San Francisco's Working Families Credit:
A Local Tax Credit as an Outreach Tool for Anti-Poverty Programs

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The Background of the Earned Income Tax Credit: A Tax Credit to Fight Poverty

During the Nixon-era the federal government decided to assist low-income wage earners with a tax incentive by establishing the Earned Income Tax Credit (EITC). In its first year (1975), 6.2 million families claimed the EITC, although it only amounted to a maximum credit of $400 for families with qualifying children. Made permanent in 1978, it took an additional 20 years until the credit established itself as a successful measure to combat poverty in the United States. The total number of families receiving the credit jumped to 20 million in 1998. One reason for the sudden popularity of the program was the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Effective July 1, 1997, it replaced the prior Aid for Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF). Cash assistance was no longer a legal entitlement. TANF imposes strict time limits on the life-time usage of cash assistance and is tied to other requirements, such as job search and vocational education, that lead to obtaining low-paying, entry-level employment. As a result, the number of welfare recipients fell sharply from 13 million in 1996 to less than 6 million in 2000. By that time, EITC had become the largest anti-poverty program in the U.S., without being a welfare program. The EITC program had other beneficial effects. For instance, it is credited with the increase in labor force participation among single mothers. By 1998, EITC payments exceeded the aid paid out for TANF and Food Stamps.

In addition, seven states established a state EITC program as early as 1994. In the current Tax Year 2006, 19 states and the District of Columbia are allowing an additional state EITC credit. In all states but Minnesota, the state EITC is calculated as a fixed percentage of the federal EITC. The District of Columbia allows for the highest state EITC credit of 35%.

California's legislature also explored several times implementing a state EITC program. However, one major problem is the funding for this credit. To encourage the establishment of state EITC programs, the federal government allows using a portion of allocated TANF funds to support a refundable state tax credit. Each state that chose this option, however, now has to weigh the advantage of funding a permanent state EITC over the necessity to adequately fund its own state and local welfare programs. Any increase in state EITC funding may, therefore, result in cuts for county and city-administered social services programs.

Nevertheless, Congressman Dave Jones from Sacramento County introduced Assembly Bill (AB) 21 on December 4, 2006. The bill's provision states that as of January 1, 2008 an additional credit of 15% would be applied to the federal EITC credit as a supplemental state tax credit to anyone who can claim residency in California for the full tax year. The expenses for the program would be offset by the state's own revenues from the closure of loopholes in the Revenue and Taxation Code. No TANF funding would be required.

The establishment of a supplemental EITC program makes fiscal sense, as the administrative costs for the federal EITC program are already miniscule. According to a study by the Government Accountability Office the program costs for the EITC program do not exceed more than one percent of the annual IRS administrative budget. Given that a state EITC can easily expand on the federal EITC by adopting a standard calculation formula, the administrative costs for such a supplemental program are small by comparison to other anti-poverty programs with their own program rules and regulations.

This fiscal conservancy made the establishment of a supplemental EITC program also very attractive for some local communities. The first local authority which implemented a local EITC was Montgomery County, Maryland. In its first year, 2000, the county issued tax credit checks to approximately 12,000 households, with an average refund amount of $174. The total program costs were estimated at $2.1 million.

New York City chose a different path to establish its own local EITC program. In its 5th year, the city uses the modest tax credit mainly as an incentive for New York City residents to file for the combined state and federal EITC. All three credits can add up to a maximum of $6,112 for a family with more than one qualifying child in tax year 2006. The local EITC only makes up $226 of the total combined credit. During the 2005 tax season, the EITC Coalition helped 80,000 tax filers at the city's free tax preparation sites alone, claim $100 million in total EITC refunds. This year, the Department of Consumer Affairs was able to partner with 150 non-profit, private, and government partners, including all three major commercial tax preparation companies - H&R Block, Jackson-Hewitt and Liberty Tax Services. The program is funded in part by donations to the Mayor's Fund to Advance New York City, which is set up as a separate, not-for-profit organization.

Since 2005, the local EITC campaign is also linked to the Bank On New York campaign that was established to encourage an estimated 800,000 New York City residents who had no bank account to sign up for no or low cost accounts and financial counseling services.

San Francisco's Working Families Credit Program: An Innovative Approach in California

The Challenge

By 2005, over 5 million more people became officially poor than in 2000, an increase of 1.4 % according to a report by the Center for Law and Social Policy. Even more worrisome, 63% of people polled in 2005 expected to become poor at some point in their lives, up from 49% in 2000. The divide between the rich and the poor widened so much that the US ranked at 2nd place after Mexico in a study of 28 developed nations. Children were most affected, with one in five children under the age of six growing up in poverty.

The national picture is mirrored in California. One out of every seven poor children in the US resides here. In 2004, a minimum wage salary provided only roughly 26% of the income needed to cover the basic household expenses for a family of three. Among the 50 states in 2005, California had the 20th highest poverty rate, and its child poverty rate was the 17th highest.

The disparity between earned wages and basic expenses is especially magnified in the Bay Area. The California Budget Project estimates that the actual earning power of low-wage workers fell by 4.6% between 1979 and 2004. One in seven Bay Area working families, or 14.2%, had incomes below twice the Federal Poverty Level in 2004. Three out of four low-income families in the Bay Area were unable to support a household of three (two adults, one child) in the same year.

With an overall annual median household income of $57,496, San Francisco's poverty rate was 12.2% in 2005. Its child poverty rate was even higher – 13.4%. Even with the recently established local minimum wage increase to $9.14/hour, a family with two parents working in minimum wage jobs can still only earn up to $37,993.20 per year, roughly two third of the income needed to reach a relatively secure median income.

The Planning Phase, 2003-2004

Given these statistics, Theresa J. Feeley, Executive Director of SFWorks, and Anne Stuhldreher, Fellow at the New America Foundation, published an article in the "San Francisco Chronicle" on April 15, 2003, reminding the readers that although more than 25,000 working families in San Francisco already received the federal EITC, 25% of eligible families still were unaware of this tax credit. Knowing that the EITC supports single parents with children more than any other demographic group, the authors argued that the EITC had proven to be a valuable incentive to work and helped improving the job retention. They also pointed out the effect of the credit on the national decline of child poverty. They suggested a local EITC matching the federal EITC by 20% and averaging additional tax refunds of $250 per eligible household.

Stuhldreher had just recently attended an asset-building conference that included a presentation by H&R Block on their involvement in the EITC outreach in Denver. The company had been in the news for its financial practices; especially the promotion of refund anticipation loans (RALs). These loans have high application and handling fees and extremely high interest rates that consume approximately 6% of the total EITC refund. H&R Block had increased its use of RALs between 1999 and 2001 by 50%, and H&R Block's reputation was now on the line. H&R Block's participation in EITC outreach activities focused on the improvement of the company's image and made it approachable for similar projects.

In the summer of 2003, SFWorks and Coleman Advocates for Children and Youth hosted a meeting for local community partners. The event led to the creation of a steering committee for the development of a local EITC in San Francisco. The new program, named Working Families Credit (WFC), was tailored towards families with children. Single adults were excluded. The steering committee identified three main goals for the WFC:

1 Increase in the federal EITC take-up;
2 Assistance in retaining families in the city; and
3 Promotion of saving and asset-building initiatives.

After his election, Mayor Gavin Newsom immediately stepped up the effort to get the local EITC under way. Already in February 2004, he announced that a two-year pilot would start in the 2005 tax season.

Mayor Newsom also announced that the city would use General Fund money for half of the estimated $6 million needed for the two-year pilot. For the balance, the city would seek private donors. By doing so, the city wanted to avoid stigmatizing the program as yet another welfare program.

In the fall of 2004, Mayor Newsom met with senior staff and executives from H&R Block to negotiate a Memorandum of Understanding (MOU) that asked for generous support from H&R Block and agreement on extremely strict limitations on their business practices in San Francisco. The company was prohibited to market any of their own products with the *Working Families Credit* outreach material. It was also prohibited from advertising RALs anywhere in their San Francisco offices.

Still, the MOU was a good opportunity for increasing the company's local market share while displaying a leadership role as a champion of community improvement on a national level.

Once H&R Block was on board, the actual implementation happened within less than three months. Early on, it had been decided to house the administration of the pilot with the Treasurer's Office rather than the Human Services Agency. The choice was made because the office was already experienced with the collection of local taxes, staff was knowledgeable about the processing of tax documents, and the equipment for the review and scanning of large amounts of paperwork was in place.

H&R Block donated the much needed half of the first year's funding, $1.5 million, as well as another $449,000 in in-kind contributions for the printing and distribution of marketing materials. Finally, on January 13, 2005 the *Working Families Credit* program was officially launched.

The Pilot Years, 2005 and 2006

H&R Block was heavily involved in the initial marketing campaign. It included all means of publication. Poster advertisement was designed for city buses and bus shelters, but also distributed to public libraries, local supermarkets and post offices. Billboards were set up. Public service announcements and speeches by the Mayor and Treasurer generated newspaper articles. The Department of Public Housing mailed inserts with its monthly bills. TV and radio advertisements were also utilized.

After a few weeks, the program organizers realized that the overall response to the WFC was much greater than originally expected. In Denver, only 15% of all eligible EITC filers had also applied for the local EITC in its first year. In San Francisco the final take-up rate of WFC applications at tax season's end was 45%.

The Treasurer's Office was very quick in implementing a processing procedure that could manage the overflow of returned applications. On some days the Treasurer's Office received boxes full of paper applications via taxi delivery which were routed through the mail room, separated by language and then scanned, before they were forwarded to two temporary Jobs for Youth workers who did the data entry and submitted the WFC information to the IRS.

In all, except for these two workers, only one designated IT worker as well as one cash manager for the final check disbursement were necessary to administer the processing of the applications. The estimated budget for the administration of the pilot in both pilot years was about $75,000 per year with some additional expenses being accounted for by in-kind contributions that were absorbed by each department's overall budget.

H&R Block negotiated with the city a discount for all WFC filers of $30 off their tax preparation fees. As none of the commercial preparers involved were allowed to charge an extra fee for the completion of the WFC forms, H&R Block staff also served walk-in customers for free who had already self-prepared and mailed in their income tax returns to the IRS, but still wanted to participate in the local EITC program. All 16 H&R Block sites were utilized as drop-off locations for WFC applications. The forms were also available as an internet download for self-preparers, and were made available to other commercial tax preparers as well as all 31 VITA sites.

San Francisco chose a simple method for its WFC eligibility determination. Four criteria are used:

1 Income limit (must be at or under the maximum income limit for the federal EITC);
2 Verification that at least one qualifying child is claimed on the EITC form;
3 Residency in San Francisco during the full tax year; and
4 Timely application filing.

By September 28, 2005 the Treasurer's Office mailed out all of the approximately 9,700 checks to eligible WFC recipients, ranging from $1 to $430. The combined value of all checks was $2,111.991, substantially less than the $3 million of funds earmarked for the first year. In general, the WFC allowed for an additional 10% of the federal EITC amount.

Gathering appropriate source data for a meaningful analysis of the pilot's outcomes was much more complex than expected. The Harvard Business School's research team ended up with very limited source data, mostly gathered from the optional WFC survey. As a result, the evaluation was more descriptive and had less statistical validity then originally hoped for.

Still, one of the major findings was that the majority of WFC applications had not been filed with any of the WFC partners, but through small local commercial tax preparers. These applications accounted for 47% of all received WFC forms. Only eight percent of applicants had utilized the free tax preparation sites. 32% of all applications were received through H&R Block.

Out of the estimated 21,500 taxpayers with children who were deemed eligible for the local EITC, approximately 11,000 had actually filed for the WFC. Almost fifty percent more than originally anticipated. Yet, only 10% of all WFC applicants planned to save a portion of their refund. Most of them were H&R Block customers who signed up for Express IRAs. The majority of applicants, however, indicated on the survey that they would use their refund for bill payments (50%) or personal spending (35%). This finding supported the overall national trend among EITC claimants who traditionally use their refund for short and medium-term consumption needs.

A large majority of all households made less than 50% of the median household income of $60,000 in San Francisco; almost 25% of this group reported an annual income less than $10,000. Just two percent reached the ceiling for the federal EITC income limit of $35,458 for the 2004 tax year. About 18% of all WFC filers reported not having a bank account, but more than 50% had no savings account.

To the WFC stakeholders' surprise, 52% of all WFC filers were of Chinese origin. Only 20% of all WFC filers were African American and just 10% were Hispanic/Latino, although all national studies indicate that these two ethnic groups make up the majority of low-income households in the US. Thereby, the survey pointed at San Francisco's unique demographic situation. The survey also indicated that African American WFC filers heavily utilized the services offered by H&R Block; whereas the Chinese WFC filers trusted mostly small commercial tax preparers they were already familiar with.

The research team recommended that it would be more beneficial to assist low-income families with their daily necessities and bill paying to increase the rate of refunds actually utilized for asset-building initiatives by securing discounts for WFC recipients at grocery stores, school supply outlets and other local merchants, by partnering with utility and phone companies to negotiate partial debt repayments through the WFC refund and by offering BART and/or MUNI discount passes to WFC families. Yet, these suggestions stirred up an ongoing controversy between local community advocates and the city. The Mayor's Office in particular argues that it would be unfair to offer additional discounts to a very limited population while excluding for instance, public assistance recipients who were already excluded from the WFC.

Since the evaluation was performed late in 2005, most of the changes implemented during the 2006 tax season did not reflect upon the evaluation's findings and had more to do with improving the efficiency of the established program. Yet one of the biggest changes was the termination of all fundraising efforts. In particular, the fundraising for direct cash benefits had turned out to be extremely difficult, especially since the exclusiveness of the MOU with H&R Block deepened the business competition with other private tax preparation chains. In addition, foundations and other non-profit organizations traditionally do not fund the issuance of direct cash benefits and were, therefore, not interested in any partnering beyond administrative and operational support. Since the Mayor had already made a commitment to sustain the program with an annual contribution of $1.5 million from the city's General Fund, which was seen as sufficient enough to serve the identified applicant pool, no effort was made to replace the one-time donation from H&R Block through other private donations. Because a portion of the overall allocation from the first year could be rolled over into the second year, enough funds were available to continue the program in the second pilot year under the same basic conditions as in year one. Because the evaluation was already paid for, and the administrative budget was relatively small in scope, less than 10% of the total program budget, it was not anticipated that these expenses would exceed the planned budget.

Operationally, the most important change was that H&R Block was able to load the WFC application packet into its own tax preparation software so that every EITC filing automatically triggered the WFC forms which improved the company's take-up rate of WFC applications. It also made it easier for the Treasurer's Office to review and match these forms with the IRS data as it reduced the necessity for a second scanning process. Also, the City was now able to offer direct deposit of the WFC credit in an effort to discourage check cashing.

Citibank and 13 other large banks and credit unions joined the partnership for the banking option, which led to the official start of San Francisco's *Bank On* campaign during the 2006 tax season. It essentially mirrored the example of New York City, although on a somewhat smaller scale. Also, the database was cleaned up and an effort was made to match the WFC application data not only with the survey data, but to cross-reference it with the client database of the Human Services Agency in order to develop a better picture about the actual WFC applicant pool.

At the end of the 2006 tax season, Kevin Stange from the University of California at Berkeley conducted a second, more comprehensive data analysis. Other than in the first year, Stange was given complete access to all data sources. Yet he was also given the task to construct a comparative databank.

The most positive finding was that the filing of applications grew another 13%, from 11,104 in 2005 to 12,596 in 2006, and that two thirds of all WFC filers were repeat filers from the previous year, indicating that the program was seen as a valuable incentive. Still, the WFC demographics mirrored mostly the results from the first year. Again, the program was most successful in the northeast of the City with its large Asian American community, and less successful in the Mission district that serves mainly the Latino community.

Again, most participants had chosen to utilize the assistance of a paid tax preparer. Yet, the overall numbers indicated a promising trend for a movement towards free tax preparation sites. Overall, large tax preparers, now also including Jackson Hewitt and Liberty Tax Services, accounted for 29% of all WFC applications. Small commercial preparers made up 38%; whereas, free tax preparation sites submitted 13% of all WFC forms.

African American applicants were still more likely to hear about the program from their tax preparer, and almost 70% chose H&R Block as their tax preparer. Chinese applicants also largely remained loyal to their small local tax preparers. Latino applicants were utilizing free tax preparation sites more than any other ethnic group, indicating that this population remained still underserved by commercial tax preparers. This finding made also geographic sense, as most of the 33 VITA sites were concentrated in the mid-Market corridor, with only a few locations in outlying neighborhoods.

Applicant families were also small. Single parents with one child made up 33% of all applicants; whereas, only one percent represented a household with two adults and three or more children. This finding is consistent with the national EITC filing data. Twenty-seven percent of all WFC claimants received the maximum EITC refund for a household with one qualifying child. This was mainly due to the reported taxable income. As in year 1, most applicants (33%, only one percent down from the previous year) reported their annual income within the $10,000 and $25,000 range.

As in the previous year, most survey respondents reported that they would use their refund for the purchase of household necessities, such as food, rent and clothing (52%) and the payment of overdue bills (29%).

The match with the client database of the Human Services Agency indicated that only 8% were enrolled in Food Stamps and 10% in CalWORKs, and that, although 85% of all children had health insurance, only 47% of all applicants had Medi-Cal coverage. Even at the lowest income level, though, no more than one quarter of WFC applicants received Non-Assistance Food Stamps.

Encouraging were the findings for account ownership. 87% of WFC applicants reported having a checking account (up from 72% in the previous year). Still, only 50% of all applicants reported a savings account, up only three percent from the previous year. Overall, only 17% of all account owners had a direct deposit capability, which probably accounted in part for the discouraging finding that still 29% of all WFC recipients used a check casher and 9% had to take a payday loan in the past 12 months.

After The Pilot: A New Direction of the Working Families Credit Program In 2007

The WFC steering committee decided that the program would be continued in the 2007 tax season as a permanent city program. However, since the fundraising efforts were terminated and the original MOU with H&R Block had run out, the WFC organizers had an opportunity to rethink the original goals of the program. It appeared that the administrative costs of the program could be easily absorbed by the city, which left mainly the funding for the actual WFC payment in question. The Mayor had already agreed on continuing to support the ongoing efforts by allotting another $1.5 million in General Funds to the program as part of the city's budget for fiscal year 2006/2007. Yet the available funds were less than what would be needed if the WFC would remain at 10% of the federal EITC, because most filers, again, had received an average check over $220 in 2006. Therefore, the first major change of the program was to instead implement a flat refund of $100 per WFC recipient.

The overall program administration was moved from the Treasurer's Office to the Human Services Agency, mainly because the evaluation data suggested that the WFC outreach could be linked with the department's own Food Stamps outreach for which the city had just received a separate grant. It became one of the major goals of the WFC for this year's tax season.

The focus also shifted more towards outreach to actually eligible WFC claimants with targets for overall WFC applications set at 13,600 and for the issuance of WFC checks to eligible recipients at 12,920, or 95% of all WFC applicants. The shift in administrative responsibilities did not compromise the public-private partnership with H&R Block. The city was able to secure a new MOU with H&R Block which no longer includes any generous cash donation, but keeps all other arrangements from the original MOU in place regarding the prohibition of advertising of RALs and other costly H&R Block services. It also outlines a definitive budget for marketing expenses and outreach materials. The Human Services Agency now shares in these expenses through an in-kind contribution. Finally, a lot of effort was put into the redesign of the WFC brochure entitled "There's Money Looking for You" to change it into a general resource tool.

As of the beginning of April, already 9,000 applications had been received. All WFC applicants, who have indicated on their application that the city can contact them for other program outreach and are not currently enrolled in Food Stamps and/or Medi-Cal, will receive a postcard with the WFC logo and a referral phone number for both programs.

EITC Outreach in San Mateo County: A Brief Overview

San Mateo County's EITC outreach started as grassroots efforts in January 2000 by distributing flyers with information on the federal eligibility thresholds to a relatively small group of Human Services Agency's clients. In 2003, the Tax Assistance Program was operationalized through a pilot program, based on the advice of the agency's director Maureen Borland. The delivery of free tax preparation services became part of the overall job responsibilities of CalWORKs case managers in the Northern Region. The fully implemented roll out occurred in 2004 which was also the first tax season during which the county joined United Way of the Bay Area's *Earn it! Keep it! Save it!* campaign. From the beginning, the program was tailored exclusively towards clients who were already receiving benefits through the three traditional assistance programs—Medi-Cal, Food Stamps and CalWORKs. The agency did not advertise its services beyond its own client base; other than through posters and flyers at its Peninsula Work one-Stop Centers.

The outreach was, at first, solely done by Human Services Agency's staff members, who were recruited as temporary volunteers during tax season. As there was no huge marketing campaign involved, the costs for this seasonal tax assistance program were absorbed fully within the agency's self-sufficiency budget as an in-kind contribution.

Based on an estimate by United Way of the Bay Area, San Mateo County was able to claim a total of $32 million in EITC refunds last tax season. Only about $3 million went unclaimed. This was, however, mainly due to the operations of the VITA sites under the management of Tax Aid as part of United Way of the Bay Area's EITC outreach.

The Human Services Agency's own program reported relatively modest figures by comparison. In 2001, 306 applicants were served of which only 131 were eligible for EITC. The total EITC refund claimed was, however, $151,767, with an average refund amount of $1,159. In 2005, one year after operationalizing the tax assistance program, the number of applicants had grown to 578, with 298 being eligible for an EITC refund. Although the average EITC refund fell to $1,129, the total EITC refund claimed reached $436,342. The demographic make-up of the applicants mirrored the basic statistics in the neighboring counties. Seventy-two percent of all applicants were single and resided over a household with just one child. The average income reported was $13,025. Yet, the percentage of Latino applicants was much higher than in San Francisco County (62%).

The biggest success rate was seen at the Coastside Opportunity Center. It serves a large rural farm community and has seen a steady increase of applicants over the years, from 82 in 2001 to 263 in 2005. The average EITC return of $1,433 in 2005 was also higher in this region than in other parts of the county.

The biggest barriers for EITC eligibility in San Mateo are immigration issues. 55% of all applicants were denied an EITC refund because they were not able to adequately prove U.S. residency.

This year's Tax Assistance Program is, again, run in cooperation with United Way of the Bay Area's VITA sites. Altogether, 27 free tax preparation sites were available for county residents whereby the majority of tax sites were run by Tax Aid and the site in East Palo Alto was operated by ACORN. Most of the sites are located in Senior and/or Community Centers.

This year, the start date for the agency's EITC outreach was February 1st. Altogether, an estimated 7,700 letters were mailed out at the beginning of the tax season. The mandatory screening of CalWORKs cases was temporarily abandoned due to the impact of CalWIN on overall caseloads. Up to 28 volunteers had signed up to schedule tax preparation appointments.

No specific operational budget is in place. Per an internal estimate, approximately $6,000 are spent for direct mailings and posters/flyers for the One-Stop Centers, but there is no set limit. The agency also does not conduct a comprehensive survey, mostly because the targeted audience is already known to its client database.

As in prior years staff have not been specifically trained on other asset-building programs that the agency administers, such as the Individual Development Account (IDA). In the past, the San Mateo Credit Union partnered with the Human Services Agency during tax season to offer free presentations at the agency's PeninsulaWorks locations on the various types of banking options, but no formalized partnership is in place with private or non-profit organizations in order to promote free or low-cost banking, and/or asset-building alternatives.

Similar Population, Different Approach: A Brief Comparison of an Francisco's WFC and San Mateo's Tax Assistance Program

Based on the latest census data from 2000, the total population of San Francisco and San Mateo County is fairly similar. San Francisco counted 776,733 residents; slightly more than the 707,161 counted for San Mateo. Yet, the demographic make-up of both counties is not as similar as most researchers assume. Again, based on the 2000 Census, there are about 30% more Latino residents in San Mateo than in San Francisco, whereas San Francisco's Asian American community is approximately double in size compared to San Mateo. This is of particular importance as statistical evidence supports the assumption that it is more difficult to advertise the EITC program to a Latino community than to any other ethnic minority.

At the same time, based on available data for 2005, the median household income in San Francisco is $57,496 whereas the median household income in Redwood City, the only area in San Mateo County with comparable overall poverty (13.5% vs. 12.2% in San Francisco) and child poverty rates (18.7% vs. 13.4% in San Francisco) to San Francisco, is listed at $67,829. Yet, Daly City where the median household income is the closest to San Francisco with $59,199 only had a poverty rate of 6.7%.

Because of these demographic differences the disadvantages of the federal EITC eligibility criteria come much more into play in San Mateo than in San Francisco, as the program has a steep phase out rate for tax filers with reported income of $25,000 and above. For a family with two or more children, the rate is 21%. Therefore, large families are more likely to miss out on the positive effects of the EITC. Yet, many families served by the Human Services Agency in San Mateo consist of two-parent households with more than one child. Also, in order to be able to claim the EITC, a taxpayer and his whole family have to be U.S. citizens or resident aliens for the full tax year. Yet, a large population in San Mateo County consists of mixed households in which the low-income wage earner is a non-citizen/non-resident.

In general, the goals of the WFC in San Francisco and the Tax Assistance Program in San Mateo are exactly contrary to each other. Whereas San Francisco has redesigned its WFC program to create a detailed database of its EITC eligible population in order to link WFC applicants through follow-up initiatives to a variety of other assistance programs that are designed to help low-income families, San Mateo's Tax Assistance Program is viewed as a seasonal supplemental cash assistance program for a small group of clients already in receipt of those services.

Recommendations

It would be a great challenge for San Mateo County to adopt the San Francisco model for the implementation of a local EITC. Four distinctive barriers can be identified:

1. Overall, residents in San Mateo County have higher reported taxable income than residents in San Francisco. The average federal EITC in San Francisco is about \$2,000 - \$2,200, whereas the average federal EITC claimed in San Mateo is consistently about \$1,000 - \$1,200. Therefore, an additional local EITC might not have the same incentive power than in San Francisco.
2. The participation of the EITC eligible population at free tax sites is much lower than in San Francisco, mostly because VITA sites in San Mateo are sponsored by AARP which makes them currently less approachable to non-elderly tax filers. It would, therefore, be essential to partner with one of the big tax preparation chains.
3. San Mateo County has a large rural population in its coastal communities which makes outreach difficult.
4. San Mateo County has a much larger population of illegal immigrants, which would be automatically excluded if the local EITC requirements would be aligned with the federal eligibility criteria.

Although a full implementation of the WFC would not be practical in San Mateo, certain aspects of the San Francisco model are still worth further exploration. Especially the Bank On model of encouraging free or low-cost banking, as well as offering opportunities for asset-building activities, could be easily implemented utilizing the current Tax Assistance Program without any budget impact. In addition, the exploration of a limited discount program in cooperation with local businesses and community organizations could assist San Mateo County with its outreach to low-income families, who are not eligible for traditional welfare programs due to strict federal program guidelines.

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