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THE IMPACT OF THE EARNED INCOME TAX CREDIT AND REFUND ANTICIPATION LOANS ON LOW-INCOME FAMILIES

By Angela Duran

Summary

The federal Earned Income Tax Credit (EITC) has a significant economic impact in Arkansas. Twenty-two percent of all Arkansas tax filers, or almost 300,000 families, claimed the EITC in 2007. The EITC brought \$629 million directly to the Arkansas economy—an average of \$2,213 per family.

Less than 30 percent of low-income tax filers (most eligible for the EITC) claimed the EITC in 29 counties, most located in north or west Arkansas. If every Arkansas county increased its EITC filers by just 5 percent, Arkansas would see an increase of \$24 million in federal EITC benefit receipts.

More than half of low-income Arkansans paid a tax preparer to do their taxes. More than 524,000 low-income filers did so in 2008 at a cost of \$84 million. Nearly 259,000 Arkansas taxpayers who used a tax preparer also took out a refund anticipation loan (RAL) in 2008, each paying a fee ranging from \$65 to \$115 per return, for a total cost of \$17 to \$30 million. Many of these are low-income taxpayers, as 42 percent of low-income filers who paid to have their taxes done used RALs.

Minorities are disproportionately impacted by Refund Anticipation Loans. The six counties with the highest percentages of non-white populations were also among the counties with the highest use of the loans.

Arkansas should take steps to increase federal EITC use and reduce Refund Anticipation Loans. This includes launching a statewide EITC outreach campaign, supporting VITA sites that assist low-income workers with tax return preparation, enforcing existing RAL laws to protect low-income filers, and supporting the creation of lower cost alternatives to RALS.

Finally, Arkansas should follow the lead of other states and create a state EITC to build upon the success of the federal EITC to reduce poverty and build a strong economic foundation for low-income working families.

Introduction

Many low-income families pay a higher percentage of their income in taxes than do higher-income families in Arkansas. Families making less than \$15,000 per year pay 12.1 percent of their income in taxes. Compare that to the 5.9 percent paid by those in the top 1 percent of the income bracket, or those making \$368,000 or more.¹

The Earned Income Tax Credit (EITC) was designed to help offset some of these taxes, and it provides a significant source of income to low-income families and their communities. However, despite high use of the federal EITC in Arkansas, there are still families who are missing out on this benefit, and a relatively small increase in use of the EITC could help those families and their local economies.

The benefits of the EITC erode when low-income families pay someone to prepare their taxes, and when they pay for a Refund Anticipation Loan (RAL) to get their refund just a few days faster. This causes far too many low-income families to lose much-needed income. One way to augment the benefits of the federal EITC is to create a state version of the poverty-reducing tool.

The Earned Income Tax Credit

The federal EITC was passed with strong bipartisan support in 1975 and expanded by Presidents Reagan, Bush, Clinton, and now Obama. The EITC is a federal tax credit for low- and moderate-income working people. It is designed to encourage and reward work as well as offset payroll and income taxes. The EITC is “refundable,” which means that if it exceeds a worker’s income tax liability the IRS will refund the balance.

Working families with children and annual incomes below about \$35,000 to \$48,000 (depending on marital status and the number of children in the family) generally are eligible for the federal EITC. Also, working poor people without children with incomes below about \$13,000 (\$18,000 for a married couple) can receive a small EITC.

The amount of the credit depends on income, marital status, and number of children. As shown in chart 1, workers receive the credit beginning with their first dollar of income. The amount of the credit rises with income until it reaches a maximum level and then begins to phase out at higher income levels. Research shows that families use the EITC to pay for necessities, repair homes and maintain vehicles needed to commute to work. In some cases, they use it to get education or training to boost their employability and earning power.²

Nationwide last year, more than 24 million people received nearly \$50 billion in credits. Five million people, half of

them children, are lift themselves out of poverty each year with help from the EITC.³

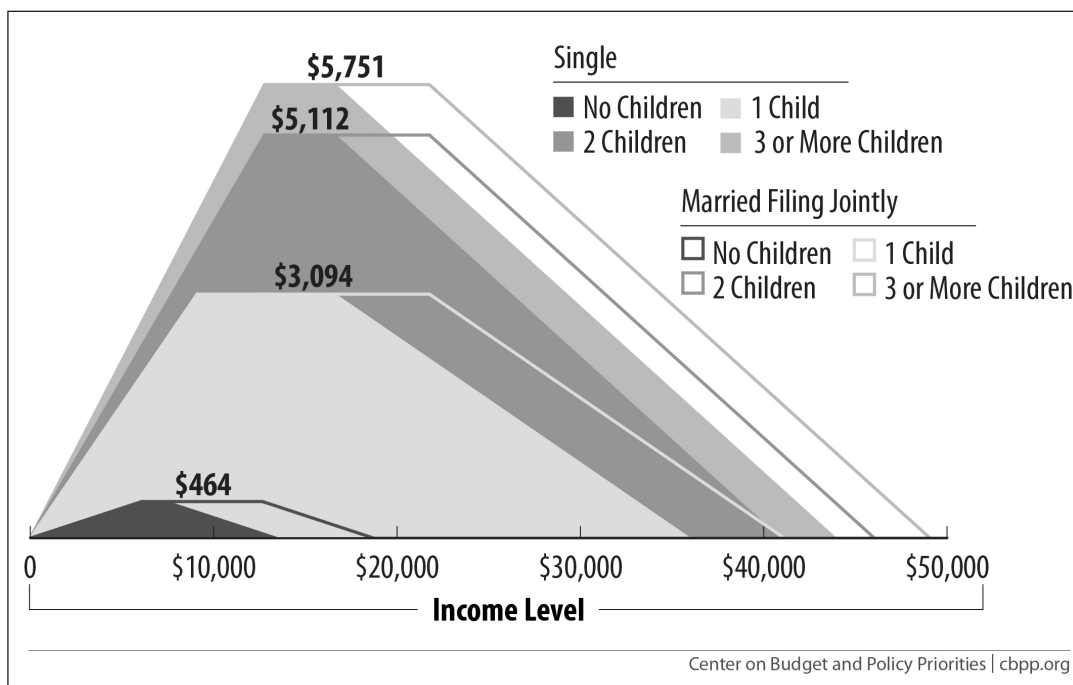
EITC in Arkansas

The EITC has a significant impact in Arkansas. As the table in appendix 1 shows, 22 percent of all Arkansas tax filers, or almost 300,000 families, claimed the EITC in tax year 2007. As Map 1 shows on the next page, in eight counties (all located in east or south Arkansas) 30 percent or more of families received the EITC. Those counties are Chicot, Crittenden, Desha, Hempstead, Mississippi, Saint Francis, and Phillips. As Map 2 on the next page shows, these counties have high percentages of non-white populations. In most of them, the non-white population is 50 percent or more.

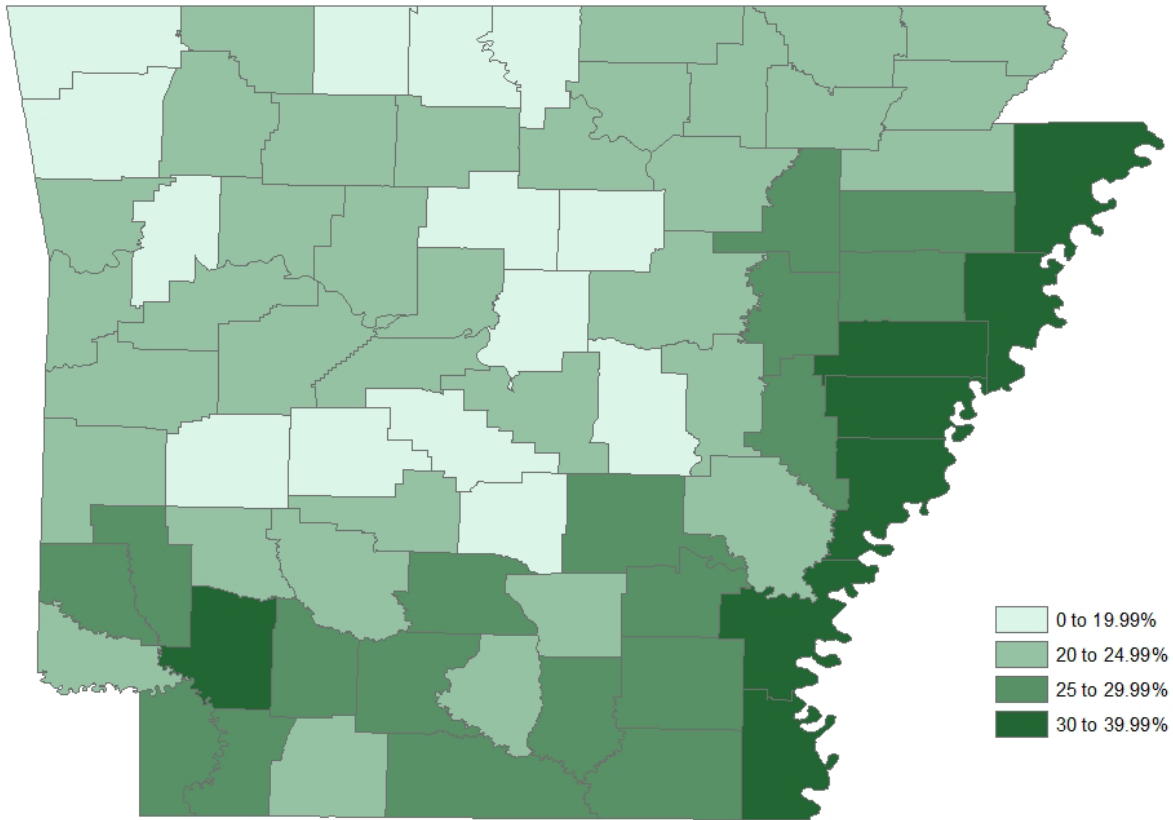
The EITC brought \$629 million, or an average of \$2,123 per family, into the state economy. The average exceeds \$2,300 in seven counties: Chicot, Crittenden, Hempstead, Lee, Mississippi, Phillips, and Saint Francis. This shows that incomes are generally lower in those counties.⁴

Given that the EITC is such a terrific benefit for Arkansas families, it’s a surprise that not all eligible families receive it. The Internal Revenue Service estimates that 20 percent to 25 percent of all low-income tax filers are not claiming the credit they are due, leaving millions of dollars that could be going back into their pockets and stimulating local economies.⁵

Chart 1: Value of Federal EITC, 2011

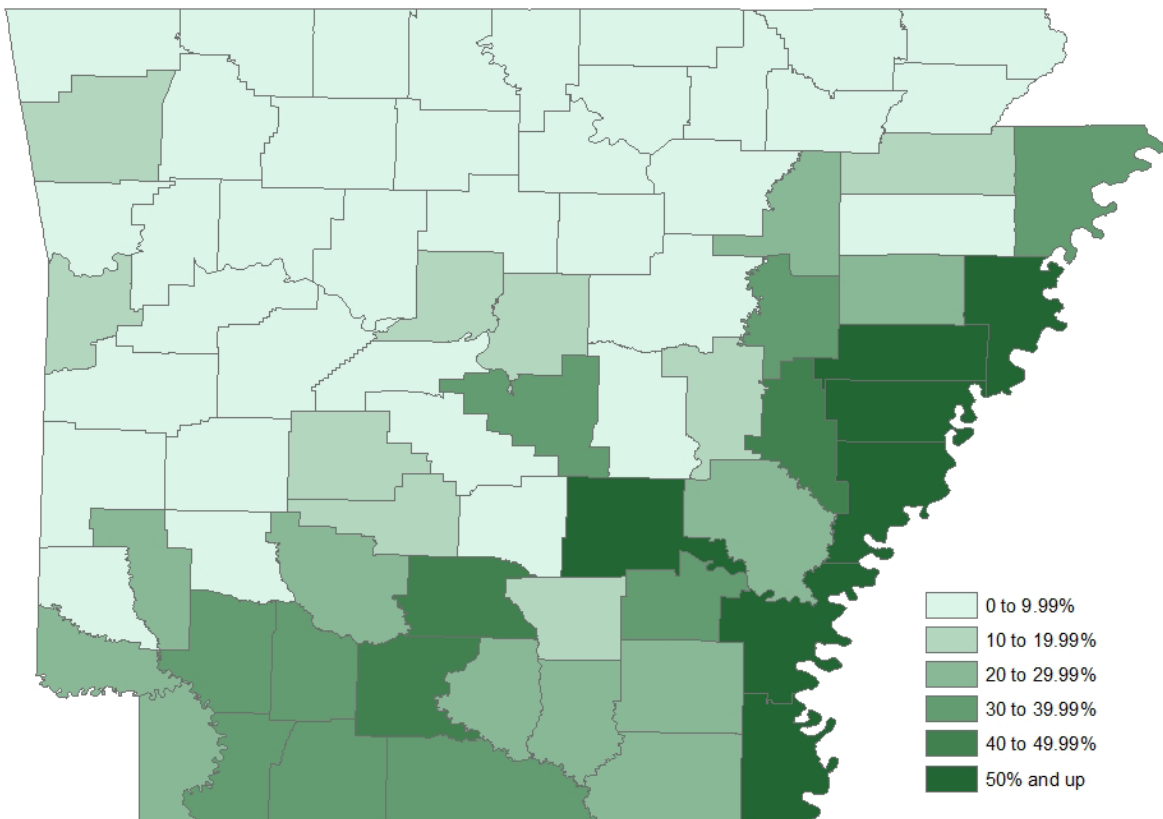


Map 1: Percent of All Returns That Include EITC



Source: AACF analysis of data from IRS SPEC Office

Map 2: Non-White Population



Source: U.S. Census, 2009 Population Estimates

One way to look at who is eligible yet not claiming the EITC is to look at the percentage of families who might be eligible. In Arkansas, about 935,000 families have adjusted gross incomes of less than \$40,000, which is roughly twice the poverty line. Yet only about one third (32 percent) of those families claimed the EITC. As Map 3 on the next page shows, there are 29 counties in the state where less than 30 percent of low-income tax filers received an EITC. Most of these counties are located in north and west Arkansas. As Map 2 on the previous page indicates, many of these counties have the lowest proportions of non-white population.

While this methodology shows the percentage of families who may be eligible, it is likely an over-count since it includes all families. Many of the families might not be eligible for the EITC at an income of \$40,000, including older couples without children or young, single people. This may explain the low use in counties in Northwest Arkansas, where a lot of retirees live, or in counties with universities including the University of Arkansas or Arkansas Tech University.

A more conservative approach would be to estimate how much additional money in EITC refunds could be brought to the state if EITC uptake was increased by five or ten percent. In general, research suggests that filers who are not already claiming the EITC would be eligible for a smaller credit. The table in Appendix 1 shows this calculation for each county if the number of EITC filers increased by five percent. Almost \$24 million could be brought into the state.⁶

Paid Tax Preparation and Refund Anticipation Loans

Filing one's taxes can be complicated, and many Arkansans pay someone else to do it for them. As the table in Appendix 2 shows, overall, 59 percent of all Arkansans pay someone to complete their tax returns. Low-income Arkansans are slightly less likely to pay someone to complete their taxes; 56 percent of low-income Arkansans do so. This ranges from 43 percent in Chicot County to 70 percent in Independence County.⁷

Paying someone to file your taxes costs money, and for many low-income families this is money they could spend on other needs. In addition, many families also pay an additional fee for a refund anticipation loan (RAL) or a refund anticipation check (RAC). A

RAL is a loan provided by the tax preparer. The loan is secured by the taxpayer's expected refund, and the loan term is usually about one to two weeks, or until the refund is received from the IRS to repay the loan. A RAC is offered when the consumer is turned down for a RAL. With RACs, the preparer charges a fee to give the consumer a refund check that is not paid until the preparer actually receives the refund from the IRS.⁸

On average, Arkansas taxpayers spend \$160 to have their tax returns prepared.⁹ A total of 524,340 low-income taxpayers did so in 2008, paying a total of \$84 million.¹⁰

Recent research shows that taxpayers pay another \$65 to \$115 to take out a RAL.¹¹ The 258,785 Arkansas taxpayers who took out a loan in 2008 spent somewhere between \$17 and \$30 million on RALs.¹²

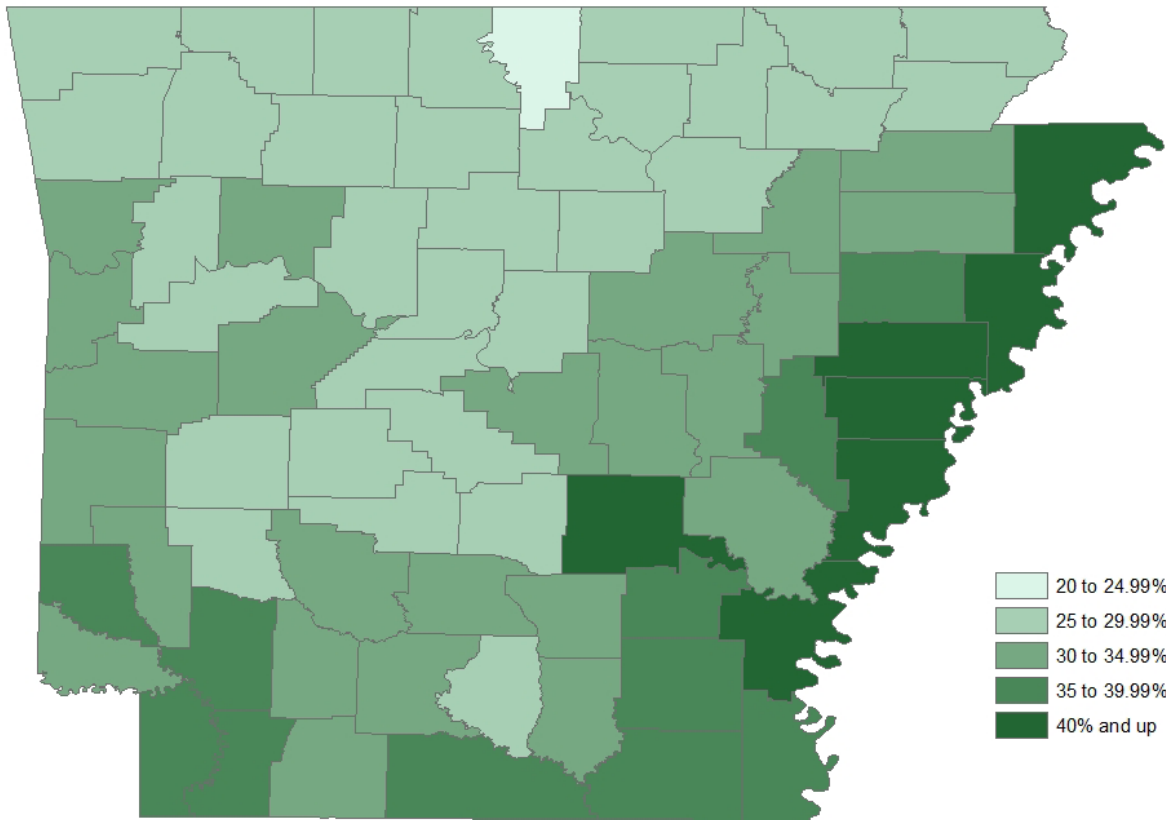
Statewide, 42 percent of Arkansas's low-income tax filers who paid to have their taxes prepared also used either a RAL or a RAC. As Map 4 on the next page shows, those counties with the highest percentage of such tax filers fall in east and south Arkansas. There are five counties—Chicot, Crittenden, Jefferson, Phillips, and Saint Francis—where more than 60 percent of low-income filers who paid to have their taxes done also received a RAL or a RAC.

A look at this map in comparison to Map 2 on the previous page shows a strong correlation between those counties with high low-income RAL and RAC use and those counties with the highest percentage of the population that is not white. The six counties with the highest non-white population—Chicot, Crittenden, Jefferson, Lee, Phillips, and Saint Francis—almost completely overlap with the top counties for low-income RAL and RAC use.¹³

Implementation of New RAL Law

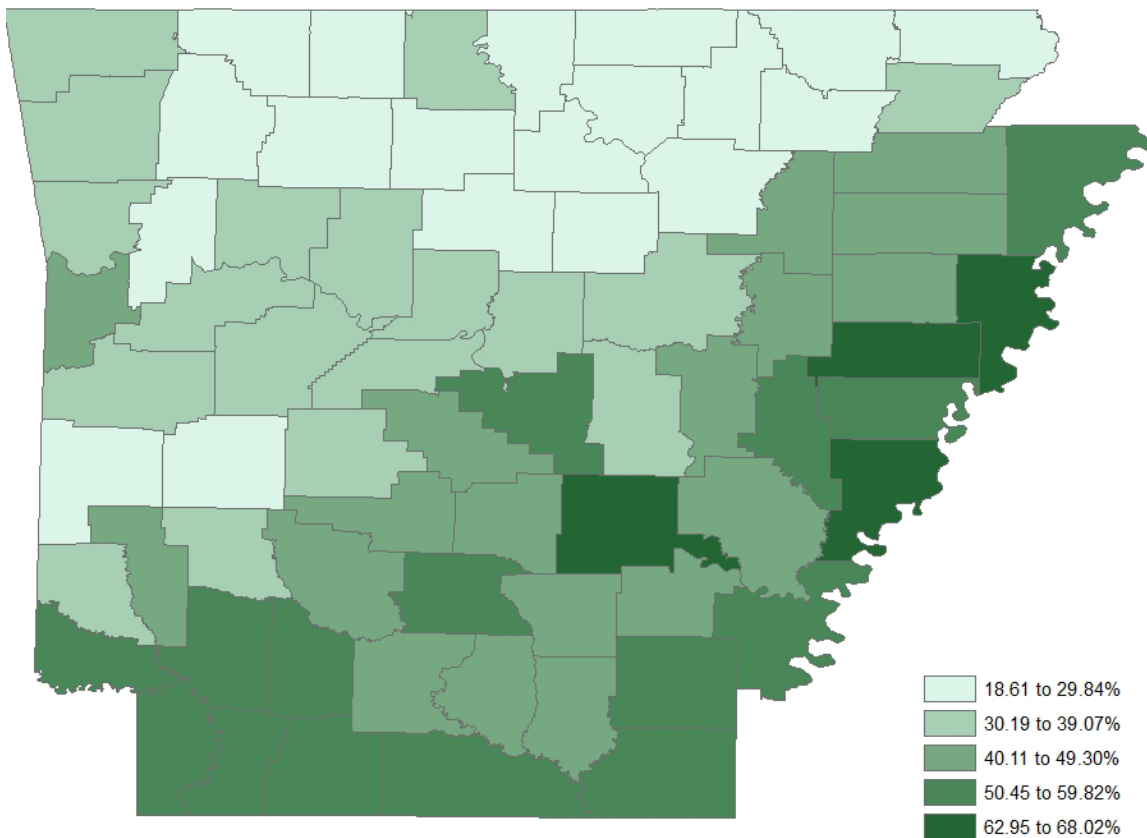
A law was passed in the 2009 legislative session that regulated the practice of offering RALs in Arkansas. Among other things, the law bans paid preparers from charging any fees for RALs except for the fee charged by the lending bank, unless a fee in the same amount is charged to all customers, regardless of whether they are taking out a RAL. This bans the "add-on" fees sometimes charged by preparers. The law also requires oral and written disclosures and wall postings to inform customers of the fees that are charged.

Map 3: Percent of All Low-Income Returns That Include EITC



Source: AACF analysis of data from IRS SPEC Office

Map 4: Percent of Low-Income Tax Filers Using Preparers and RALs



Source: AACF analysis of data from IRS SPEC Office

In 2010, Arkansans Against Abusive Payday Lending, a coalition of advocates for low-income families, organized a mystery shopper project to see if these new laws were being implemented. Nine mystery shoppers were instructed to have their returns prepared and to obtain RALs from a variety of commercial preparers, including large chains, small chains, and independent preparers.

The testing revealed that none of the nine tax preparers subject to testing were in full compliance with the new law. Six of the nine charged possibly illegal add-on fees such as “document preparation,” “transmission,” “technology,” and “service bureau” fees. Five of the nine preparers failed to post RAL fees and warning statements. Two preparers had posters, but they were not fully compliant. Only three of the nine preparers made the full oral disclosures required by the law. The remainder made partial disclosures. Often the oral disclosures were confusing and after the fact. Only one preparer fully complied with the written disclosure requirements by making the disclosures on colored paper. Five of the nine preparers failed to make the written disclosures at all.¹⁴

VITA Sites

One way that low-income families can keep their money rather than spend it on tax preparers and RALs is to use a Volunteer Income Tax Assistance (VITA) or Tax Aide site. VITA sites offer free tax help to low- and moderate-income people who cannot prepare their own tax returns. Certified volunteers sponsored by various organizations are trained to prepare basic tax returns in communities across the country. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations. Most locations also offer free electronic filing. The Tax Aide program is a partnership with the AARP and is similar to VITA. The main focus is on tax filers who are age 60 and older, but Tax Aide sites can serve other families as well.¹⁵

Of the 75 counties in Arkansas, 38 have either a VITA or Tax Aide site; 22 counties have a VITA site. Almost 31,000 low-income returns, or 3.3 percent, were prepared at one of the volunteer sites. As the following table shows, in 13 counties, more than five percent of low-income returns were prepared at VITA sites.

In Phillips County, more than 10 percent of low-income returns were filed at a VITA site. The VITA site in Phillips County is a unique non-profit/for profit partnership between Southern Bancorp and one of its nonprofit affiliates, Southern Good Faith Fund. Both

Table 1: Percent of Low Income Returns Prepared at VITA or Tax Aide Sites

County	Percent
Phillips	10.1%
Sebastian	9.2%
Garland	8.8%
Lee	8.3%
Franklin	8.1%
Hot Spring	7.8%
Pope	7.4%
Madison	6.6%
Crawford	6.5%
Monroe	6.3%
Baxter	5.7%
Boone	5.1%
Union	5.1%
State average	3.3%

bank and nonprofit employees volunteer to prepare taxes within bank branches in Helena-West Helena and Marvell during bank hours and on weekends.

Impact of a State EITC

Twenty-four states, including Louisiana and Oklahoma, have created state EITCs to reduce the burden that state taxes can place on low- and moderate-income working families. These credits complement the federal EITC, which helps offset these families' federal taxes. Almost all state EITCs are "refundable," meaning that if the size of a family's credit exceeds the amount of state income tax it owes, the family receives the difference in the form of a refund check to supplement its income.

State EITCs typically are set at a fixed percentage of the federal credit. Filers simply multiply that percentage (which ranges from 3.5 percent to 40 percent, depending on the state) by the amount of their federal EITC to determine the amount of their state EITC. State EITCs have become increasingly popular in recent years; since 2006, five states have enacted new EITCs and eight other states have strengthened their credits.¹⁶

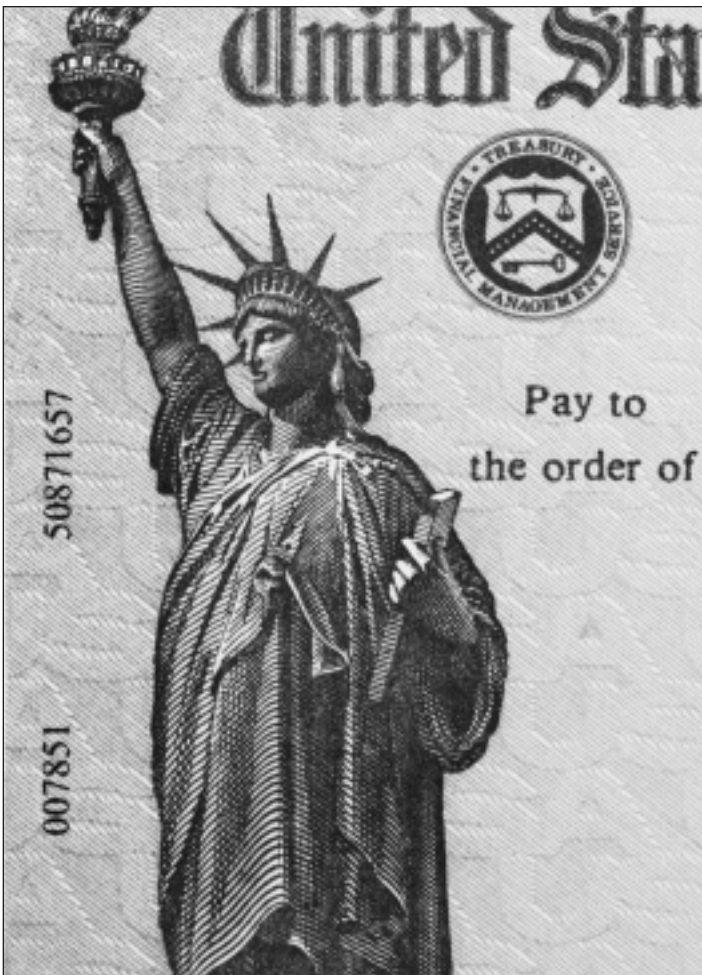
The Arkansas state budget is tight right now and there is not much room for a state EITC, but when the time is right, such a policy could help low-income families cover much-needed expenses. A state EITC of five percent of the federal EITC would give families an average refund of \$106 and would cost the state \$31 million. A 10 percent EITC would give families an average refund of \$212 and cost the state \$63 million. Six counties would receive \$1 million or more from a five percent state EITC: Benton, Crittenden, Jefferson, Pulaski, Sebastian, and Washington.

Recommendations

The EITC is a powerful tool that supports low-income families and the communities in which they live. But there are still families who do not access the EITC, and those that do have their benefit eroded by the fees of tax preparers and RALs. Furthermore, a state EITC could add to the power of the federal EITC. The following recommendations are designed to address these concerns.

FEDERAL

- Maintain Stimulus Package Improvements to the federal EITC. The American Recovery and Reinvestment Act of 2009 (ARRA) expanded the EITC in two ways. First, ARRA added a "third tier" of the EITC for families with three or more children. These larger families can now receive \$629 more than families with two children. This addition recognizes the reality that larger families face a higher cost of living and that families with three or more children are more than twice as likely as smaller families with children to be poor. Second, ARRA expanded marriage penalty relief in the EITC, reducing the financial penalty some couples receive when they marry by allowing married couples to receive larger benefits. These two expansions together benefited more than seven million people, and kept more than three million people out of poverty. While major improvements in the short term, these key provisions are scheduled to expire at the end of 2010 if Congress does not take action.





- Additionally, the EITC for workers without children remains extremely small—too small even to fully offset federal income taxes for workers at the poverty line. Under current law, a childless adult working full-time at the minimum wage is ineligible to receive any EITC benefits, but would receive the maximum credit if he or she had children. As a result, single childless adults are the only Americans that the federal income tax taxes into poverty. In the 2008 presidential campaign, then-Senator Barack Obama proposed a modest expansion of the EITC for childless workers. It was incorporated into the temporary Making Work Pay credit, but this provision is also scheduled to expire at the end of 2010.¹⁷
- Implement the VITA Act of 2010. For the past several years, the federal VITA grant program has received funding to provide grants to VITA sites around the country. However, there is no Congressional authorization of the program. The VITA Act of 2010 ensures sustainability of this vital community service by: 1) authorizing an annual appropriation of \$30 million in matching grants to eligible community VITA programs to be used for program operation, taxpayer outreach, and related financial services offered at tax time, and 2) establishing the National Center to Promote Quality, Excellence, and Evaluation in Volunteer Income Tax Assistance with a \$5 million annual appropriation to disseminate good ideas, offer technical assistance, coordinate program outcomes, and ensure continuation of service to underserved taxpayers for the 4,500 tax sites operating nationwide.¹⁸
- Implement New IRS Requirements for Paid Preparers. The IRS already has a system for approval of “enrolled agents,” who represent taxpayers before the IRS, but there is no system for approving basic tax preparers. Anybody can put out a shingle to prepare taxes. In January, the IRS released a report recommend steps in future tax filing seasons that would regulate paid preparers. The requirements include the following:
 - Requiring all paid tax return preparers who must sign a federal tax return to register with the IRS and obtain a preparer tax identification number (PTIN). These preparers will be subject to a limited tax compliance check to ensure they have filed federal personal, employment, and business tax returns and that the tax due on those returns has been paid.
 - Requiring competency tests for all paid tax return preparers except attorneys, CPAs, and enrolled agents who are active and in good standing with their respective licensing agencies.

- Requiring ongoing continuing professional education for all paid tax return preparers except attorneys, CPAs, enrolled agents and others who are already subject to continuing education requirements.
- Extending the ethical rules found in Treasury Department Circular 230 to all paid preparers. It currently only applies to attorneys, CPAs and enrolled agents who practice before the IRS. This expansion would allow the IRS to suspend or otherwise discipline tax return preparers who engage in unethical or disreputable conduct.¹⁹
- Enforce Existing RAL Laws. As the study referenced above indicates, paid tax preparers are not complying with the new RAL law in Arkansas. The state of Arkansas should ensure that tax preparers follow the law. In addition, the IRS, in its upcoming rulemaking to regulate tax preparers, should make compliance with state RAL laws a condition of registration.²³
- Support the Creation of RAL Alternatives. Several organizations around the country have created alternative RAL products that are designed to meet the desire for accessing tax refunds quickly but with a product that has reasonable fees. One example is Alternatives Federal Credit Union's Refund Express Loan. The credit union is based in Ithaca, New York. The product has a small fee of \$20 for taking out a loan. The interest rate is fixed, currently at 12.95 percent, which is charged over the life of the loan that usually lasts no more than ten days.

STATE

- Launch an EITC Outreach Campaign. Several states have launched campaigns to make people more aware of the federal EITC. The campaigns have included media events and public service announcements by elected officials, billboards, and staffers for utility bill or public benefits mailings. In Louisiana, the governor, other public officials, and faith-based leaders appeared on television and radio as part of an aggressive public awareness campaign. The governor of West Virginia records public service announcements and hosts an annual EITC campaign kickoff breakfast each year. In Kentucky, brochures are taped to KFC fried chicken boxes.²⁰ Florida, Georgia, North Carolina, Virginia, and Tennessee have operated or are in the process of developing EITC campaigns include.²¹
- Establish a State EITC. Arkansas should join 24 other states, including Louisiana and Oklahoma, in establishing a state EITC. A state credit would provide relief to low-income Arkansas families for the taxes that they are paying and provide additional resources to cover their basic needs. A state EITC based on ten percent of the federal EITC would put \$212 on average into the pockets of Arkansas families.
- Provide State Funding for VITA Sites. VITA sites provide a no-cost alternative for families to file their taxes. Louisiana has used Temporary Assistance for Needy Families (TANF) money to support VITA sites since 2006. A total of \$1.2 million has been budgeted each year, and the number of returns filed at VITA sites in the state has nearly doubled from 4,121 in 2006 to 7,277 in 2008. Arkansas should replicate this program.²²



Appendix 1: Use and Amounts of federal EITC in Arkansas

County	Total Returns	Number of Returns with an EITC	Percent of Returns with an EITC	Total EITC Amount Received	Average EITC Amount Per Tax Filer	Additional EITC With Five Percent Increase in Uptake
ARKANSAS	9,536	2,263	24%	\$4,709,412	\$2,081	\$176,603
ASHLEY	10,870	2,746	25%	\$6,256,930	\$2,279	\$234,635
BAXTER	21,380	3,420	16%	\$6,318,182	\$1,847	\$236,932
BENTON	92,030	14,878	16%	\$30,171,793	\$2,028	\$1,131,442
BOONE	18,867	3,640	19%	\$7,157,020	\$1,966	\$268,388
BRADLEY	5,642	1,434	25%	\$3,230,700	\$2,253	\$121,151
CALHOUN	2,067	449	22%	\$999,035	\$2,225	\$37,464
CARROLL	12,449	2,713	22%	\$5,394,521	\$1,988	\$202,295
CHICOT	6,084	1,934	32%	\$4,832,397	\$2,499	\$181,215
CLARK	10,966	2,562	23%	\$5,641,512	\$2,202	\$211,557
CLAY	8,066	1,732	21%	\$3,352,579	\$1,936	\$125,722
CLEBURNE	12,632	2,240	18%	\$4,253,195	\$1,899	\$159,495
CLEVELAND	3,830	811	21%	\$1,709,881	\$2,108	\$64,121
COLUMBIA	12,046	2,856	24%	\$6,279,772	\$2,199	\$235,491
CONWAY	10,024	2,047	20%	\$4,153,160	\$2,029	\$155,744
CRAIGHEAD	42,594	9,316	22%	\$19,168,517	\$2,058	\$718,819
CRAWFORD	28,357	5,895	21%	\$12,722,153	\$2,158	\$477,081
CRITTENDEN	24,332	8,306	34%	\$20,217,503	\$2,434	\$758,156
CROSS	8,725	2,331	27%	\$5,268,932	\$2,260	\$197,585
DALLAS	4,015	1,073	27%	\$2,461,744	\$2,294	\$92,315
DESHA	6,853	2,191	32%	\$5,016,453	\$2,290	\$188,117
DREW	7,947	2,007	25%	\$4,452,038	\$2,218	\$166,951
FAULKNER	46,506	8,185	18%	\$16,560,357	\$2,023	\$621,013
FRANKLIN	8,367	1,623	19%	\$3,332,500	\$2,053	\$124,969
FULTON	5,008	1,075	21%	\$2,196,044	\$2,043	\$82,352
GARLAND	51,705	9,705	19%	\$19,394,413	\$1,998	\$727,290
GRANT	7,800	1,376	18%	\$2,678,601	\$1,947	\$100,448
GREENE	19,059	4,081	21%	\$7,966,584	\$1,952	\$298,747
HEMPSTEAD	9,696	2,953	30%	\$6,850,055	\$2,320	\$256,877
HOT SPRING	14,511	3,118	21%	\$6,389,289	\$2,049	\$239,598
HOWARD	7,387	1,928	26%	\$4,195,913	\$2,176	\$157,347
INDEPENDENCE	16,683	3,341	20%	\$6,888,189	\$2,062	\$258,307
IZARD	6,480	1,310	20%	\$2,460,956	\$1,879	\$92,286
JACKSON	7,301	1,840	25%	\$3,747,640	\$2,037	\$140,537
JEFFERSON	37,871	11,178	30%	\$25,570,940	\$2,288	\$958,910
JOHNSON	11,294	2,777	25%	\$5,787,010	\$2,084	\$217,013
LAFAYETTE	3,443	1,011	29%	\$2,290,777	\$2,266	\$85,904

County	Total Returns	Number of Returns with an EITC	Percent of Returns with an EITC	Total EITC Amount Received	Average EITC Amount Per Tax Filer	Additional EITC With Five Percent Increase in Uptake
LAWRENCE	9,221	2,094	23%	\$4,335,379	\$2,070	\$162,577
LEE	3,962	1,346	34%	\$3,282,437	\$2,439	\$123,091
LINCOLN	4,914	1,313	27%	\$2,894,638	\$2,205	\$108,549
LITTLE RIVER	6,372	1,458	23%	\$3,139,194	\$2,153	\$117,720
LOGAN	11,318	2,256	20%	\$4,571,069	\$2,026	\$171,415
LONOKE	31,229	5,786	19%	\$12,053,279	\$2,083	\$451,998
MADISON	7,003	1,489	21%	\$2,984,923	\$2,005	\$111,935
MARION	7,538	1,479	20%	\$2,890,951	\$1,955	\$108,411
MILLER	19,810	5,001	25%	\$11,074,961	\$2,215	\$415,311
MISSISSIPPI	21,945	6,942	32%	\$16,422,728	\$2,366	\$615,852
MONROE	4,333	1,294	30%	\$2,875,088	\$2,222	\$107,816
MONTGOMERY	3,673	704	19%	\$1,451,078	\$2,061	\$54,415
NEVADA	4,688	1,210	26%	\$2,692,030	\$2,225	\$100,951
NEWTON	3,961	946	24%	\$1,799,252	\$1,902	\$67,472
OUACHITA	13,240	3,361	25%	\$7,418,268	\$2,207	\$278,185
PERRY	5,170	1,043	20%	\$2,122,285	\$2,035	\$79,586
PHILLIPS	10,604	3,899	37%	\$10,280,177	\$2,637	\$385,507
PIKE	5,110	1,092	21%	\$2,277,216	\$2,085	\$85,396
POINSETT	12,059	3,216	27%	\$6,884,377	\$2,141	\$258,164
POLK	9,659	2,235	23%	\$4,655,589	\$2,083	\$174,585
POPE	28,331	5,681	20%	\$11,445,303	\$2,015	\$429,199
PRAIRIE	3,998	913	23%	\$1,869,787	\$2,048	\$70,117
PULASKI	190,493	40,430	21%	\$85,648,786	\$2,118	\$3,211,829
RANDOLPH	8,238	1,765	21%	\$3,668,448	\$2,078	\$137,567
SAINT FRANCIS	12,053	4,243	35%	\$10,230,207	\$2,411	\$383,633
SALINE	47,473	7,620	16%	\$15,010,245	\$1,970	\$562,884
SCOTT	5,556	1,303	23%	\$2,895,180	\$2,222	\$108,569
SEARCY	4,150	977	24%	\$1,900,618	\$1,945	\$71,273
SEBASTIAN	57,758	12,640	22%	\$26,409,703	\$2,089	\$990,364
SEVIER	6,921	1,843	27%	\$4,226,276	\$2,293	\$158,485
SHARP	9,775	2,106	22%	\$4,378,755	\$2,079	\$164,203
STONE	5,468	1,177	22%	\$2,331,786	\$1,981	\$87,442
UNION	21,761	5,442	25%	\$12,486,019	\$2,294	\$468,226
VAN BUREN	8,655	1,698	20%	\$3,275,942	\$1,929	\$122,848
WASHINGTON	89,751	17,026	19%	\$34,477,328	\$2,025	\$1,292,900
WHITE	35,290	7,428	21%	\$14,948,074	\$2,012	\$560,553
WOODRUFF	3,887	1,058	27%	\$2,350,861	\$2,222	\$88,157
YELL	10,524	2,521	24%	\$5,395,751	\$2,140	\$202,341
GRAND TOTAL AR	1,358,314	296,380	22%	\$629,130,685	\$2,123	\$23,592,401

Source: AACF analysis of data from IRS SPEC Office.

Appendix 1: Use of Paid Preparers and RALs/RACs

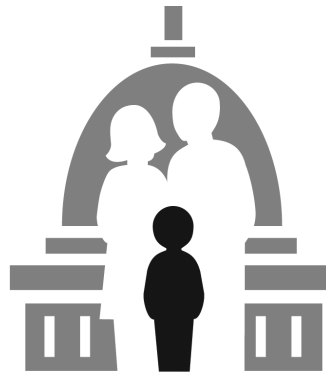
County	Total Returns Completed by a Paid Preparer	Paid Returns As a Percent of All Returns	Total Low-Income Returns Completed by a Paid Preparer	Paid Returns as a Percent of All Low-Income Returns	RAL/RAC Use By Low-Income Filers who Paid to Have Taxes Prepared	Percentage of Population That is Not White
ARKANSAS	5760	60%	3935	57%	46%	27%
ASHLEY	6766	62%	4497	59%	54%	29%
BAXTER	12708	59%	8248	54%	22%	3%
BENTON	57206	62%	32072	60%	33%	8%
BOONE	11459	61%	7438	56%	29%	3%
BRADLEY	3332	59%	2387	56%	47%	30%
CALHOUN	1367	66%	920	61%	41%	25%
CARROLL	8319	67%	5894	64%	29%	3%
CHICOT	2917	48%	2117	43%	68%	57%
CLARK	6565	60%	4495	56%	47%	25%
CLAY	5775	72%	4249	69%	24%	3%
CLEBURNE	8228	65%	5454	61%	24%	3%
CLEVELAND	2348	61%	1494	57%	41%	16%
COLUMBIA	6779	56%	4502	52%	51%	39%
CONWAY	6493	65%	4325	61%	33%	14%
CRAIGHEAD	27089	64%	17616	60%	41%	14%
CRAWFORD	17561	62%	11327	58%	38%	7%
CRITTENDEN	14485	60%	10560	59%	67%	51%
CROSS	5458	63%	3756	59%	48%	25%
DALLAS	2368	59%	1709	55%	54%	43%
DESHA	4362	64%	3177	60%	56%	50%
DREW	4703	59%	3134	55%	54%	30%
FAULKNER	26487	57%	15496	54%	36%	13%
FRANKLIN	5342	64%	3348	58%	27%	4%
FULTON	3189	64%	2330	59%	25%	3%
GARLAND	29245	57%	17780	52%	36%	11%
GRANT	4603	59%	2739	54%	43%	6%
GREENE	13428	70%	9126	67%	32%	3%
HEMPSTEAD	6027	62%	4493	59%	55%	31%
HOT SPRING	7770	54%	5071	48%	42%	13%
HOWARD	4645	63%	3436	61%	49%	23%
INDEPENDENCE	12039	72%	8395	70%	25%	6%
IZARD	4064	63%	2917	59%	20%	4%
JACKSON	4708	64%	3440	61%	43%	22%
JEFFERSON	20728	55%	14490	52%	65%	56%
JOHNSON	6979	62%	5017	59%	37%	5%
LAFAYETTE	2061	60%	1545	56%	55%	38%

County	Total Returns Completed by a Paid Preparer	Paid Returns As a Percent of All Returns	Total Low-Income Returns Completed by a Paid Preparer	Paid Returns as a Percent of All Low-Income Returns	RAL/RAC Use By Low-Income Filers who Paid to Have Taxes Prepared	Percentage of Population That is Not White
LAWRENCE	6165	67%	4535	63%	27%	3%
LEE	2253	57%	1710	53%	57%	58%
LINCOLN	3053	62%	2128	58%	49%	33%
LITTLE RIVER	3590	56%	2319	52%	50%	24%
LOGAN	7189	64%	4797	58%	32%	5%
LONOKE	17376	56%	10089	53%	37%	9%
MADISON	4612	66%	3166	62%	25%	4%
MARION	4330	57%	3021	52%	30%	3%
MILLER	10617	54%	6931	50%	60%	26%
MISSISSIPPI	13505	62%	9740	59%	60%	37%
MONROE	2463	57%	1848	53%	55%	40%
MONTGOMERY	2207	60%	1551	55%	27%	4%
NEVADA	2724	58%	1941	54%	55%	34%
NEWTON	2234	56%	1660	52%	19%	3%
OUACHITA	8942	68%	6317	65%	44%	42%
PERRY	3255	63%	2134	59%	31%	5%
PHILLIPS	6338	60%	4932	56%	63%	64%
PIKE	3271	64%	2329	61%	32%	7%
POINSETT	7648	63%	5664	60%	46%	9%
POLK	6419	66%	4568	62%	29%	5%
POPE	15862	56%	10091	51%	38%	6%
PRAIRIE	2454	61%	1688	57%	40%	16%
PULASKI	98916	52%	59912	49%	52%	39%
RANDOLPH	5280	64%	3743	59%	25%	3%
SAINT FRANCIS	7107	59%	5450	57%	63%	52%
SALINE	25409	54%	14151	50%	39%	8%
SCOTT	3739	67%	2761	64%	30%	7%
SEARCY	2645	64%	2105	60%	19%	3%
SEBASTIAN	34751	60%	22436	57%	43%	15%
SEVIER	4879	70%	3548	68%	36%	9%
SHARP	6638	68%	4945	64%	25%	4%
STONE	3507	64%	2567	60%	22%	3%
UNION	13164	60%	8559	57%	55%	36%
VAN BUREN	5284	61%	3618	57%	29%	4%
WASHINGTON	53189	59%	32802	56%	39%	10%
WHITE	23067	65%	15039	62%	32%	7%
WOODRUFF	2204	57%	1689	54%	49%	31%
YELL	6771	64%	4927	61%	32%	5%
GRAND TOTAL AR	806420	59%	524340	56%	41%	

Source: AACF analysis of data from IRS SPEC Office.

Endnotes

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