

Innovations for Scale and Sustainability in EITC Campaigns

**Partnering with a Commercial Tax Preparer:
Lessons from Tulsa, Okla.**



Economic Opportunities Program

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Executive Summary

Low-income individuals often lack access to financial education, bank accounts and other products and services that can help them manage their money and build savings. The past several years have seen an expansion of programs that attempt to facilitate access to these services, in particular those that use free income tax preparation to help families claim the Earned Income Tax Credit.² But while the programs collectively help hundreds of thousands of working families file tax returns each year, they have struggled with a trio of challenges: achieving scale, impact and sustainability. The desire to do better on these three measures has led some programs to search for new approaches to serving the target population.

In Tulsa, the Community Action Project of Tulsa County (CAPTC) explored a partnership with H&R Block that would redefine the role of the nonprofit in serving EITC-eligible families. Rather than providing tax preparation themselves, CAPTC proposed building on the commercial services already available in the community – and adding value to those services by connecting eligible filers with a range of public benefits. The goal was to see whether this approach would offer a more efficient and effective way of achieving CAPTC's mission, and one that would offer the potential for scale, sustainability and impact.

The pilot worked as follows:

- Tax software used by H&R Block in four Tulsa-area offices was modified to identify filers who might be eligible for government benefits.
- Those filers were offered the opportunity for free benefits screening, either on-the-spot or by follow-up appointment (either in person or by telephone).
- Interested clients were referred to CAPTC benefits screeners working on-site at the tax offices and at a call center location.
- After completing the screening, clients received a list of benefits for which they appeared to be eligible, along with information about how to apply for each benefit.

¹ Special thanks to the following individuals, who provided information and assistance in developing this paper: Steven Dow and Andrea Hughes, Community Action Project of Tulsa County; and Susan Devore, District Manager, H&R Block.

² The Earned Income Tax Credit (EITC) is a refundable credit available to lower-income individuals and families when they file a tax return. The amount of the credit varies with income and family size, but the largest credits generally go to those earning \$7,500-\$20,000 a year. For Tax Year 2004, the maximum EITC was \$4,300 and the credit phased out at just over \$35,000 in income for married filers with two children. Because it is refundable, the EITC not only reduces the amount of taxes owed, but may result in a refund if the amount of the credit is greater than any taxes due.



Applications for Food Stamps and other benefits administered by the Department of Human Services (DHS) could be sent directly to DHS by CAPTC.

This report follows the 2005 tax-season partnership between CAPTC and H&R Block. Key findings include:

- CAPTC and H&R Block were able to successfully identify complementary goals and work together to implement the pilot.
- Far fewer clients than anticipated took up the offer for benefits screening. The service may not have been marketed aggressively enough or it may simply not have been of interest to clients.
- Convenience was a key factor of clients, and telephone screenings proved much more popular than in-person screenings.
- It was very difficult to reach clients, and catching them whenever they were available proved much more effective than scheduling appointments.
- Technical issues affected pilot implementation. The benefits screening software could be improved to maximize convenience and coordinating or integrating systems would facilitate data collection.

The pilot experience suggests that the two types of organizations can identify common interests and work together on the ground. However, the pilot also shows that achieving scale, sustainability and impact requires more than just successful collaboration. The project was limited by both the service strategy chosen – the value of benefits outreach to both tax clients and H&R Block remains unclear – and the implementation strategy – problems arose in relation to both the timing and marketing of screening. Additional market research and operational testing will be needed to understand whether partnership with a commercial tax preparer can help EITC campaigns achieve their long-term goals.

I. Background

The Annie E. Casey Foundation has been an active supporter of Earned Income Tax Credit campaigns across the United States. Building on existing services in their communities, these campaigns provide: (1) education and outreach to promote the EITC and other tax credits for qualified working-poor families; (2) free or low-priced quality tax preparation services; and (3) links to other programs and services so that tax filers can use their refunds to build financial assets.

While the campaigns have helped hundreds of thousands of low-income workers receive tens of millions in tax refunds, they have been expensive and labor-intensive to operate. Given the campaigns' ambitious goals and limited resources, there is increasing interest in identifying alternative models that have greater potential for scale, sustainability and impact. Beginning in late 2003, the Annie E. Casey Foundation, working through the Aspen Institute's Economic Opportunities Program, provided grants and technical assistance to a limited number of EITC

campaigns to support the design, development and pilot implementation of innovative approaches to EITC outreach, tax preparation and asset development.

In Tulsa, the Community Action Project of Tulsa County (CAPTC) proposed a pilot partnership with H&R Block whereby CAPTC would provide benefits screening for low-income H&R Block clients. The idea was to address the problems of scale and sustainability in EITC campaigns by taking advantage of the existing capacity for tax preparation in the community – i.e. commercial tax preparers. The agency could focus its tax preparation on a narrower constituency of those unserved by the industry, and redirect resources to promoting broader anti-poverty and asset-development goals.

The Pilot Partners

Founded in 1973, CAPTC, a nonprofit organization supported by the Tulsa Area United Way, provides direct assistance to thousands of low- and moderate-income Tulsa residents each year. Its mission is to help individuals and families achieve self-sufficiency through emergency aid, medical care, housing, community development, education and advocacy. CAPTC's programs include:

- Housing
- Early Childhood Education
- Tax Preparation
- Advocacy and Public Education
- Benefits Eligibility Screening

In 2005, CAPTC's free tax preparation program served 16,788 clients and generated \$23.9 million in refunds. These numbers represent a 17% increase in filings over 2004, and the 11th consecutive year of growth for the program. CAPTC began offering benefits screening to its own tax clients in 2004.

H&R Block is the nation's largest commercial tax services company.³ H&R Block had total revenues in FY2005 of \$4.4 billion, with \$2.4 billion coming from tax services to 21.4 million tax clients worldwide (19.1 million in the U.S.). H&R Block also serves a large proportion of low- and moderate-income clients: 58% earn less than \$30,000 and H&R Block completes one in four EITC returns nationwide. The average fee per tax client served is \$150.67. Of the company's more than 11,000 tax offices in the United States, 7,107 are company-owned and 4,054 are franchised – including those in the Tulsa area.

H&R Block's mission is focused on “enhancing the value of our tax services by helping clients as their tax and financial partner.” As such, the “H&R Block Advantage” is marketed as an individualized package of services, information and advice on tax and financial topics including: retirement savings, home mortgages, college education, saving and budgeting, and occupational advice. A printout describing a variety of options is generated and discussed with each customer, based on information attained during the tax interview. H&R Block's

³ Information from H&R Block website (www.hrblock.com) and from PowerPoint presentations by H&R Block, February 14 and April 21, 2005.

own research has shown that the H&R Block Advantage has increased client satisfaction with the company's tax services. The pilot with CAPTC offers one more extension of that idea.

II. The Tulsa Innovation

Traditionally, EITC campaigns have attempted to achieve their goals through three primary service strategies: outreach and public education around the EITC, provision of free tax preparation to EITC-eligible filers, and linking tax filers with asset development opportunities. Over the past several years, free tax preparation has grown rapidly and many campaigns now complete thousands of tax returns each year. As campaigns have grown, so have the strains of planning and coordinating services, raising funds, recruiting and training volunteers, and managing large tax operations. These have led campaigns to question their ability to sustain and/or further grow their programs, while at the same time many have expressed concern that tax site operations threaten to overwhelm other financial empowerment and asset development goals.

In the ongoing debate over scale, sustainability and impact in EITC campaigns, CAPTC raised an interesting question: why should campaigns spend so much of their time and resources on tax preparation when there is an entire industry already in place to do the same? And while campaigns often feel strongly about wanting to offer an alternative to commercial preparers – who many regard as taking advantage of low-income filers by charging high fees and promoting refund anticipation loans – CAPTC asked whether tax preparation fees were really all that high and whether it was worth all this effort to save filers \$150.00.

CAPTC, therefore, began to look for an “exit strategy” – a way to achieve its mission without attempting to complete tax returns for every EITC-eligible filer. There would be some smaller subset of filers who would not be served by commercial preparers (such as single filers with very low incomes, whose refund would be less than the fee for commercial preparation). CAPTC could continue to provide free preparation for those filers. But for the majority of EITC-eligible filers, commercial preparers could meet the need, freeing up resources to provide other services. In particular, CAPTC wanted to expand its benefit screening to serve more clients. Partnering with commercial preparers would provide a direct link to the target population of low-income working families.

The Partnership with H&R Block

A partnership with H&R Block provided an opportunity to test this idea. As the largest tax preparer in the community, H&R Block could reach tax filers at scale – and if the pilot were successful, roll it out nationwide. Under the pilot, H&R Block customers at four local offices would be offered the chance to see whether they might be eligible for a range of public benefits, and would be given information and assistance in applying for those benefits.

For H&R Block, the pilot was a way to test the viability of adding services through partnerships with community organizations. H&R Block already provided information to low-income customers nationwide about government benefits, but because of local

differences in programs and eligibility, that information was limited to federal programs and a general brochure. Through the partnership, H&R Block was essentially “outsourcing” the benefits screening piece to a local organization with local expertise, customized software and a relationship with local government agencies.

H&R Block may also have been motivated by the strong presence of CAPTC in the local tax preparation market. In fact, CAPTC and H&R Block prepare a roughly equal number of tax returns for filers earning less than \$30,000, and CAPTC was considering other innovations – including a refund anticipation loan product – that would increase its competitiveness.

Other H&R Block Partnerships

H&R Block’s partnership in Tulsa is also part of a broader exploration by the company of public-private partnerships across the country. In 2005, H&R Block partnered with several local governments and nonprofit organizations in a variety of pilot efforts.⁴ For example:

- In the City of Miami, H&R Block partnered with the Mayor’s office to reduce tax preparation fees, support local EITC outreach and open new offices in underserved areas. As part of the arrangement, H&R Block also agreed not to market Refund Anticipation Loans.
- In New York City, H&R Block and another commercial preparer, Jackson Hewitt, provided discount tax preparation coupons to members of several local trade unions as part of a partnership with the city’s Department of Consumer Affairs.
- In San Francisco, H&R Block helped subsidize a new local Working Families Credit, marketed the credit and provided discounted tax preparation services. As part of the effort, H&R Block agreed not to actively market Refund Anticipation Loans in San Francisco.
- In Texas, tax preparers at select H&R Block franchises are determining eligibility for the state’s Child Health Insurance Program (CHIP) and assisting clients in completing the CHIP application.

III. Pilot Implementation

Planning

Planning for the pilot involved CAPTC and managers from both the national H&R Block headquarters in Kansas City and local H&R Block franchises. The initial concept and design of the pilot was negotiated with H&R Block headquarters, based on their interest in testing such partnerships as potential approaches to achieving broad corporate goals. The local franchise was later approached and asked to be the on-the-ground partner in carrying out the pilot. Buy-in from both levels was critical: the pilot could not actually happen without active

⁴ For more information, see K. Jacob. *Utilizing Partnerships to Test Emerging Market Strategies: A Case Study of H&R Block Initiatives in Five Cities*. (Center for Financial Services Innovation. July 2005.)

support from local tax offices, and local managers were unlikely to participate without clear support from national headquarters.

When approached by headquarters with the message “this is what we want to do in Tulsa,” therefore, the franchise’s District Manager took it very seriously. She also quickly developed her own enthusiasm for the pilot. After visiting a CAPTC office and observing benefits screening, she concluded that “they are doing something for clients that we cannot.” Once it became clear that the partnership was moving forward, CAPTC hired a Project Manager, with experience in the corporate sector, to oversee implementation and provide a single point of contact regarding the pilot.

The pilot was scheduled to begin January 3, with the bulk of tax site activity – real-time and follow-up screenings at H&R Block offices – occurring between February 14 and April 10. The timing was intended to wait until after the peak season to add CAPTC staff to the busy offices. The offer would be made to clients throughout the tax season, however, with referrals available when screeners were not present on site. The pilot would wind down after April 16, when tax offices would close and the call center would make its last attempts to follow up with clients. The Memorandum of Understanding would be in effect until October 31, 2005, and would automatically renew for two successive years unless cancelled by either party with 30 days notice.

Partner Roles and Responsibilities

The roles and responsibilities of each partner were clearly defined in the Memorandum of Understanding and other planning documents:

H&R Block Roles and Responsibilities:

- Provide space for benefits screeners at offices at times agreed on
- Incorporate eligibility prompt into H&R Block tax preparation software
- Have tax specialists identify clients eligible for the screening
- Explain the benefits screening offer to eligible clients
- Give referral cards to interested clients
- Deliver referral cards to CAPTC

CAPTC Roles and Responsibilities:

- Contact clients who have completed benefit cards to schedule appointments
- Conduct eligibility screenings and complete government applications
- Provide and pay benefits screening staff
- Staff appointment-making, follow-up and benefits screening
- Train benefit specialists on appointment and screening process
- Develop call scripts for benefits screeners
- Train H&R Block tax preparers on features and benefits of screening

Joint Roles and Responsibilities:

- Develop promotional materials for distribution at H&R Block offices

The Models Tested

The pilot was designed to test not only the idea of providing benefits screening to tax customers, but also to identify the best way to do so. H&R Block, in particular, was interested in discovering client preferences. Three alternative models were developed:

- **Real-time screenings**, in which the tax preparer would walk the client over to a screener immediately following tax preparation;
- **Follow-up screenings**, in which the client would schedule an appointment to return to the tax site (or the call center location) for screening at a later date; and
- **Telephone screenings**, in which an appointment would be scheduled for a screening by call center staff.

How the H&R Block Screening Worked

At the four H&R Block offices participating in the pilot, the company's tax preparation software was modified to automatically identify clients appropriate for the benefits screening (using an income-based flag). The software would alert the preparer and prompt the following question: "Would you like information on government benefits?" If the client expressed interest, the tax preparer was trained to tell the client about the free benefits screening and give them a referral card to complete. The 5"x7" referral cards were printed by H&R Block and featured the H&R Block logo. The top of the cards read in bold print: "Do you qualify for State and Local Government Benefits? Find out with H&R Block's Free Screening Program!" The card could be filled out while the preparer was printing and assembling the tax return, so that it did not interfere with, or add time to, the tax preparation process.

This process differed from that used at CAPTC's own tax sites, where benefits screening was marketed to all clients as part of the up-front intake process, and the screening could take place while clients were waiting for tax preparation to occur. H&R Block wanted the back-end targeting of clients because the company was concerned that the offer would turn off or offend higher-income clients. H&R Block also reasoned that there was little wait time at their offices, especially after the initial three-week peak, so there was no benefit to making the offer before tax preparation.

Clients who completed a referral card could choose among the three options for benefits screening described above: real-time screening, a follow-up in-person appointment, or a follow-up telephone screening. For those clients not immediately screened, H&R Block offices would forward referral cards to CAPTC. CAPTC staff working at the call center would then attempt to contact the client to schedule a screening. The referral cards included space for clients to list home and work telephone numbers as well as an e-mail address, and asked them how they preferred to be contacted and what time would be best.

Despite the fact that call center staff were hired, trained and paid by CAPTC, the project was branded throughout as an H&R Block service. The script for call center staff instructed them to introduce themselves as “*Name with H&R Block.*”

The Benefits Screening Software

CAPTC began offering benefits screening in 2004, beginning with clients of its own services. They purchased a software package called BESO, which they tailored to the specifics of local government programs. The program is interview-based: clients are asked a series of questions about family composition and income, and the software matches their answers with eligibility criteria for various government benefits. BESO screens for more than 20 benefits, including: Food Stamps, free or reduced price school meals, dental health services, housing assistance, job training, child care subsidies, Head Start and discounted telephone service. The full screening takes approximately 25-30 minutes.

For the four major programs administered by the Department of Human Services (DHS) – Food Stamps, Temporary Assistance for Needy Families (TANF), Medicaid and LIHEAP (a low-income heating assistance program) – CAPTC screeners can complete an application with the client and submit it via e-mail directly to DHS.⁵ The screening thus saves the client a trip to DHS to submit an application in person. For all other programs, clients are responsible for following up on their own.

The script used by call center staff described the screening process as follows:

“I’m going to ask you a series of questions that will be recorded in the computerized benefits screening application that I’m using. The screening application will be able to determine what benefit programs you’re eligible to apply for, and it can give you a pretty accurate estimate of the amount of benefits you might be able to receive... With your permission, I can then electronically submit your completed application to the social services agency. That will save you a trip to the agency office – you won’t have to apply in person. I’ll also print out and mail to you a copy of the benefits summary and estimated benefits amounts, and the completed application for the programs you’re eligible for.”

Modifications over the Course of the Pilot

Although the pilot only lasted for a couple of months, a number of key modifications were made after it began. The modifications were a response to the early implementation experience, especially as related to the three different models for benefits screening.

While both CAPTC and H&R Block expected the bulk of clients to request real-time screenings – those taking place at the tax office immediately following tax preparation – very few chose that option. Instead, most clients who completed the referral cards asked to schedule a screening at a later date. In retrospect, CAPTC staff suspect that, after completing

⁵ DHS staff print out the e-mailed applications and process them, contacting the client to schedule an interview. DHS then provides aggregate data back to CAPTC on whether applicants receive benefits. There is no further follow-up to determine if individual clients applied for or received these or any other benefits.

the entire tax preparation process, clients did not want to stay even longer in the office. As a result, CAPTC and H&R Block shifted their resources, moving screeners out of the tax offices and increasing staffing levels at the call center.

Another unexpected wrinkle was that reaching clients to schedule appointments was much more difficult than anticipated, even when clients listed both home and work phone numbers and an e-mail address. In addition, screeners were often unable to reach clients when an appointment date and time had been scheduled. CAPTC responded to these problems in two ways. First, they increased the number of contact attempts from three to five, and added staff support from a group of Americorps volunteers to make the extra calls. Second, they began to emphasize a new approach: screeners were encouraged, when they called a client to schedule an appointment, to ask whether the client was available right then to complete the screening. This approach led to an increase in the number of screenings completed, and so screeners began to only offer appointments if the client did not have time when first reached.

IV. Pilot Outcomes and Lessons Learned

Research Objectives

The research objectives of the two organizations were complementary but different. As described in a presentation on the project, the two partners' objectives were as follows:

<u>H&R Block</u>	<u>CAPTC</u>
<ul style="list-style-type: none"> ▪ Test client acceptance of the service offer. ▪ Test tax professional willingness and ability to deliver offer. ▪ Determine value to client. ▪ Assess whether offer yields shareholder value. ▪ Test scalability with nonprofit partner. 	<ul style="list-style-type: none"> ▪ Informally compare alternative distribution channels. ▪ Test deployment of re-branded benefits software at a non-CAP site. ▪ Test ability to partner with a perceived competitor and for-profit firm.

Planned Data Collection

The pilot plan called for the bulk of data collection and analysis to be done by H&R Block, using information from their computer system as well as information manually collected on referral cards. H&R Block also planned focus groups and interviews to get feedback from clients. The specific information to be gathered included:

- Number of clients presented with the offer of benefits screening (i.e., number flagged by the tax software)
- Number of clients who express interest in receiving benefits screening (i.e., number who complete referral cards)
- Information on number of contact attempts, timing of contact attempts and number of clients actually contacted (tracked by CAPTC benefits screeners)

- Number of clients who receive benefits screening, by type of session (telephone or in-person)
- Client characteristics, by presentation of offer, interest, and completion of screening (using data from H&R Block tax software)
- Information on what benefits clients actually receive (as available, from DHS reports to CAPTC)
- Qualitative information on client experiences and preferences (from interviews and focus groups)

Unfortunately, because much of the data collected by H&R Block is proprietary, it was not available for this report. The sections that follow, therefore, attempt to draw what lessons are possible using data available to CAPTC and from program experience.

Pilot Outcomes

Before the pilot began, H&R Block estimated that the four participating tax offices would serve approximately 8,000 tax clients, and that 60% of them (4,800) would be income-eligible for the screening. Of those, H&R Block expected that 50% (2,400) would accept the screening offer and that all those individuals would actually be screened. Thus, H&R Block expected 30% of all clients to be screened for benefits eligibility.

As noted above, this report relies primarily on data collected by CAPTC. Based on that data, however, the final numbers for the pilot were much lower than expected. Furthermore, most participation in the pilot occurred early in the tax season, with few clients either targeted or screened after February.⁶ CAPTC reported the following outcomes through the end of February:

- 859 H&R Block tax clients had completed referral cards to request benefits screening.
- Of those requesting screening, 840 had been processed to completion (contact attempts were still being made on 19 of the referrals).
- *Of the 840, only 266 (31%) were actually screened.*
- *The majority of those not screened could not be reached, despite repeated attempts to contact them at the numbers provided.*
- Only 9% (25) of those screened did so on-the-spot at the tax office.
- 23% (62) of those screened did so at a scheduled appointment time.
- *The largest share of those screened (66%, or 174 clients) completed the screening when they were reached by call center staff.*
- 13% of those who completed referral cards were no longer interested in the screening.
- Five clients (2% of those screened) responded to a message left to contact the call center for screening.

⁶ EITC campaigns, in general, do most of their work in late January/early February, as clients expecting large refunds rush to get their tax returns completed as soon as possible.

Preliminary data provided by H&R Block offices in early February reinforces the conclusion that the vast majority of clients were early filers. As of February 4th, 2,939 clients were served at the four offices. While only a subset of these clients would have been flagged for the screening offer, 562 (19% of all clients) agreed to be screened and completed referral cards. The number completing referral cards varied significantly across the offices, ranging from 13% to 27%.

Partner Perspectives on the Pilot

Early feedback from partners in Tulsa suggests that they were satisfied with the pilot despite disappointing outcomes. For both CAPTC and H&R Block franchise managers, the pilot showed that nonprofit and for-profit agencies can successfully work together, even in a field where they are perceived as competitors. While the missions of the two organizations differed, they were able to identify complementary goals and develop a plan for achieving the aims of both. Even if this particular pilot does not continue, the basis for possible future collaboration has been established.

Both partners also believe that the pilot proved that additional services can be successfully added to tax office operations. In particular, they noted that individual tax preparers were very receptive to adding the screening offer to their role. The openness on the part of both franchise managers and staff appears to stem mainly from an interest in providing customers with any services that can help meet their financial needs. (Leadership by H&R Block's national headquarters also played a significant role in encouraging local participation.)

The biggest questions still to be answered concern H&R Block's assessment of the pilot with regard to its goals of improving customer satisfaction and client retention. Based on early reports of focus group feedback, clients did value the service and believed it fit into the context of H&R Block's work. They also expressed a high level of regard for, and trust in, H&R Block. But they expressed more interest in getting information about savings, investment and small business loans than social services programs. *Most importantly, the benefits screening did not substantially affect either their satisfaction with the company or their intention to return the following year.*

Pilot Costs

CAPTC's budget for the pilot was \$60,000, and included partial full-year salary for the Project Coordinator as well as salaries for six benefit screeners (full time for 13 weeks). However, that figure does not include many pilot costs, including the time spent on planning and oversight by managers at H&R Block and CAPTC, or the time of H&R Block tax preparers who made the screening offer. The use of Americorps volunteers helped add call center capacity mid-pilot without adding much to the cost.

There were technical costs as well, not included in the official pilot budget. The cost of the basic screening software was approximately \$60,000, with additional costs for customization and regular maintenance, updating and troubleshooting by CAPTC staff. These costs, however, are shared by all the venues in which CAPTC uses the software, including its own

tax sites and other programs. H&R Block also incurred costs for modifying its own software as well as collecting and analyzing data.

Lessons, Challenges and Best Practices

The Tulsa pilot was designed to test the potential for using partnerships with commercial tax preparers to advance the goals of EITC campaigns. Although this report only looks at the first year of the pilot, and has limited information on pilot outcomes, the implementation experience still offers lessons for the field on the opportunities and challenges of this approach and its potential for the future.

Key lessons include:

- **CAPTC and H&R Block were able to successfully identify complementary goals and work together to implement the pilot.** Pilot planning and implementation went smoothly, as the partners respected each other's strengths, goals and needs. Especially important, the organizations were able to see each other as collaborators rather than competitors in the field.
- **There were some areas where the goals of the two organizations appeared to conflict.** For example, H&R Block's concerns about offending higher-income clients prompted their refusal to allow universal up-front marketing of the benefits screening, a move that CAPTC believed would help achieve its goal of completing more screenings. A critical prerequisite to successful partnership will be identifying areas of potential conflict, ensuring that they are not critical to the project's success, and developing solutions that meet the needs of all partners.
- **Adding additional services to the tax preparation experience makes sense but is a tricky prospect.** EITC campaigns have struggled with the disconnect between the obvious conceptual link between tax preparation and asset development – taking advantage of a moment in time when clients are thinking about their finances and have a large refund available for investment – and the difficulty of getting clients to participate in those services. People coming in for tax preparation are often not prepared to think about other issues, and at the end of a process that can take up to an hour, often simply want to leave.
- **More information is needed on what services clients really want.** The ultimate success of the model depends on the extent to which it meets market needs. While the marketing approach may have affected take-up rates, it also appears that tax preparation clients were not especially interested in benefits screening. Feedback from clients suggests that other kinds of financial information, such as information about college savings and small business loans, might be more in line with market demand. Additional market research is needed to help answer this question.
- **Far fewer clients than anticipated took up the offer for benefits screening.** This may have been due to the way the screening was marketed, as well as to the timing of

screening. In CAPTC tax sites, where benefits screening is marketed up front (and can take place while clients wait for tax preparation), as many as 50% of clients accept the offer. It may also be that CAPTC staff, who have a mission of screening as many clients as possible, are more aggressive in their marketing than H&R Block tax preparers. In fact, CAPTC suspected that not all tax preparers conveyed the offer when the prompt appeared on their computer screens.

- **Telephone screenings proved much more popular than in-person screenings, either on-the spot or by follow-up appointment.** Very few clients elected to be screened in-person when given the alternative of doing so over the telephone. Furthermore, the convenience of telephone screenings and the ability to bypass the in-person application process with DHS were cited by clients as some of the most valued components of the pilot. To take advantage of this, future efforts should make convenience a key element of program design and marketing.
- **It was very difficult to reach clients, even though they had indicated on the referral cards the best way to contact them.** Even when CAPTC increased the number of attempts to contact clients to five, they still could not get in touch with the majority of those who completed referral cards. To be successful, the program will have to find a way to either encourage clients to complete the screening on the spot or more effectively reach clients for follow-up.
- **Catching clients whenever they were available proved much more effective than scheduling appointments.** Even when an appointment had been scheduled, clients were often not available at the scheduled time. The most effective approach turned out to be conducting screenings on-the-spot at any time that they were actually reached.
- **The benefits screening software could be improved to maximize convenience and efficiency.** Because convenience appears to be a key factor in client use and satisfaction, improvements to the benefits software could help improve outcomes. BESO's often repetitive questions could be streamlined to shorten and simplify the interview process. Where possible, relationships with other government agencies could allow more applications to be submitted on-line, reducing the need for clients to go to multiple offices to follow up after the screening.
- **Differences in the systems used by the two partners created problems for data collection.** Despite their commitment to collaboration, evaluation of the pilot was made difficult by the lack of a common system for collecting data. H&R Block's sophisticated analysis capacity is based on its proprietary software, which collects all client financial and related information. For the pilot, however, additional data was recorded manually on the referral cards and in the BESO benefits software. The lack of a single system made analysis difficult, while the proprietary nature of H&R Block's data meant that, in assessing the success of the pilot, the tax preparer had access to more information than the nonprofit partner. Integrating data collection systems will be important to future efforts.

V. Conclusion: Potential for Scale, Sustainability and Impact

The Tulsa pilot represented an attempt to leverage the infrastructure at the nation's largest commercial tax preparer and the social services expertise of CAPTC to achieve the goals of both organizations. While CAPTC approached the pilot cautiously, they believed that, if successful, the model had the potential to achieve multiple goals: maximizing impact by enhancing services to the target group; improving sustainability by reducing costs and more efficiently targeting resources; and achieving scale by reaching not only VITA clients but the much larger number who use commercial tax preparers nationwide.

The experience of the 2005 tax season suggests that the two types of organizations can identify common interests and work together on the ground. However, the pilot also shows that achieving scale, sustainability and impact requires more than just successful collaboration. The project was limited by both the service strategy chosen – the value of benefits outreach (at least as implemented here) to both clients and H&R Block remains unclear – and the implementation strategy – including the timing and marketing of screening.

Three critical challenges remain:

- **In order to reach scale using this model**, there must be strong demand for the services provided and they must be marketed in a way that maximizes take-up. While it conceptually makes sense to link tax preparation and benefits outreach, the promise of using the tax moment to begin a conversation about other income supports has not yet been realized. Figuring this out will require more sophisticated market research and operational testing.
- **In order for the model to be sustainable**, it must create clear value to both nonprofit and for-profit partners. In particular, the pilot raises the question of whether the benefits to a commercial preparer are sufficient to encourage them to maintain the partnership. Focus groups suggest that the pilot did little to achieve H&R Block's goals of improving customer satisfaction and client retention.
- **In order to achieve impact**, the services provided must make a significant difference in the financial stability and asset accumulation of participants. It is not clear whether benefits outreach offers enough on this score. A next step might be to test a similar model connecting low-income filers with other services, such as IDAs or credit repair assistance. As H&R Block and other commercial preparers expand their own financial services offerings, however, it may be difficult to carve out areas for collaboration where the non-profit partner can add value without infringing on a profit area of the commercial enterprise.

Despite the many challenges encountered in the pilot, it seems worth further exploring the idea of partnership between EITC campaigns and commercial tax preparers. As campaigns move forward, funding and operational constraints will continue to limit the degree to which

they can directly provide tax assistance to all EITC-eligible filers. Meanwhile, existing institutions in the community – commercial preparers – can meet this need. And the commercial preparers appear to be willing to negotiate partnerships that at least partially address what campaigns have considered their worst practices: high fees and refund anticipation loans.

Partnerships offer the promise of freeing campaigns from the need to provide large-scale tax preparation and allowing them to focus instead on achieving other goals. The most promising conclusion from the Tulsa pilot may be that if the challenges can be overcome, there is a national delivery system ready to be used.



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