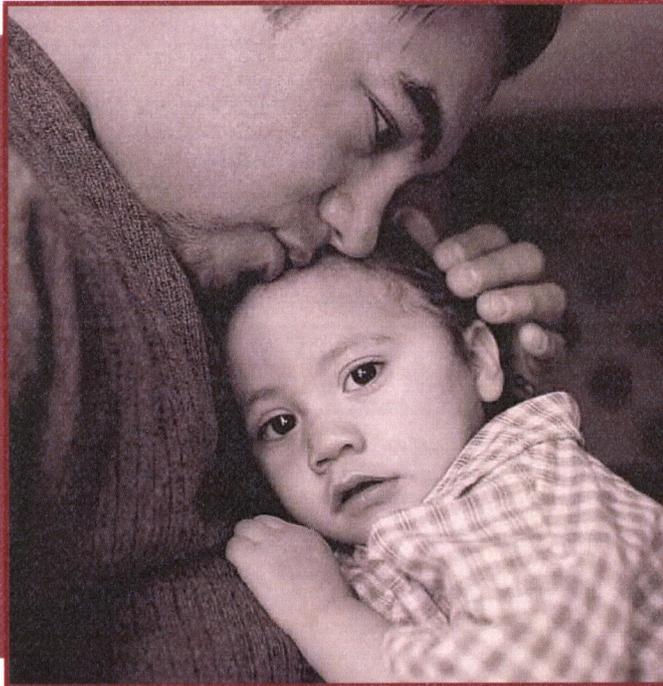


EITC In Indian Country:

Beyond The Tipping Point For Family Economic Success



In 2001, few Native Americans – on reservations, in tribal jurisdictions or in many of the nation’s urban areas – would have known what the letters EITC stood for or, more importantly, what difference the Earned Income Tax Credit (EITC) could make in their lives. Some tribes had begun programs to offer their members alternatives to predatory preparers in nearby towns and cities. Many more were still unaware of the benefits that they could accrue for their communities and that EITC is the largest single federal aid program supporting working families for nearly 30 years. They did not yet know that EITC could provide more to their tribes than food stamps and TANF combined -- if claimed. ¹

In the past three years, the commitment to EITC and an infusion of resources to launch tax help sites on- and off-reservation increased significantly, due to a growing list of stakeholders that includes: tribal leaders and governments, intertribal agencies and urban Indian groups, tribal colleges and other academic and research institutions, national and local nonprofit organizations and foundations, the federal government, community development corporations, and the media. A 2002 consultative session of these groups was convened by the Annie E. Casey Foundation. Titled “The Role of Tax Credits in Building Family Wealth in Indian Country” it was, according to numerous participants, a “collective tipping point” in the movement.

According to bestselling author Malcolm Gladwell, a “tipping point” is “that magic moment when an idea, trend or social behavior crosses a threshold and spreads like wildfire.” He suggests that three types of people are needed to enact this kind of “epidemic”: mavens, connectors, and salespeople. Mavens are the information specialists, connectors have the special gift to bring the right people together, and salespeople expand an idea into a new zone of possibility and collective consciousness.

This is the story of what tipped toward progress in the nationwide movement to make EITC an option for native families in America, what has happened since and how partners can better heed the call to action now.

The Annie E. Casey Foundation



THE TIPPING POINT

Stephanie McGillivray of Complexity Management LLC has worked in Indian Country for five years, working to build opportunities for equity and family economic success. Until 2002, she found little to cheer about regarding access to capital - there were almost no equity investors, few banks, few resources for families and small businesses to save and budget for the future. A 2001 CDFI Fund Native American Lending Study found that “only 14 percent of Indian Lands located in the continental United States have a financial institution in the community, fewer than half have such an institution anywhere nearby, and 15 percent of Native American people must travel more than 100 miles to reach a bank or Automated Teller Machine.”³

In her November 2002 report, commissioned by the Annie E. Casey Foundation to determine the viability of an EITC campaign for Indian country, McGillivray writes,

“The EITC and CCTC (Child Care Tax Credit) apply in Indian Country the same way as everywhere else in the U.S. The differences are not legal, they are cultural. Tax returns are filed less often, financial literacy is lower, unemployment is higher, families with both parents working may not pay for outside child care but instead have extended family members care for their children, the typical taxpayer who could take the EITC and CCTC often does not have the usual supporting documentation, and the IRS currently tends to identify Indian Country returns more often for correspondence audit questions by mail.”²

Before 2002, a number of local organizations hosted by tribal government, the American Association of Retired Persons (AARP), The Internal Revenue Service (IRS), or other local nonprofits provided some tax help support. What the November 2002 report distinguished however, was that “no one entity is conducting EITC outreach, information, assistance, and savings programs in Indian Country, so there is a gap to fill. Annie E. Casey Foundation could initiate, stimulate, or coordinate the first national organized effort.” In Gladwell’s terms, “Salespeople wanted.”

In December 2002, the first convening of a then disparate group of some 40 potential stakeholders gathered in New Mexico to share concerns, options and resources. Groups came to the first meeting with different agendas – some saw already that this could garner money for their communities, others had a broader notion of ‘tribal enterprise’ and wanted to connect EITC to existing IDA (Individual Development Accounts) or CDFI (Community Development Financial Institution) programs but were unsure how, still others had success working in rural and urban sites that they wanted to bring to their communities. Funders and other partners got important feedback to address the most challenging

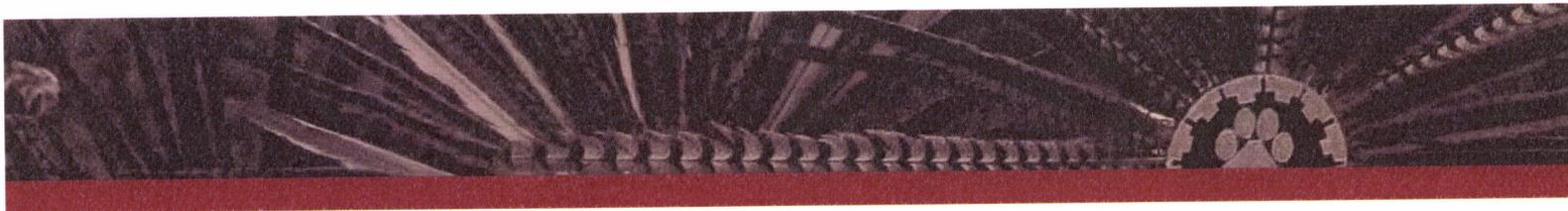
barriers to success – and they won the hearts and minds of a number of new allies. Attendees identified barriers to asset-building, including mixed ideas about wealth building with many Native Americans valuing collective over individual wealth. They identified that with sovereignty and a cultural context unique to each reservation, new educational resources, targeted outreach, and ongoing technical assistance would make a difference.

By 2003, a core group had heeded the message. Activity around the EITC nationally was at a new level:

- The Native Financial Education Coalition, with support from the Federal Reserve Bank of Minneapolis, creates the EITC Committee in December 2003
- The EITC Native website – www.eitc.info/native launches, replete with tools, articles, and options for outreach
- First Nations Development Institute and other partners completed the first Native EITC workbook in March 2004 and distributed 2,500
- First Native caucus of existing and emerging VITA sites convenes in June 2004
- Native EITC listserv starts in September 2004

Changing outcomes for tribes also began to manifest during this time, not necessarily *caused* directly by the gathering, but fueled by a growing consciousness. Following the 2003 tax year, the Tohono O’odham Nation realized more than half a million dollars, with each family benefiting an average of \$1,600. A March 31, 2005 column by Rebecca Adamson, President of First Nations Development Institute (FNDI), also speculates about the “multiplier effect” of these moneys. She suggests that capturing the expenditure of these funds on-reservation can turn 150 EITC returns into a half-million dollar impact.

“The big thing is that it is a capital infusion...it is a good way to bring money into a tribal economy. EITC outreach complements other services to low-income people.” says Joanna Donohoe, a consultant to several of the most engaged national nonprofit groups and one of the founding members of the Native EITC Committee.



IN THE FIELD

Tricia Phillips began to work on the Tohono O'odham Nation in 2002. The program, started in 2001 when the Nation realized that a lot of people had to pay to have their returns filed at faraway locations. Many such locations lacked sensitivity to, or understanding of, the unique needs of tribal members as citizens of a sovereign Indian Nation and proved difficult for many members to reach with limited transport. The site's growing success is clear from its numbers:

2001 – 85 returns
 2002 – 701 returns
 2003 – 838 returns
 2004 – 1004 returns with \$616,420 coming back to the community in EITC alone, \$1,478,032 for total federal refunds

“The amount of money we bring into the community makes a big difference.” Phillips says. She notes what a difference leadership has made for her site. “We have wonderful cooperation from our chairwoman.....the comment was made that we look like an H and R Block office.” She laughs, and notes that most of their increase has been due to word of mouth. “The reasons people feel more comfortable now is that we have been here for four years. We are ok. We can be trusted. We are going to be here.” She also cites the early support from the IRS' Inter Tribal Government division, a support that many sites noted as a significant source of assistance, especially in getting started.

On the Menominee Reservation, the site is hosted by the Home buying Assistance Program in the Tribal Housing Department. The site, just launched in 2005, notes in a survey returned to FNDI, “In our first week of service, we filed approximately 20 returns.”

¹ The terms American Indian, Native American, Indian Country, and First Nations are used interchangeably to refer to the Indigenous People of the United States.

² Working to address the root causes of higher identification of returns from Indian Country, the IRS has since instituted steps to work with taxpayers on the front-end of their filings and developed and trained special teams to handle Native American returns tagged for future inquiry.

³ US Department of Treasury, Community Development Financial Institutions Fund, The Report of the Native American Lending Study, November 2001, page14

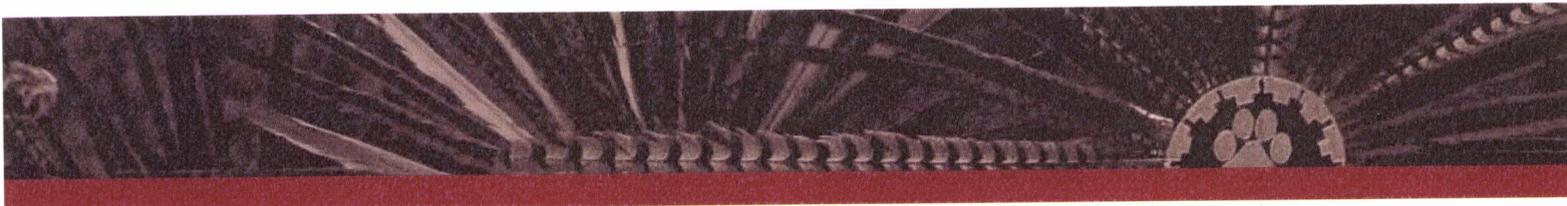
EITC can capture the imaginations of families at a unique ‘teachable moment,’ when they get a windfall of money and may be more open to the possibility of savings and investment, according to Peter Morris of FNDI. The coalition members are also at such a moment, when people have started to see results and dollars flowing back into the community. There are more sites now with track records, more national resources and attention focused on EITC and a new aspiration to take this moment of understanding still further toward securing tax credits for every Native American who deserves them.

There are now almost 40 Native sites participating in Volunteer Income Tax Assistance Programs (VITA) and/or promoting EITC at various levels. “Casey and others have created a national model,” Patsy Schramm of the IRS, and one of the early “mavens” says, “It has the potential to touch hundreds of thousands of people - and is positioning to do much more.” She is pleased that the EITC coalition has brought together so many partners. “What each participant brings to the table makes a stronger whole.” The IRS has played a role in supporting technical assistance and developing MOUs with The Department of Housing and Urban Development (HUD) and other federal agencies. The Justice Department, for example, is now offering grants to its *Weed and Seed* sites to get a VITA started and to defray its start-up costs as a result of IRS outreach.

EITC sites in Indian Country have now been integrated in one of the following ways:

- With strong, direct support by the tribal government
- Run by a tribe or nonprofit as part of a broader EITC campaign
- Housed in tribal colleges, local coalition or housing authorities
- Linked to non-native efforts operating near Native communities
- As part of the services offered by Urban Indian Centers

As captured in the examples above, there are four factors that the mavens agree predict successful EITC sites. **First** is strong tribal support. In addition to providing a credible voice for EITC, the administration can provide its offices' resources and a stronger promise of financial sustainability. **The second** is the investment of philanthropy and government in supporting and sustaining the effort over the long-term. **Third**, technical support and on-site expertise matters and can take an effort from hobbling to running. **Finally**, a coalition of groups sharing this knowledge, experience and connecting the dots to improve the quality and impact of programs raises a national awareness and provides the venue for sharing challenges and best practices.



A CALL TO ACTION

The model of the future is integrated, learns from past mistakes, and involves a host more local and national partners, or so the EITC Committee leaders envision. A number of members gathered at the Annie E. Casey Foundation on March 15, 2005 to identify means to better serve native communities by supporting and spurring more integrated models that include EITC, IDAs, CDFIs and stronger, culturally-informed financial literacy components. The group, which now includes all three of the tipping point types – connectors, mavens, and salespeople - collectively envisioned a future in which all families have what they need to thrive and to take care of themselves, with increased life options. More specifically, the group focused on options that attract more supporters, reduce Native use of predatory lenders, introduce or sustain opportunities for peer networking and peer support, and focus on integrating services to make the host of options more accessible to families.

The goals moving forward are intended to, as McGillivray says, make EITC “contagious in a good way.” These goals include:

- Instituting stronger evaluation and impact measurement, including more data and research on what works and what is needed
- Better addressing what drives families to predatory providers, namely the seduction of cash on-the-spot from the “Devil they know”
- Providing additional technical assistance, workshops and training on starting and sustaining quality programs. Tools, curriculum, and resources have been developed, but not enough tribes have been able to offer them.
- Developing more integrated service models, using the various “portals” where families enter the system and have new options to save
- Engaging a range of new national partners and coinvestors, especially foundations, national banks, and other financial institutions. Now, more mavens and connectors needed too!

Ana Marie Argilagos, Program Officer for Indian Country with the Annie E. Casey Foundation, hopes a host of new partners will jump on board after seeing the results of three years of investment. “Now, with this strong foundation laid, we hope to build a “home” that invites lots of new guests. We have only just begun to realize the potential of this effort and to show the possible return on our shared investment.”



The Annie E. Casey Foundation

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of United Parcel Service, and his siblings, who named the Foundation in honor of their mother. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today’s vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to these needs. For more information, visit the Foundation’s website at www.aecf.org.

To learn more about the Native Financial Education Coalition and the EITC Coalition please see:

<http://www.nfec.info/> or
<http://www.oweesta.org/eitc>

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