Responding to a Tax Time Crisis and Opportunity:

Impact of a Rapid Response Campaign for LMI Households in Tax Season 2021

Updated
December 2021
Acknowledgments

Commonwealth is a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships. Black, Latinx and female-led households disproportionately experience financial insecurity due in large part to longstanding, systemic racism and gender discrimination. Addressing these issues is critical to Commonwealth’s work of making wealth possible for all. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over 1 million people to accumulate more than $4 billion in savings. Commonwealth understands that broad changes require market players to act. That’s why we collaborate with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. To learn more, visit us at www.buildcommonwealth.org.

Neighborhood Trust is a nonprofit social enterprise empowering workers to take control of their finances and achieve financial health. With nearly 25 years of financial coaching experience, we blend our trusted financial guidance with innovative technology solutions and actionable financial products to help workers make their paychecks go further. Neighborhood Trust embeds our services where workers get paid, access financial services and make financial decisions. Annually we reach nearly 10,000 low- and moderate-income workers across the country. For more information, visit www.neighborhoodtrust.org.

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Executive Summary

Many households living on low to moderate incomes rely on an annual infusion of cash from tax refunds. The employment disruptions of the COVID-19 pandemic made this even more true for 2020, yet major components of the refunds—namely the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC)—were at risk due to calculation formulas penalizing a drop in earned income (unemployment benefits do not count as “earned income” for tax purposes). Millions of households, disproportionately Black and Latinx, could have seen a drop in their refunds up to 80%, totalling as much as thousands of dollars, from their 2019 tax refunds.

Commonwealth, in coalition with SaverLife and Neighborhood Trust, recognized this problem and initiated a Rapid Response Campaign to raise awareness and push for solutions. Shortly after, led by policy advocates in Washington and supported by the Campaign, Congress passed a “lookback” provision, allowing taxpayers to look back to their 2019 earnings in calculating the EITC and Additional Child Tax Credit (ACTC). The campaign then shifted its focus to outreach, increasing awareness among the taxpayers who could benefit from the policy change, and equipping them with the tools to take advantage of it.

The three organizations leading the campaign capitalized on years of productive collaboration to create a centralized response, develop clear messaging, and leverage public media. Building on the policy change, their outreach helped millions of households living on low to moderate incomes receive billions of dollars of crucial assistance through their 2020 tax returns.

In March 2021, the American Rescue Plan Act (ARPA) increased both the number of families with children qualifying for assistance from the tax code through the CTC and the total amount of the credit. The Rapid Response Campaign is now applying what proved successful with lookback outreach to increase awareness and take-up of this expanded CTC.
Impact Summary

Raising Awareness through Media

8.73M
Estimated views

304
Total articles
(Approximately 11 original articles and 293 syndicated including AP, NPR, and The New York Times)

400 organizations across the country downloaded the Campaign’s messaging to share with their taxpayer clients.

More than 18 million total taxpayers reached through awareness campaign.

Community-based Partners Joined the Awareness Campaign

Newark: (Estimated reach 770 thousand)
- New Jersey Citizen Action Education Fund

Detroit: (Estimated reach 1.2 million)
- Wayne Metro Community Action Agency
- United Way of Southeastern Michigan

Atlanta: (Estimated reach 1.5 million)
- On the Rise Financial Center
Major Campaign Milestones

Because of the economic impact of COVID-19, low-income families were likely to receive thousands of dollars less in tax refunds than they usually receive.

A Rapid Response Campaign from Commonwealth, Neighborhood Trust, and SaverLife helped raise awareness of the issue.

Policy advocates in Washington, supported by the Campaign, urged Congress to pass a “lookback” provision, allowing taxpayers to look back to their 2019 earnings in calculating the EITC and Additional Child Tax Credit (ACTC).

The three organizations then shifted their focus and launched an awareness campaign and website (taxtimehub.org) reaching millions of people and driving action to take advantage of the lookback rule.

The policy and the outreach helped ensure that millions of people living on LMI received billions of dollars in a period of historic economic disruption.
Introduction

Tax time is a critical point in the year for many lower income households, because the income support received through the annual tax refund represents a key building block of financial well-being. The COVID-19 pandemic accentuated the need for financial help in 2020, but it also threatened what could be obtained through the tax code by reducing for many the earned income used to calculate eligibility. Policymakers were able to craft a fix, but then the taxpayers who could benefit needed—in just a few weeks—to learn about the new “lookback” option and how to take advantage of it on tax returns.

Commonwealth, in partnership with SaverLife and Neighborhood Trust, responded to this pressing need with a rapid response campaign. This report summarizes the underlying problem (the interplay between the tax code and the pandemic’s unique economic disruption), describes the lookback fix, and focuses on what tactics proved to be effective in the rapid response campaign and how those lessons learned can be applied going forward in a changing tax and income support environment.

Rapid Response Timeline

- **Early Fall 2020**: Commonwealth and partners realize how widespread unemployment will impact tax credits
- **November 2020**: Commonwealth hosts webinar with SaverLife and Neighborhood Trust
- **December 2020**: Congress passes stimulus bill and includes lookback, thanks to leadership of several organizations in the field
- **March 2021 - Present**: - Congress passes ARPA in March 2021, with ACTC payments starting in July
  - **March 2021 - Present**: - Rapid Response Coalition develops messaging and revamps website (taxtimehub.org) to focus on CTC
- **January 2021 - May 2021**: - Major corporate and private foundations respond by fast-tracking support for the campaign
  - **January 2021 - March 2021**: Major corporate and private foundations respond by fast-tracking support for the campaign
  - **January 2021 - May 2021**: Commonwealth, SaverLife, and Neighborhood Trust launch national awareness campaign on the lookback
  - Built website with over 100,000 visits
  - Reached over 8.73 million people through media (304 total pieces of coverage)
  - Partnered with local organizations to connect lookback messaging to local resources
How the Tax Code Provides Income Support

The federal income tax code includes provisions that deliver income support through annual return filing. The federal Earned Income Tax Credit (EITC) was created in 1975 and has expanded in size and scope to become one of the nation’s largest and most effective anti-poverty programs. The federal Child Tax Credit (CTC) has similarly expanded since its creation in 1997 to become a crucial source of income support for families with minor children.

The EITC and CTC have served two main functions: to supplement earnings, and to offset the costs of raising children. The EITC’s earnings supplement increases the amount of the credit for each additional dollar earned up to a maximum amount; the amount is held steady as earnings rise, but then starts declining at higher earnings, gradually phasing out completely. Until 2021, the CTC had an earnings link by increasing for each additional dollar earned above a minimum eligibility threshold until it reached a maximum amount. The amount received varies based on the number of children in the household.

The EITC is a fully refundable credit, meaning that the amount in excess of positive income tax liability is paid through the tax refund. Prior to this year, CTC has been partially refundable, capping the amount that can be paid based on tax liability.

2020 EITC for a Single Parent with One Child (Source: Peter G. Peterson Foundation)
The Challenge Presented by the Pandemic

The phase-ins of the EITC and CTC seek to encourage work by rewarding higher earnings. The phase-outs target income support to those considered to have the greatest need.

The interaction of the credits’ structure with the involuntary reductions in employment engendered by the COVID-19 pandemic challenged the income support objectives. For those who had earned too much to qualify for the EITC or were in the phase-out range, reduced earnings could result in a larger credit, achieving the policy goal of increasing assistance for those with greater need. However, reduced earnings in the credits’ phase-in ranges would also reduce the income support, and those unable to work could lose all eligibility. **In other words, those most needing assistance would receive less or no income support.**

This unintended policy consequence had tremendous implications for racial and gender equity. Black and Latinx households have borne the brunt of the pandemic’s economic toll. They also disproportionately **benefit from tax credits.** People of color, women, and LMI workers disproportionately suffered both initial and long-term job loss.

### Estimated Impact of COVID Unemployment on Tax Refunds If No Action Were Taken

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single parent with 2 children in Texas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earned $20k in 2019</td>
<td>$20,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Unemployment Income</td>
<td>$0</td>
<td>$17,100</td>
</tr>
<tr>
<td>Total Tax Refund</td>
<td>$8,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>(-75%)</td>
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<td></td>
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</tbody>
</table>
Raising Awareness of the Problem

Commonwealth’s ongoing work on multiple projects includes conducting interviews with LMI individuals; through this research, Commonwealth started hearing concerns about how pandemic-induced reductions in earnings would affect the tax refunds that vulnerable households depend on to make ends meet. In 2020, there were many more such households. Consultation with SaverLife and Neighborhood Trust (which regularly interact directly with affected taxpayers) evidenced this as a common concern. The three organizations hosted a webinar in November 2020 to raise awareness of the tax refund crisis that would occur in the absence of federal action. They also helped lead a nationwide coalition effort to gain a better understanding of the local dimensions of the problem and to gather additional support for rapid and meaningful action by policymakers.

The “Lookback” Solution

Issue advocates (including the Center on Budget and Policy Priorities and Prosperity Now) identified a solution to the challenge posed by involuntary earnings loss and tax credit eligibility rules: a “lookback” that would give taxpayers the option of using their reduced 2020 earnings to determine their EITC and CTC or their higher 2019 earnings.

The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 enacted in December 2020 made the lookback provision available for calculation of the 2020 EITC and CTC.
Because consumer awareness was so important, Commonwealth and partners launched a rapid awareness campaign to assist organizations that reach large numbers of LMI households. Central to the campaign was a resource hub—taxtimecrisis.org—providing organizations guidance and resources based on proven messaging.”

The Rapid Response Challenge

Two challenges remained. First, eligible taxpayers needed to know about the availability of the lookback and how to utilize it. The income support provided by the EITC and the CTC requires direct action by eligible households through filing a tax return, and it is up to the taxpayer to ensure that the return is compiled accurately to receive the available benefits. To take advantage of the lookback, that meant having the prior year's tax return and correctly following guidelines on how to enter it. Second, there was little time to increase awareness between enactment of the policy change and the start of the tax return filing season in January 2021.

Because consumer awareness was so important, Commonwealth and partners launched a rapid awareness campaign to assist organizations that reach large numbers of LMI households. Central to the campaign was a resource hub—taxtimecrisis.org—providing organizations guidance and resources based on proven messaging. To test the messaging, SaverLife surveyed its members to assess the efficacy of several different expert-designed messages and Neighborhood Trust interviewed clients to understand which messages were effective in generating interest in learning more. The website also incorporated the tested communication strategies in providing taxpayers specific information about how to utilize the lookback.
Driving Action in a Crisis

The rapid response campaign was successful in increasing awareness of the benefits offered by the EITC and CTC lookback option and how to take advantage of it. The key elements that proved effective were building strong partnerships, creating a centralized response, developing clear messaging, and leveraging public media. All of these were built on a foundation of years of collaboration and relationship-building.

Strong Partnerships

The rapid response campaign led by Commonwealth, SaverLife, and Neighborhood Trust worked closely with On the Rise (Atlanta), New Jersey Citizen Action Education Fund (Newark), United Way of Southeastern Michigan and Wayne Metro Community Action Agency (Detroit), and the City of Boston. These local partners amplified the tested messaging by utilizing their deep connections with affected individuals and communities to reach over 3 million people.

An example of the value of strong local partnerships was the City of Boston’s Economic Mobility Lab and Mayor’s Office of Financial Empowerment, which leveraged their networks of internal and external connections and media relationships to spread awareness of the lookback. Neighborhood liaisons distributed flyers about tax return filing and the lookback option throughout Boston. Media outreach included El Planeta (a local Spanish-language magazine), the Immigrant Service Media Roundtable facilitated by the Mayor’s Office of Immigrant Affairs, and digital billboards in bus shelters. United Way of Massachusetts Bay and Merrimack Valley included lookback information in its partner newsletter. Responding to these efforts, the Massachusetts Society of Certified Public Accountants created an EITC calculation template for member use in return preparation. In total, these efforts reached several hundred thousand people.
The United Way of Southeastern Michigan and Wayne Metro demonstrate another example of the powerful impact of local outreach efforts—in this case leading to the creation of a website, GetTheTaxFacts.org, television, radio, social media, and print ads, as well as direct mail. Combined, those efforts reached over a million people in the Detroit area. Building on the marketing work done through the lookback, those organizations built a much larger campaign with a more targeted focus on reaching families with children at risk of failing to claim the new expanded Child Tax Credit.

Centralized Resource

Essential to the rapid response campaign’s success was creating a single online resource hub that was accessible by both intermediary organizations and individual LMI households. TaxTimeCrisis.org (since renamed the Tax Time Hub) was easy to publicize and to access. During tax season, the website hosted over 104,000 sessions. The Tax Filers page offering practical guidance to taxpayers received over 60,000 page views. The page linked to tools developed by leading organizations to ensure visitors had access to the full range of high quality resources.

Clear Messaging

In partnership with SaverLife and Neighborhood Trust, Commonwealth used surveys and interviews to test consumer messaging. This consumer engagement highlighted the need to translate the complex language of the tax code into clear and concise communication accessible to the lookback’s intended beneficiaries. Nearly 2,000 organizations and individuals downloaded the tested messaging. Commonwealth and its partners also shared the messaging directly with about 400 organizational partners, including financial institutions (such as Tucson Federal Credit Union and Desert Financial Credit Union), fintech firms (including Propel, developer of tools such as the Fresh EBT app for managing food assistance benefits), local governments (Chicago, Rochester (NY), Madison (WI), and San Francisco, among others), regional United Ways (in Texas, Ohio, and Tennessee, for example), and national, regional, and local nonprofit organizations (such as Prosperity Now, Financial Health Network, CASH Campaign of Maryland, and Women’s Foundation in Minnesota).
The rapid response campaign aimed to reach people not only through trusted organizations but through the broader reach of popular sources of news and information. The public media campaign resulted in 304 pieces of coverage in national press and broadcasting (including Washington Post, New York Times, USA Today, Barron’s, and ABC News) and web-based sources of financial news and money advice (including Yahoo!Finance, NerdWallet, and MarketWatch). The public media campaign reached an estimated 8.73 million Americans.
Looking Ahead

Commonwealth and its partners played a role in meeting the challenge arising from the COVID-19 pandemic's disruption of earnings and its effects on EITC and CTC benefits. This success has equipped organizations and individuals to take advantage of a new opportunity provided by additional changes to the tax code, applying the lessons learned in the rapid response campaign.

A New Approach to Tax-Based Income Support

The American Rescue Plan Act (ARPA) enacted in March 2021 includes a new approach to providing income support through the tax code. In addition to an extended lookback option (and other temporary EITC expansions), the CTC for tax year 2021 will no longer require earned income to establish eligibility. The CTC amount per child is significantly larger, and half of the assistance is automatically disbursed in advance through monthly payments over the second half of 2021. ARPA also increased LMI eligibility for assistance with the costs of child and dependent care by making the Child and Dependent Care Tax Credit (CDCTC) fully refundable. The CDCTC will be particularly important this upcoming tax season to ensure families get the largest refunds possible.

These changes—which Commonwealth and other organizations are seeking to have extended beyond 2021—represent an enormous opportunity to reduce financial vulnerability immediately and to enable a more secure financial future.

Applying Lessons Learned

As with 2020's lookback provision, the benefits afforded by the tax code changes in the American Rescue Plan Act—and potentially follow-on legislation—will require action by eligible households. Moreover, the population of eligible beneficiaries is now much broader, encompassing households that may have never filed an income tax return. The communications challenge is different, but the lessons learned from the lookback rapid response campaign provide a roadmap for success.

- **Strong Partnerships**—Commonwealth is continuing to work broadly with national partners SaverLife and Neighborhood Trust and with local partners to ensure wide dissemination of CTC messaging. We are engaging the private sector, including financial services and large employers, on understanding the impact of the expanded tax credits on households and what role the private sector can play in advancing it.

- **Centralized Resource**—Commonwealth has already revamped the website to become the Tax Time Hub, focused on providing its target audience of organizations that reach and serve LMI households with the necessary resources and tools for effective communication about the expanded CTC. We will expand the site to compile the latest research and insights on the impact of expanded tax credits on family financial well-being as a resource for organizations looking to understand the impact of the CTC.
■ **Clear Messaging**—Commonwealth is working with SaverLife and Neighborhood Trust to test with their members messaging that will ensure that LMI households can take the best advantage of the expanded CTC and tax refunds in 2022.

■ **Public Media**—Recognizing the role of media outlets in communicating to the broad population of households that will benefit from the expanded CTC and other credit enhancements, Commonwealth has already placed several stories, including:
  - *The Hill*: Missing voices in the Child Tax Credit frenzy—parents
  - *MONEY Magazine*: Child Tax Credit Payments Have Failed to Reach Many Vulnerable Families. Can Local Campaigns and PTA Moms Fix That?
  - *American Banker*: What the child tax credit—a windfall for families—means for banks

We will continue to adapt to the changes of the tax code, focusing on the opportunity presented by the expanded tax credits for tax season 2022.

### Conclusion

The economic disruption resulting from the COVID-19 pandemic has overwhelmingly fallen on challenged LMI households. The involuntary loss of earnings could have been magnified by significantly smaller tax refunds due to EITC and CTC eligibility rules devised to incentivize work. Avoiding this compounded financial disaster required rapid and dramatic action. A broad coalition of cross-sector partners from the field made policymakers aware of the lookback option that would address the problem and made sure it was implemented. It then became imperative to design and deploy effective messaging strategies and resource tools to ensure utilization of the option by the taxpayers who could benefit. The lessons learned from this rapid response campaign provide a blueprint for future efforts to ensure that LMI households take full advantage of opportunities afforded by the tax code to reduce financial vulnerability and build a more secure economic future.

*December 10, 2021: This report was republished to correct an error on number of estimated views of published articles. The correct estimate is 8.73mm. Number of Coverage articles was also updated to reflect most current data as of December 2021.*

If you would like to learn more about this campaign or our ongoing work in tax time awareness and advocacy, please contact Jason Ewas, [jewas@buildcommonwealth.org](mailto:jewas@buildcommonwealth.org).