Transportation | 6% | 2% | |
| To Get Ahead | 22% | 5% | |
| Other | 25% | 1% | |
| Emergencies | 11% | 6% | |
| General Savings | - | 28% | |
| Haven't Decided | - | 35% | |

* Demographic information and survey responses are for incentive recipients unless otherwise noted.

Above incentive recipient data is for those incentive recipients that reported the above information or for whom the above information was available.

The majority of local United Ways and/or their community partners began offering savings incentives either the last week of January or during the first two weeks of February and all participating local United Ways operated their projects through the end of tax season.

Foundation Communities offered savings incentives at its largest VITA site and operated the project from the beginning of February through the end of tax season.

Source: United Ways of Texas and Foundation Communities OpportunityTexas Grant Reports

Acknowledgements

OpportunityTexas would like to acknowledge the work of Foundation Communities, the United Ways of Texas, and the local United Ways operating the tax-time savings incentive projects in making this report possible. These organizations gathered the data, lessons learned and best practices included in this report. We would also like to acknowledge the support of the Doorways to Dream (D2D) Fund in helping us design the incentive projects and for providing Foundation Communities and local United Ways training on how to market Savings Bonds at tax-time. This report was made possible by the generous support of the Ford Foundation, the F.B. Heron Foundation, and the Annie E. Casey Foundation.

About CPPP

The Center for Public Policy Priorities (CPPP) is a nonpartisan, nonprofit policy institute committed to improving public policies to make a better Texas. You can learn more at **CPPP.org**.

About RAISE Texas

RAISE Texas is a statewide network of non-profit organizations, for-profit corporations, and public institutions working to support and expand asset-building activities in Texas, with a particular focus on low- and moderate-income areas. To learn more, visit **RAISETEXAS.org**.

About *OpportunityTexas*

OpportunityTexas is a joint statewide initiative of CPPP and RAISE Texas with three goals: creating pathways to good jobs, increasing income and financial stability, and promoting savings. To learn more, visit **OPPORTUNITYTEXAS.org**.

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