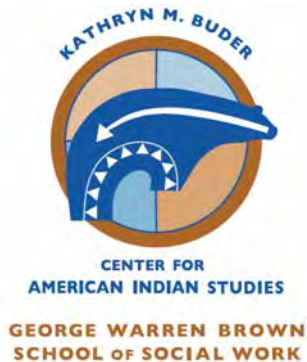


Contributions of the Earned Income Tax Credit to Community Development in Indian Country

REPORT TO THE ANNIE E. CASEY FOUNDATION
2005 Native Community VITA Site Project



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Overview

Purpose

In December 2005, the Annie E. Casey Foundation funded the Kathryn M. Buder Center for American Indian Studies (BCAIS) and the Center for Social Development (CSD), both at Washington University in St. Louis, to engage ten Volunteer Income Tax Assistance (VITA) campaigns serving Native urban and reservation communities across the country in a research partnership. The project received additional support from First Nations Development Institute (FNDI) and CSD. The purpose of the study was to explore the potential economic benefits of the Earned Income Tax Credit (EITC) for Native individuals and communities.

The study specifically examined the amount of money flowing to Native people and potential uses of EITC income. It also provides insight into the distinct types of community infrastructure and programs that could help EITC and other tax dollars remain in Native communities and serve as leverage for further asset building. In addition to core study questions proposed by the Annie E. Casey Foundation and the research team, VITA site coordinators from each participant community were offered an opportunity to propose community-specific questions, increasing the local usefulness of the work.

Goals and Objectives

The primary goals and objectives of this project include:

- Increasing the number of Native communities participating in EITC campaigns and VITA sites through education about the benefits of developing and sustaining these types of initiatives
- Providing tools and information for tribal leadership regarding the overall financial and economic benefits of developing and sustaining EITC campaigns and VITA sites in their communities
- Informing the development and implementation of Native-focused asset-building programs to make them more accessible to Native communities and more tailored to community needs
- Informing the larger asset-building agenda in Native communities
- Informing the larger asset-building field, especially emphasizing the connections between EITC receipt and overall community economic development.

Methodology and Design

This study engaged ten Native community VITA sites during the 2005 tax season. These sites worked in partnership with BCAIS and CSD at Washington University to gain a better understanding of how VITA sites and the EITC might help meet Native community needs and assist in transforming low income communities. The following sites participated in the project:

1. Cherokee Nation (OK)
2. Cheyenne River Lakota Nation Tribal Business Information Center (SD)
3. Consumer Credit Counseling Services of Montana (MT)
4. Intertribal Council of Arizona (AZ)
5. Lac Courte Oreilles Ojibwe Community College (WI)
6. Midwest Minnesota Community Development Corporation (MN)
7. Navajo Partnership for Housing (NM)
8. Red Cliff Housing Authority (WI)
9. Tanana Chiefs Conference in partnership with the Alaska Business Development Center (AK)
10. Tohono O'odham Nation (AZ)

All participant sites served Native communities, with two serving both urban and reservation areas. VITA sites were housed in a variety of locations including housing authorities, tribal colleges, tribal business centers, and community-based non-profit organizations. Each site included a primary “host site” from which tax returns were submitted electronically. Most provided services from a single host site, although several utilized satellite sites or roving service provision. One VITA site served a region that included approximately 50 village communities.

This report provides aggregate data results from the ten Native VITA sites and highlights notable data that emerged during this research collaboration.

Data Collection

In January 2006, BCAIS and CSD project staff worked with each VITA site coordinator to develop community surveys that included 11 required “core” study questions and up to 17 additional community questions (see Attachment A). Core study questions assessed VITA site outreach and implementation, while community-specific questions typically focused on the link between receipt of EITC/tax refunds and asset-building activities and interests in participating communities.

The following represents information gathered by the required core study questions:

- Race or ethnicity
- Gender
- Tribal membership
- Language spoken in customers’ home
- Where customers had their taxes prepared last year
- Where customers heard about the VITA site/service
- Banked vs. unbanked
- Receipt of public benefits during 2005
- How customers planned to use their EITC/tax refund
- Participation in financial education classes
- Interest in asset-building activities

Some communities were interested in gathering additional information such as:

- Customers’ level of education
- How customers planned to use their Earned Income Tax Credit
- Customers’ prior experience with or current interest in financial literacy or home ownership programs
- Whether or not customers own homes and if so, whether or not they are on tribal land
- Barriers to homeownership

In addition to survey development, site visits included training sessions for site coordinators on how to implement the surveys in conjunction with the provision of tax preparation services. Training addressed topics such as the purpose of the study, the community survey process (survey distribution, customers’ voluntary participation, methods for assuring confidentiality, etc.), data entry with the Tax-Wise tax preparation software, and the project timeline. Site coordinators received a survey-specific training manual that reiterated this information, to serve as a reference during the study period. The training occurred over 1-1.5 days, at each site’s discretion. Once survey format was finalized for each community, surveys were produced en masse in hard copy and mailed to each partner organization’s tax preparation site. Data collection was accomplished by volunteers at the VITA sites from February 1-April 15, 2006.

Additional community information was gathered during site visits and in a focus group of VITA coordinators. Information collected through these means included number of persons served through the VITA sites, length of time sites have been operational, methods of outreach and education, and linkages to other asset-building activities in the communities.

SUMMARY OF FINDINGS

VITA Reports

Each VITA site generated a report at the end of tax year (TY) 2005 that included information about the number of returns prepared and refund dollar amounts returned to taxpayers. Totals for our ten participating sites are as follows:

Study Sites' Tax Return and Refund Totals	
Total # of 2005 Federal Tax Returns Prepared	9,746
Total EITC Claimed	\$3,340,721
Total Refunds Returned to Families	\$7,819,102

VITA sites included in this study vary in the number of years they have been operational in their respective communities, which has some bearing on the number of returns they prepared for TY 2005. This was the first year of operation for two of the VITA sites, while five sites have been operational for two years and three sites operational for six years or more. The following chart outlines the basic VITA statistics by site:

VITA Site	Years in Operation	Returns Prepared 2005	Federal EITC \$ Claimed 2005	Total Refund \$ Claimed 2005
Alaska Business Development Center	*2	3,016	\$1,590,414	\$3,699,627
Cherokee Nation	*6	1,333	\$468,599	\$1,142,729
Cheyenne River Lakota Nation Tribal Business Information Center	*3	269	\$131,756	\$369,409
Consumer Credit Counseling Services of Montana	2	3,900	\$679,547	\$1,508,008
Intertribal Council of Arizona	2	260	\$111,745	\$275,713
Lac Courtes O'reilles Ojibwa College	2	169	\$86,831	\$194,298
Midwest Minnesota Community Development Corporation	1	201	\$157,931	\$322,249
Navajo Partnership for Housing	1	141	\$81,921	\$158,373
Red Cliff Housing Authority	2	77	\$31,977	\$74,348
Tohono O'odham Nation	*5	380	**	**
TOTALS		9,746	\$3,340,721	\$7,819,102

*Each of these sites have been operational for 5+ years, but have only been "official" VITA sites for the number of years indicated. **No data available.

Community Survey Results

Community surveys were distributed during tax preparation hours (which varied by site). Customers were asked if they would be willing to complete the survey while waiting for their tax returns to be completed. Customers were assured that survey completion was voluntary and that their information would be kept confidential. They also were assured that their decision to complete the survey would not impact the tax preparation service or information in any way (see disclaimer form, Attachment A).

A total of 2700 surveys were collected by the ten VITA sites. Of this total, 1781 respondents (67.85%) were Native American/Alaskan Native and, of these, a significant number were from Alaska (n=970). Because each site was allowed to customize its community survey, reported results for some questions may not reflect the total sample size. Thus, results reported below will indicate sample size to most accurately reflect the strength of the finding.

The following is an analysis of the data. Demographic information (e.g., race/ethnicity, gender, and language) is reported for the total of survey respondents. Following these population descriptors, the presentation of survey results delineates aggregate, Native, and non-Native responses. Table headings will indicate what portion of the sample is being reported and the text references will detail responses per group.

Race & Ethnicity

A core survey question asks about the race of VITA site users. The sites that participated in this study primarily served Native community members but were open to anyone in the community who wanted to use free tax preparation services. Survey respondents who wished to indicate more than one race or ethnicity had the option of choosing “Native Multiracial,” “Other multiracial,” “Other,” or they could choose not to answer the question. The following chart shows the reported racial/ethnic distribution of survey respondents:

Race/Ethnicity	N=2625
Native American/Alaskan Native	67.85%
Caucasian	27.58%
African American	0.80%
Asian/Pacific Islander	0.30%
Latino	1.30%
Other Multiracial	0.61%
Other	1.56%

One of the Native VITA sites serves a large (statewide) geographic area, including urban, rural, and reservation communities, which led to a large percentage of Caucasian VITA site users. The

finding that the study sites served a Native population of 67.85% indicates that the VITA sites are truly reaching their targeted customers.

Tribal Enrollment

VITA sites serving Native communities, particularly reservation communities, were especially interested in knowing how many enrolled tribal members they were serving. In this study, 89.30% of Native respondents are enrolled tribal members. Not only will this information help VITA coordinators in planning future EITC programs and tax preparation services, but it is also valuable data for tribal leaders interested in starting and supporting VITA sites: it shows that, typically, tax refund dollars returned to site users are dollars returned to the sponsoring Native nation’s citizens and voters.

Member of An Enrolled Tribe	% of Native (n=1781)	% of Total (N=2521)
Yes, enrolled member of a tribe	89.30%	59.86%
No, not an enrolled member of a tribe	10.79%	40.14%

Gender

Another core survey question addresses the gender of VITA site users. Aggregate results show a nearly equal split between males and females using free VITA services:

Gender	N=2700
Male	50.52%
Female	49.48%

VITA sites are designed primarily for low-income customers as a means of facilitating access to EITC and other tax-based forms of income assistance. Across the United States female heads of household are increasingly represented among low income households and, a priori, one might expect females to comprise a large percentage of VITA site users. Yet respondents in this project were nearly equally distributed between male and female. There are a variety of implications that deserve further investigation. For instance, the findings could indicate that VITA services are equally utilized by male and female heads of households in the community, regardless of socioeconomic status; in other words, VITA site tax preparation services could be viewed purely as a community or tribal service and without association with low-income or “welfare” outreach. Alternatively, low income may be much more gender-blind in Native communities. And, mathematically, if female heads of household are less than 50% of the low-income population segment in these communities, they may indeed be more than proportionately represented among respondents.

Language Spoken at Home

Language spoken at home is of interest to VITA sites wanting to develop effective education and outreach communication strategies for the communities they serve. Survey results are as follows:

Language Spoken at home	N=2421
American Indian or Alaskan Native language	13.47%
English	71.21%
American Indian/Alaskan Native language AND English	13.55%
Spanish	0.83%
French	0.04%

The data for American Indians and Alaska Natives are even more striking. Among Native respondents, only 58.66% indicated that English is the primary language spoken at home. Approximately 20% indicated that they use a combination of English and Native language, and another 20% indicated that they *primarily* speak their Native language at home.

Finding a substantial percentage of homes with Native language speakers indicates a potential need for communities to design outreach and education materials in languages most commonly spoken in their communities. Designing materials with which customers can more readily identify might increase VITA site use and EITC receipt. However, any such work should take account of where these language use results are coming from and to what extent Native languages are actually used. With regard to the first point, a large number of individuals responding to this question about language use come from Alaskan Native villages and another significant portion from the Navajo Nation (the largest Native nation in the United States and a nation in which there is significant Native language retention). Together, the Alaska and Navajo VITA sites contribute 26.60% of Native speakers in this study. If these are also areas in which Native language is the *primary* language of communication, investments in Native language outreach may be valuable. (They are likely to be less valuable in communities where dual language use is more common.) Finally, any outreach and education effort that uses Native language should consider the kinds of communication/marketing efforts that are effective in Native communities (more on this below).

Language indicators also may be signaling that a significant portion of VITA customers are elders in their communities, as they are most often the community members who practice their Native language. If this is the case, outreach and education to this target group may want to focus on tax issues specific to elders. This study did not collect age demographics, but future studies could examine the age of Native speakers seeking VITA site services.

Education

Related to education, research indicates that people with lower education levels (high school diploma, GED, or below) are more likely to be lower-income and therefore more likely to be eligible for EITC. These data indicate that Native-serving VITA sites are providing tax

preparation services to an appropriate pool of individuals and families. Fewer than 12% of Native customers reported having more than a high school education. Twenty percent reported having less than a high school degree.

Level of Education	% of Native (n= 1781)	% of Non-Native (n= 616)	% of Total (N=2397)
Elementary school	3.01%	1.72%	2.71%
Middle school	2.11%	1.46%	1.96%
Some high school	14.96%	9.13%	13.02%
High school graduate	55.82%	50.26%	54.15%
GED	12.40%	12.17%	12.14%
Associate degree	7.03%	10.32%	8.01%
Undergraduate degree	3.39%	8.07%	4.84%
Graduate degree	1.28%	6.88%	3.17%

VITA Site Community Outreach

An important EITC program development and planning activity that VITA coordinators must undertake is outreach and education to their communities. By their choice of survey questions, sites indicated that it was important for them to know which forms of marketing and outreach tools and methods might work most effectively in connecting customers to VITA services. One way to gauge the most effective method of new customer acquisition was to ask respondents how they found out about free VITA services:

Type of Outreach and Communication	% of Native (n=1781)	% of Non-Native (n=760)	% of Total (N=2700)
Word of Mouth	40.30%	39.61%	39.57%
Filed here last year	20.74%	33.82%	28.10%
Flyer/Newspaper/Poster	21.62%	18.42%	19.72%
Other tribal program or service	10.96%	1.05%	5.57%
Radio or TV	3.26%	3.82%	3.62%
Not sure	1.78%	1.84%	2.01%
Other	1.33%	1.45%	1.41%

Though actual percentages varied slightly between Native and non-Native respondents, the primary source of information identified by all was word of mouth, followed by interaction at the site during the previous tax season, and media advertisements such as flyers, newspapers, and posters. The high percentage of information shared through word of mouth (40.30% of Native, 39.61% of non-Native) and the substantial percentage of customers who returned to the VITA

site for services (20.74% of Native, 33.82% of non-Native^{*}) indicates that local VITA sites are building positive relationships with community members and that more community-based, person-to-person (or leadership-to-community) sharing of information could be an effective marketing tool. Not surprisingly, information shared through tribal programs and services was more prevalent among Native respondents than among respondents overall.

Tax Preparation Services

Customers who take advantage of VITA services often save a significant amount of money that otherwise would have been spent paying for commercial tax preparation services. One indicator of whether or not customers are saving money is whether or not they paid for tax preparation services in the past. Study results on this variable are as follows:

Past Tax Preparation	% of Native (n=1781)	% of Non-Native (n=801)	% of Total (N=2582)
Had them done at this VITA site for free	50.18%	49.44%	49.78%
Did not file	14.66%	6.24%	11.90%
Paid a tax preparer	14.66%	12.23%	13.76%
Some other free tax service	5.85%	17.60%	10.00%
Relative/family/friend prepared my taxes for free	8.81%	4.99%	7.54%
Prepared my own taxes	4.46%	9.49%	6.14%
By mail	1.39%	0%	0.87%

Half of the respondents (49.78% of total, 50.18% of Native) used the same VITA site last year. This is a good indicator that VITA programs are building positive relationships with community members and relaying the message that customers can end up with even more money if they do not pay for tax preparation.

One of the goals of VITA campaigns is to reduce transaction costs associated with filing taxes. In this study, customers who used commercial preparers in prior years paid an average of \$100 (within a range of \$20-\$500) for tax preparation services. Estimating from this average cost and the 14.66% of Native customers who used paid tax preparation in the past, the VITA sites participating in this study saved their Native customers a total of \$26,100. Thus, both through improved access to tax refunds and through tax preparation-related costs savings, Native-serving VITA sites are improving customers' livelihoods and generating significant funds for potential reinvestment in the local economy.

Despite these savings, our sense is that many filers in these communities still are using paid preparers, believing they will receive their refunds faster. A majority of survey respondents

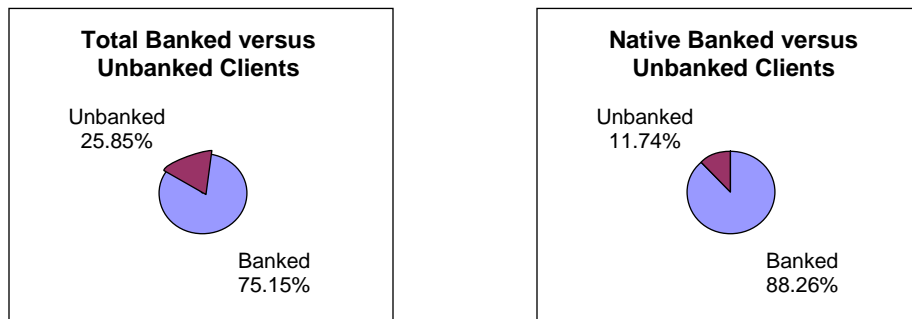
^{*} Actually, larger percentages are return customers (see results on tax preparation below). The figures here are lower because the focus of this question is on outreach—what, specifically, drew customers to the site?

(73%) indicated that it was important to them to receive their refund quickly. For some, the eagerness is related to the need to pay off overdue bills.

Site coordinators also shared stories of clients who stated they didn't know they had to file taxes. This speaks to the need for greater community education regarding tax filing rules. Moreover, the fact that former non-filers used Native-serving VITA sites to file in TY 2005 signals another benefit of well-advertised and well-trusted VITA sites: they play a critical role in bringing individuals into compliance and decreasing the risk that they would be subject to audits and financial penalties for non-compliance.

Banked vs. Unbanked

Another core question asked VITA site customers to indicate whether they currently have a checking account, savings account, or both. In the figures below, "banked" refers to owning a transaction account (a checking account, savings account, or both types of accounts), while "unbanked" refers to customers who do not currently own any type of financial transaction account.



Though it is encouraging that such a high percentage of customers have bank accounts (75.15% of total, 88.26% of Native, and 46.21% of non-Native; n=2416), there is still a high percentage with no bank account. A few communities chose to ask customers why they do not currently have accounts. Only a few individuals answered this question, with a consistent response being, "Due to poor credit." Another possible reason for a relatively high rate of unbanked individuals is that banking services are unavailable in many reservation communities, or even if they are available, are located far away from the customer's residence.

In addition to the problems of the "unbanked," the results indicate the possibility of problems for the "underbanked," a term we use to describe having an account but being unable to take true economic advantage of it. For instance, most middle and high-income American consumers use their bank accounts as a form of leverage for credit, as a safety net in bad times, and as an active vehicle in support of purchases and living expenses. Low-income individuals face barriers to using their bank accounts as a support for liquidity, largely because of high minimum deposit requirements and charges for (or limits on) individual transactions (which may arise even when certain minimum balances are met).

In the absence of access to banking services—or banking services that offer adequate flexibility to low-income users—customers are forced to use alternate financial services, many of which charge moderate to extremely high transaction costs. Indeed, it is the prevalent use of fringe banking services that suggests a large group not just of unbanked but also underbanked individuals among the customers of Native-serving VITA sites. The survey queried where customers typically cash their paychecks, which is a strong indicator of the type of “financial institution” they are most in the habit of using. Responses indicate the use of alternative financial services as follows (respondents could choose more than one location):

Where Paychecks are Cashed	% of Native (n= 1715)	% of Non-Native (n=775)	% of Total (N = 2490)
Store	77.55%	95.23%	83.05%
Bank	66.97%	11.28%	46.14%
Pawn shop	20.27%	0%	51.72%
Check cashing places	13.41%	2.07%	6.46%

The findings for “store” reflect the combined results for three answer choices (grocery store, local store, and store). Other respondents indicated that they cash their paychecks at the local gas station, post office, and even their workplace.

These findings speak to the need for financial education, credit repair classes, and financial services in Native communities, as well as low-cost and more flexible banking services. In doing so, they may be particularly important results for communities that are considering instituting or attracting some type of financial institution as part of their asset-building strategy. With regard to EITC and other tax return dollars, an important advantage of having a bank or other financial institution transaction account is the ability to use direct deposit for receipt of these funds. Direct deposit speeds the receipt of funds (answering concerns of some current users of paid tax preparation services) and increases the ease and likelihood of saving. And, direct deposit will become even more important in the near future, due to IRS rule changes that allow filers who sign up for direct deposit to split refunds between different types of accounts (checking and savings, for instance).

Public Benefit Recipients

Another core question asked respondents to indicate if they or their families received public assistance or were eligible for public assistance in 2005. Sites using the question customized it to reflect programs available locally and included choices such as Temporary Assistance for Needy Families (TANF), Medicaid, Medicaid/Access, Medicare, Denali Kid care, Tribal Work and Employment Program (TWEP), Alaska Temporary Assistance, Women Infants and Children (WIC), job training assistance, General Assistance, and Social Security. Among respondents (less than half of the total surveyed population), approximately 25% indicated that they received or qualified for public benefits in 2005. Respondents also had the opportunity to write in public benefits they received that were not listed. Some respondents received Supplemental Security

Income (SSI) and Section 8 Housing. Of all questions on the survey, the question about public benefits had the lowest response rate. The sensitivity of this question, particularly when asked in the same context as income and tax reporting, is further reflected in written responses by some community members that, “this information is none of your business.”

Links to Asset Building

All of the participant site coordinators expressed interest in exploring ways that EITC might be linked with other asset-building strategies to increase the financial security of households in their communities. In order to gauge community need and interest in asset-building activities, they chose a variety of questions to include on the survey, a sampling of which are: how customers planned to use their tax refund, what customers have saved for in the past, customers’ past participation in financial education and related financial literacy classes, and asset building topics community members would be interested in learning more about.

Planned Use of Tax Refund

Customers indicated that they planned to use their tax refund in the following ways (survey respondents could give more than one answer):

Planned Use of Tax Return	% of Native (Total =avg. of 639)	% of Non-Native (Total =avg. of 728)	% of Total (Total =avg. of 1367)
Personal expenses	45.99%	47.80%	50.61%
Savings account	24.13%	32.83%	31.26%
Medical bills	8.82%	20.39%	17.12%
Down payment on car or truck	21.84%	10.33%	16.52%
Furniture	16.06%	9.24%	13.45%
School (for self or family member)	16.16%	7.03%	12.06%
Help a family member	13.72%	7.02%	10.69%
Home ownership	9.00%	5.10%	6.90%

The survey did not ask respondents to indicate or define what “personal expenses” meant, but based on a number of written responses to this question, tax refunds often are used for basic consumption needs such as groceries, rent, utilities, children’s clothing, and other monthly expenses. Tax refund dollars also serve as a buffer for emergency expenses such as car repairs and medical bills that exceed insurance co-payments, or are used in lieu of insurance.

Notably, the results indicate that many recipients hope to save (24.13% of Native respondents, 32.83% of non-Native respondents). As above, this suggests a need for financial institutions in Native communities, as well as the need for facilitated savings programs. And, while a lower percentage of Native respondents indicated a desire to “save,” the response does not necessarily imply a lower propensity for asset building. It may in fact signal different paths toward asset

building. For instance, a higher percentage of Native respondents than non-Native respondents say they plan to invest their tax refund/credit in a home (9.00% of Native, 5.10% of non-Native), a vehicle (21.84% of Native, 10.33% of non-Native), durable goods such as furniture (16.06% Native, 9.24% of non-Native), and education for themselves or a family member (16.16% of Native, 7.03% of non-Native).

Importantly, different public policies and values also are clear in these figures. Natives' low expectation to spend on medical payments (8.8% of Native, 20.00% of non-Native) probably reflects the availability of free health services available in some of the Native communities included in this study. Differential expectations to help family (13.7% Native, 7.00% of non-Native) highlight the communal assets approach that thrives in many American Indian and Alaska Native cultures.

Participation in Financial Literacy Programs

Increasingly, evidence from around the world shows a correlation between financial literacy (i.e., knowledge and skills related to the management of personal finances) and financial security and wealth accumulation. One indicator of financial literacy is whether an individual has participated in classes or workshops on financial topics. Survey respondents the following participation rates:

Class Type	% of Native (n=1765)	% of Non-Native (n=816)	% of Total (N=2581)
Financial education (basic personal financial management)	9.67%	1.46%	9.62%
Credit repair	18.24%	16.67%	17.75%
Home ownership	11.11%	2.00%	9.57%

In communities where Individual Development Account (IDA) programs or Community Development Financial Institutions (CDFI) exist, participation rates in financial literacy classes such as basic financial education, credit repair, and homeownership are higher than in those communities with no such programs. This may be because IDAs and CDFIs require financial education classes as part of program participation; it may also be because community members observe the success of friends and neighbors who have participated in these programs and are then more likely to take advantage of these services themselves. The higher number of individuals indicating that they have received credit repair education may be due to the fact that nearly 35% of respondents received tax preparation assistance from an organization that provides consumer credit counseling services.

Matched Savings Accounts

Matched savings accounts, often called Individual Development Accounts (or IDAs), have proven to be a viable asset-building strategy for low-income families across the U.S., and they are yielding positive results in Native communities as well. A majority of the communities in this study do not yet have matched savings account programs and, therefore, wanted to assess

community interest in such programs. Only a small percentage (10.22%) of respondents had previously heard of matched savings accounts or IDAs. However, an overwhelming majority (73.61%) of respondents indicated they would participate in an IDA program if it were available in their community.[†]

Community Need

In addition to these specific questions about asset building, survey respondents were asked more generally about what type of information they would like to receive. Respondents were allowed to select more than one answer from the following:

Requested information	% of Native (n=638)	% of Non-Native (n=692)	% of Total (N=1330)
Buying a home	36.32%	22.43%	29.19%
Car/truck loans	33.85%	18.93%	26.02%
Budgeting	23.27%	14.77%	18.72%
Small business	21.59%	11.08%	15.95%
Children’s savings accounts	21.16%	13.01%	16.92%
Credit/debit cards	16.85%	10.98%	13.61%
Bank/credit union accounts	15.77%	10.87%	13.18%
Property taxes	10.51%	12.16%	11.44%

Most prominently, these aggregate results indicate that tribal governments or local organizations should consider identifying or developing appropriate saving vehicles for community members, seek out home ownership education and purchasing information for community members, and identify and work to overcome the specific barriers to home purchase in their communities.

Community and Economic Impact

A number of sites included an experimental series of questions that considered the opportunities for investing tax refund dollars in the local economy. While these questions (and answers) are not relevant for the urban sites in the sample, they can provide information to rural and

[†] Because matched savings accounts appear to offer “free money,” enthusiasm for such programs is to be expected. Indeed, the short explanation offered in the community surveys (“A matched saving account program is one in which you save a \$1 and you are matched \$1, giving you a total of \$2 in your savings account. If one were offered in your community, would you be interested?”) probably made positive responses to this question likely. Communities seeking to implement these programs, however, must be aware of the costs involved (both in terms of managing the program and matching savings) and participants must be aware of the requirements to save regularly, follow program training rules, and ultimately convert financial assets to approved uses, among others. In other words, the programs *are* very useful, but they are also more complicated than we made them sound.

reservation communities that are seeking ways to thicken the local economy, increase local multipliers, and otherwise keep dollars that come into residents' pockets circulating at home.

First, the survey asked respondents to identify the types of businesses that exist in their communities. Based on this narrowing, they were then asked to note whether or not they patronized these businesses and, further, whether they were likely to spend any of their tax refund dollars there. The table below provides the conditioned data from the survey. In other words, it reports the percentage of respondents who noted that they would spend tax dollars at a particular type of business *given* that they also reported the existence of that type of business in their community.

Type of business	Percentage of respondents who will spend refund dollars at this local business (given that business exists in the community)
Supermarket	54.19%
Discount store	41.07%
Gas station	39.00%
Convenience store	34.46%
Restaurant	30.88%
Furniture/appliance store	30.39%
Hardware store	24.11%
Indian supply store	23.81%
Trading post	23.53%
Car dealership	21.65%
Laundromat	17.88%
Casino	13.37%

For reservation and rural Native communities interested in cycling tax refund dollars through their economies—in capturing these dollars at least once before they exit to other economies—these results are affirming of the development opportunities that many tribal entrepreneurs and Native nations themselves are pursuing. Supermarkets, discount stores, gas stations, and convenience stores lead the list of types of local businesses at which community members will spend hard-earned dollars. Tribal governments do well to encourage the development of such businesses to start a virtuous cycle of community reinvestment and economic development.

Implementation Findings

A history of exploitation has caused reluctance in most Native communities to trust or even to become involved with non-Native or non-community-based researchers. In the past, research has been conducted and used exclusively for the benefit of the researcher or other external entities. Even when research is conducted that purportedly has tribal interests in mind (e.g., research aimed at the creation of better Indian policy), it often serves the interests of others, rather than the immediate needs of the populations providing data. In addition to these concerns, many

Native people tend to be guarded when it comes to discussing personal information such as control and ownership of assets and asset building with people outside their community. After all, asset stripping, asset expropriation, and blockage of asset accumulation have all been key strategies related to colonialism and policies toward Native America for the past 400 years. Crazy Bull[‡] notes that local ownership (of data and the research process overall) is an important and concrete approach to overcoming well-justified historical mistrust of researchers.

This project was designed with this history in mind. First and foremost, it aimed to provide beneficial information to VITA site coordinators that they could use in program development and that could inform the overall asset building and economic development strategies of their communities. Collaboration with and support of the Native-serving VITA sites was the driving force behind the entire research methodology and process: the VITA site coordinators were actively involved at all stages, helping to develop survey questions, collecting data, and interpreting the findings. Another project goal was to strive for positive interaction between Native community members, site volunteers, and BCAIS and CSD staff at all stages in the project. Site visits, phone calls, a gathering at Washington University, the return of organized site-specific data to each VITA site, and the production of site-relevant promotion brochures all were undertaken with the goal of producing community-relevant and useful research.

This method of participatory research has become the standard for effective and appropriate research practices in Indian Country. Such an approach may take longer and, given the need to build in real community engagement, it may also require added expense. However, the payoff and results can be huge. Research built on participatory practice not only asks the “right” questions for communities, it also produces truly usable answers, in addition to providing immediate benefits to Native nations.

Focus Group Findings

Six VITA coordinators participated in a focus group session held at Washington University, following data collection. In addition to discussing the survey process and collecting feedback about the project as a whole, the preliminary aggregate data analyses were presented, as was a very well-received template for data presentation and marketing back to their communities (see two and four-page versions, attached).

All participating sites were very enthused about the opportunity to learn and share from each other. Important focus groups topics and findings included:

- 1) *Successes and challenges related to VITA implementation*: perhaps the greatest universal challenge has been recruitment, training, and retention of volunteers. Sites spoke of utilizing community college, or even high school students. Some used retired business persons, or tribal employees who were given approved work release. When students were able to receive credit for their efforts, volunteer efforts were easier. Participants shared

[‡] Crazy Bull, Cheryl (1997). “A Native Conversation about Research and Scholarship.” *Tribal College Journal of American Indian Higher Education*, 9(1):17-23.

their ideas for linking VITA sites to other asset building endeavors. Participants asked for access to assistance, suggesting a possible hotline or web-based help center.

- 2) *Partnerships*: Participants gained useful insight into partnership arrangements. A number of financial institutions are providing space, computers, supplies, volunteers, education, even quality control (IRS auditors). They also discussed marketing and the promotion of partnerships in marketing materials. In some cases the community partners provided marketing services. For example, a number of tribes and/or casinos included “stuffers” in employee paychecks with VITA site information, while some placed marketing ads on television. In other communities, Tax Help organizations plugged the VITA sites on radio and schools ran poster contests that engaged youth and their parents.
- 3) *Data collection process*: Participants were very pleased with the results and the potential uses of data (see below). All six coordinators in attendance were in agreement that ideally, the research process should begin by November. They also agreed that site visits by the research team were critical, as they led to a much greater understanding of the research rationale and benefits and increased the participation results from both staff and volunteers. Suggested revisions to the survey included the desire to add a question about age, a question to explore whether the respondent had previously received an EITC, and a question about off-reservation spending of EITC. Additionally, participants agreed that a better understanding of the preservation of confidentiality would be necessary to overcome the community members concerns regarding the linkage of survey data to individual tax returns.
- 4) *Data discussions and plans for data use*: Participants were excited about the results and the potential implications for future program development. They discussed the obvious need for more financial education and were excited to see that a large number of respondents desire such offerings. Through a discussion of the results, participants were able to gain a sense of how their individual communities were faring in regard to community education, financial wellness, and even exploitation tactics during the tax season. Many learned of options and received advice that they felt certain would improve their efforts back home. The focus group participants were very excited about the opportunities the brochure offered as a means of disseminating findings. They made plans to utilize these “fact sheets” for tribal council review; to educate and garner support from funders, politicians, and potential volunteers; to show border towns the economic benefits tribes brought; and for general education. They even discussed the possibility of publishing information from the brochure in local newspapers as a means of increasing the visibility, use, and capacity of their VITA sites. They felt the data would provide welcome credibility to their work.

In summary, the focus group session provided excellent closure to months of hard work along with a renewed spirit and purpose for the future. In addition to the focus group session, two research team members presented preliminary data at a recent national asset-building conference sponsored by Corporation for Enterprise Development (September 2006) and at the National Community Tax Coalition conference (October 2006).

Limitations

First, surveys did not ask respondents to indicate whether the individual seeking VITA services was the taxpayer or the spouse of the taxpayer. Therefore, it is not entirely clear how many households are represented within the survey sample of 2700. VITA coordinators indicated that in most cases, when married couples filed taxes, only one individual completed the survey.

Second, a deeper level of analyses linking tax return data to these community surveys was not possible due to several factors, including an extreme desire for maintaining customer confidentiality, customers' mistrust of computer software, customer refusal to allow connection of tax return and survey, and refusal by partner organizations of VITA sites to connect NTA software and surveys.

Conclusions and Recommendations

A better understanding of EITC receipt in Indian Country can provide important answers to the questions of “who in the locality receives EITC (Natives vs. non-Natives, tribal citizens vs. non-citizens)”, “what portion of these sub-populations receive EITC”, and “what the anticipated uses of funds include”, etc. These are all critical pieces of data for more effective policy making. For example, the knowledge that most recipients hope to save and invest their tax credit in order to buy a home or other asset indicates that the tribal government or local organizations ought to identify or develop appropriate saving vehicles, seek out home ownership education, and identify and work to overcome other barriers to home purchase. A number of other vital pieces of knowledge have been highlighted in the aggregate summary above, but most importantly, individual communities were able to ask and answer a number of their own useful questions and are in receipt of their own data sets to create such site-specific measurements.

Ultimately, such data not only provide useful information for a specific Native nation, but become a powerful tool in convincing other Native nations of the wisdom of this asset building approach. Each community's success and discovery of useful information serves as a powerful motivator for individuals and leaders in non-participating Native nations to discover how much peer communities are benefiting from the EITC. Having more and better data available for these “promotional” purposes can change even more lives and more communities.

Information gained through this study provides a glimpse into the benefits of VITA sites and the EITC dollars being returned to community members. However, it should be considered only preliminary as it was also an attempt to uncover the best process for collecting data in Native communities. It is with community benefits in mind that we propose the following recommendations:

1. This study should be repeated and expanded to include additional communities.
2. Site visits are a necessary component to the data collection process, as they build trust and a collaborative spirit with an eagerness to do the work.

3. Site visits/training need to occur earlier in the year and should include volunteers in order to gain their support and understanding of how the information may be used to benefit their community.
4. Lessons learned from the first round of data collection should be incorporated into any future research efforts.

Recommended use of findings

- In the development of media and/or marketing strategies to increase the number of Native communities participating in VITA programs, and in the process, to educate Native community members and leaders about the benefits of developing and sustaining EITC campaigns/programs in their communities.
- Inform the larger asset-building agenda in Native communities.
- Inform the development of a variety of Native-focused asset-building initiatives to encourage that they be designed in a more accessible way to the Native communities they serve and more tailored to community needs.
- Inform the asset building field overall, especially stressing the potential connections between EITC receipt and overall community development.