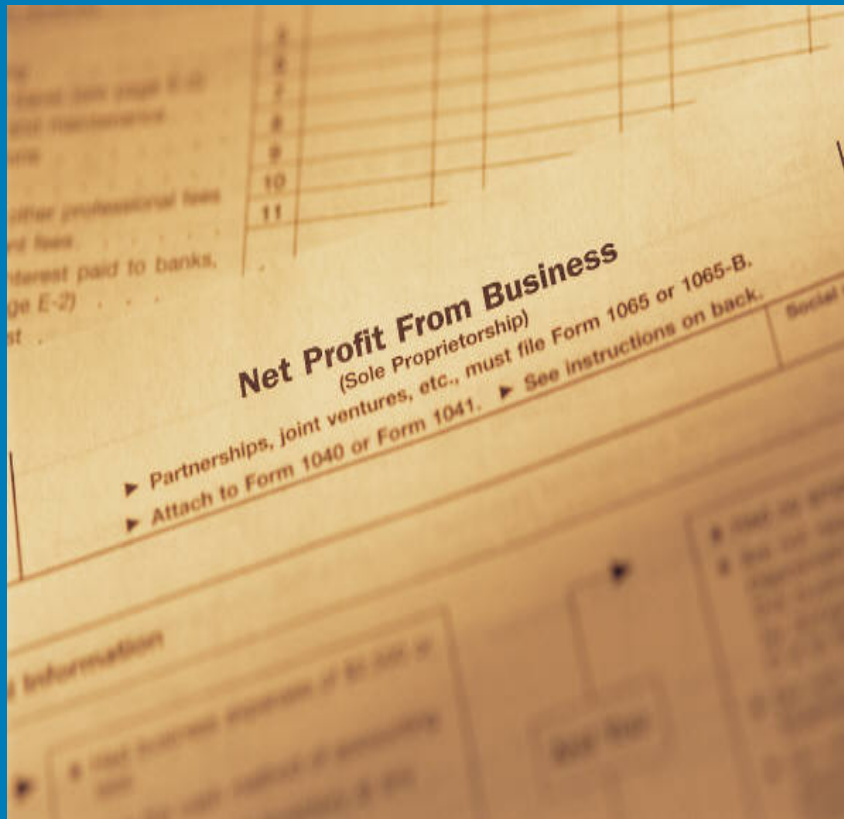


# *Microenterprise Funders Group/ EITC Funders Network*



## Tax Preparation Services for Microentrepreneurs



# Sponsors

## Microenterprise Funders Group

[http://fieldus.org/Projects/funders\\_group.html](http://fieldus.org/Projects/funders_group.html)

Contact : [elaine.edgcomb@aspeninst.org](mailto:elaine.edgcomb@aspeninst.org)

## EITC Funders Network

[www.eitcfunders.org](http://www.eitcfunders.org)

Contact: [AmiNagle@aol.com](mailto:AmiNagle@aol.com)



# A sense of the room



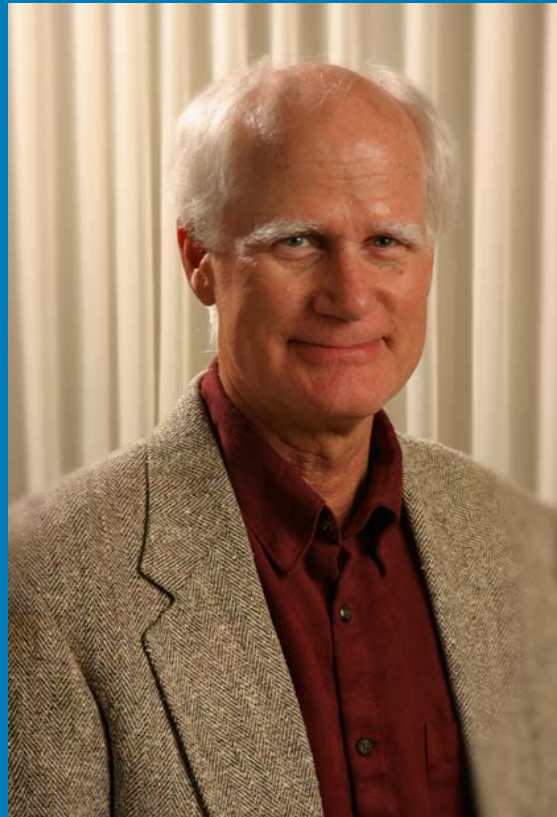
How many of you:

- Fund microenterprise development services?
- Fund EITC and tax preparation services?
- Are aware of the Making Work Pay tax credit?



The Self-  
Employment Tax  
Initiative (SETI)  
at CFED

Gene Severens  
Senior Advisor to  
SETI



Laura Arce  
Director of SETI



# SETI

- Mission: to explore and expand the use of the tax code to support business start-ups.
- Operations: (1) Self-employment tax prep demonstrations with local partners, (2) public affairs & advocacy, (3) R & D.
- Staff: Nancy Stark, Laura Arce, Alexander Villaverde, Gene Severens (consultant).
- Support from: Citi Foundation, Casey Foundation, Capital One.

# Five Important Facts (1)

1. Tax prep is a universal business portal; nearly all new businesses pass through Schedule C.
2. The self-employed are left out of the nation's tax collection and information delivery system. Unlike W-2 employees, they must figure it all out on their own.

## Five Important Facts (2)

3. In 2009, tax credits can deliver \$18.5 billion to 14.9 million SE households (avg=\$1,240/HH) (EITC + MWP)
4. Tax prep + tax credits are a way to reach “informal” businesses.
5. New web-based platforms can create user-friendly interfaces and bring scale to small non-profits.

# Self-Employment Tax Prep – the BAD news

1. Basic tax credits apply to self-employed businesses, but very few understand it.
2. IRS prohibits VITA and AARP-TCE from doing Schedule C tax prep.
3. Microenterprise programs don't do biz tax prep.
4. Big commercial tax preparers don't see the opportunity.

# Self-Employment Tax Prep – the GOOD news

1. SE biz tax prep: mandated by law.
2. Biz tax prep = intensive business training course (teaching moment)
3. Biz tax prep = safety net enrollment and asset access.
4. Tax prep provides a unique & powerful “teaching moment.”

# SETI: Lessons Learned

1. SE tax season is a truly a “magic moment.”
2. SE tax prep is already scaled-up delivery strategy.
3. Local non-profits are eager to provide this service.
4. But obstacles remain.

# SETI: Key numbers

1. 13.5 million SE filers with AGI under \$50,000.
2. 5.2 million EITC recipients were micro businesses (\$7 billion in refunds).
3. 2.0 million “first-time” Sch C filers.
4. 4-6 million (est) informal micro businesses.
5. 14.9 million (est) MWP self-employed.
6. \$6.1 billion for Sch C tax prep fees.

# Questions from Participants

Please raise your hand  
or send us a question  
via the chat feature.



# AccountAbility Minnesota

What: Dedicated SE tax prep; serving remote SE clients via technology.

Who: Specialized paid staff do Sch C.

How: (1) Weekly “Schedule C day.”  
(2) Video conferencing tax prep allows rural tax sites across serve SE clients.

Results: 600 SE filers; recordkeeping assistance, free savings accounts and financial planning services.

# Catholic Charities of San Antonio

What: Integrating SE tax prep into broad EITC outreach campaign

Who: City and VITA program partners with local business and law school.

How: Connects Schedule C tax prep with asset building opportunities such as IDAs, business development, financial literacy training and legal counseling.

Results: 1,784 SE; integrated SE tax prep into citywide EITC outreach campaign.

# Rural Dynamics, Inc. (MT)

What: Providing SE tax prep in remote rural and Native communities.

Who: VITA paid staff, reservation staff.

How: Developed culturally relevant tax prep services and nontraditional marketing outreach.

Results: 306 SE filers; established partnerships with tribal orgs to serve growing self-employed businesses.

# Campaign for Working Families (Philadelphia)

What: Urban VITA tax prep partnership with local Microenterprise Dev Org's.

Who: VITA paid staff; CPA trainer; MDO recruiters.

How: Uses Schedule C line items as micro training tool; requires training class before receiving free tax prep.

Results: 557 SE filers; established peer to peer learning through training classes.

# Foundation Communities (Austin)

What: Focus on Schedule C as training tool for volunteers and SE.

Who: Paid staff & VITA volunteers.

How: Free tax preparation plus microbusiness TA and free classes with follow-up 1-on-1 coaching.

Results: 1,901 SE filers; developed SE tax prep marketing and education “waiting room” video.

# Delaware EITC Campaign

What: Statewide SE tax prep focused on specific business sectors.

Who: Nehemiah Gateway CDC VITA paid staff and Childcare Alliance.

How: Virtual Incubator Program (VIP) assists self-employed to improve management & financial skills & long-term retirement goals.

Results: 568 SE filers; year-round program for home-based childcare providers.

# Questions from Participants

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# “Making Work Pay” (1)

1. ARRA’s MWP is available to unincorporated, self-employed businesses. *(like EITC)*
2. While 4 million self-employed eligible for EITC, 11 more million eligible for MWP tax credit.

## “Making Work Pay” (2)

3. As a biz credit, MWP could encourage tax compliance and reduce the tax gap.
4. MWP is the law & a central part of the Administration’s recovery plan, but no one knows it applies to the self-employed.

# “Making Work Pay” (3)

5. MWP for the self-employed is a “win-win-win-win” game-changer.
  - ✓ win for “1<sup>st</sup>-time filers” & self-employed,
  - ✓ win for the depressed economy
  - ✓ a public awareness win for the microenterprise movement, and
  - ✓ win for all taxpayers by reducing the “tax gap.”

## “Making BUSINESS Pay”

- MWP is a unique opportunity.
- 2-year national campaign?
- A vision: To reach out to five million self-employed start-ups with MWP tax credits and asset-building tax prep-based products and services by April 2011.

# Questions from Participants

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SETI Web site: [www.cfed.org/go/seti](http://www.cfed.org/go/seti)

Resources for self-employment tax preparation:

<http://www.cfed.org/focus.m?parentid=32&siteid=2530&id=2779>



Other webinars related to this theme are available  
at: <http://www.fieldus.org/onlineLearning.html>

## FIELD

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