

# UNITED WAYS OF CALIFORNIA REPORT ON THE VITA COMMUNITY SURVEY

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## Executive Summary

**Vision & Goals:** United Ways of California conducted this study to examine how people from low-to-moderate-income households are affected by their financial situations, including their use of financial services, borrowing funds or using credit cards, their ability to keep up with bills, their perceptions of their own financial well-being, and their feelings of stress around finances, and how those might affect their attitudes, behaviors, well-being, and actions around financial decisions, including tax filing.

**Methodology:** The study involved a survey of more than 5,000 low-to-moderate-income households, with close to 3,000 completing the entire survey. The survey included two open-ended questions that were analyzed using qualitative methods. United Way Ambassadors provided feedback on the initial results, helping to make sense of the findings.

## Key Findings:

- **Significant Financial Hardship:** Only 19% of respondents can pay bills on time. Nearly a quarter have been late on housing expenses in the last two years.
- **Reliance on Credit:** 46% use credit cards for essential expenses, and 53% carry a balance forward. 13% use tax refund anticipation loans, above the national average of 2.4%.
- **Limited Financial Planning:** Most respondents (79%) feel unable to plan ahead financially. 65% cannot cover a \$500 emergency expense with cash or a credit card paid in full by the next statement. Despite these hardships, respondents report similar levels of financial stress and well-being compared to national

averages, suggesting resilience. An interesting finding is that those unable to pay bills on time had higher financial well-being scores, possibly indicating strategic management of limited resources.

- **Financial Inclusion:** One-third of respondents are unbanked, higher than the national average. Those without a Social Security Number (SSN) are more likely to be unbanked. Few respondents use non-bank financial services like apps or prepaid cards, lower than the national average. Use of check cashers, pawnshops, and payday lenders is similar to national data. Banked individuals report lower financial well-being and higher stress, potentially due to high bank fees, mistrust in banks, and difficulty managing accounts.
- **Tax Filing Behavior:** 82% of respondents filed taxes in the last 12 months. Those who didn't cited confusion, thinking they weren't required to, or not expecting a refund. One-third of tax filers did not use VITA. Many had never heard of it, potentially due to language barriers. People with an SSN are more likely to file taxes and use VITA. Unbanked individuals are less likely to file taxes. Surprisingly, those who manage finances by delaying bill payments are more likely to file taxes and use VITA, indicating strategic financial management under tough circumstances.

## **Recommendations:**

- **Increase Awareness of and Access to Refundable Tax Credits:**
  - Increase funding for outreach and awareness of refundable tax credits like the California Earned Income Tax Credit (CalEITC) and Earned Income Tax Credit (EITC).
  - Expand targeted outreach about tax credits to Spanish speakers, people without SSNs, people who are unbanked, and people who are highly stressed about their finances.
  - Advocate for pre-filled tax returns for low-income households and automatic distribution of refundable credits.
  - Inform community members accessing public benefits about refundable tax credits and free tax preparation assistance.
- **Continue and Expand Free Tax Filing and Assistance Options, Including VITA:**

- o Increase state and federal funding for free tax preparation assistance programs to enhance capacity and outreach.
- o Increase the number of VITA volunteers and staff who have shared lived experiences with community members accessing services and can provide culturally competent services.
- o Partner with other programs and services as an entry point to VITA to create holistic wrap-around services.
- o Increase VITA's visibility year-round to build awareness and trust.
- o Support continued implementation of and expanded eligibility for the IRS Direct File tool.
- **Protect and Empower Community Members with Information and Expanded Options:**
  - o Improve banking accessibility for low-income households, especially those without SSNs or Individual Taxpayer Identification Numbers (ITINs).
  - o Inform all VITA clients about banking options, including no-overdraft accounts.
  - o Provide culturally competent financial counseling that is rooted in an understanding and respect for community members' financial decisions.
  - o Streamline public benefits enrollment to help community members save on expenses and increase their financial well-being.
  - o Pass legislation to prevent price gouging by paid preparers of tax returns and ITIN applications.

## **1. Vision & Goals**

United Ways of California undertook this study to examine how people from low-to-moderate households are affected by their financial situations, including their use of financial services, borrowing funds or using credit cards, their ability to keep up with bills, their perceptions of their own financial well-being, and their feelings of stress around finances, and how those might affect their attitudes, behaviors, well-being, and actions around financial decisions, including tax filing.

This report describes the results of a survey of more than 5,000 (close to 3,000 of whom completed the entire survey) low- and moderate-income households,

supplemented with input from two focus groups. Dr. Annie Harper of the Program for Recovery and Community Health at Yale School of Medicine advised on the design of the survey and focus group questions, conducted the focus groups, and interpreted the results, and Mockingbird Analytics assisted with conducting the survey, collecting data, and analyzing the results.

## **2. Background**

The federal Earned Income Tax Credit (EITC) is the largest, most successful national anti-poverty program in the United States (Marr et al 2015, Hoynes et al 2016). It provides a credit of between \$632 to \$7,830 at varying levels for households making up to \$66,819 (2024 figures<sup>1</sup>). The EITC pulls millions of children out of poverty and has multiple positive behavioral and health impacts for parents and children (Averett & Wang, 2013; Hamad & Rehkopf, 2015; Lenhart, 2019; Maguire-Jack et al., 2022; Rehkopf et al., 2014; Shields-Zeeman et al., 2021; Simpson et al., 2021; Strully et al., 2010). Combined with the federal Child Tax Credit, another refundable tax credit (providing cash to those eligible), and state refundable earned income and child tax credits where available, it is the most effective pathway to lifting households out of poverty.

As a key means of ensuring access to the cash that comes from refundable credits like the EITC, the Volunteer Income Tax Assistance (VITA) program offers free tax preparation services to income-eligible people, enabling filers to complete their tax returns without incurring fees to a paid tax preparer while accessing the full range of credits which they are eligible to receive. Research has shown the importance of VITA as a successful anti-poverty program in the United States, with substantial positive health impacts from access to tax credits including the EITC and CTC.

United Way has a long and successful relationship with VITA. United Ways of California partners engage in VITA and tax credit outreach as an important part of their economic mobility work and have been doing so for decades. In California, they funded, led, or supported about two-thirds of the total VITA sites across the state. In 2023, 18 California United Way partners supported VITA programming and processed 85,430

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<https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables>

returns, helping community members save an estimated \$29.9 million in free tax preparation fees.

After years of advocacy efforts, California United Ways helped establish the California Earned Income Tax Credit (CalEITC) in 2015. Since then, they have continued to advocate for larger and more inclusive credits and have successfully expanded CalEITC eligibility to people who are self-employed, people ages 18-24 and 65 and over, and people with Individual Tax Identification Numbers (ITINs). According to the Franchise Tax Board, in 2023, Californians claimed \$1.3 billion in California Earned Income Tax Credits and Young Child Tax Credits.

California United Ways have continued to be a leader in these spaces. United Ways of California serves as one of the co-leads of the CalEITC Coalition, continues to advocate for larger and more meaningful tax credits, and provides free tax preparation in nearly every region in California.

### **Cindy's Story**

Cindy is a single mom with three girls living in Northern California. Despite working full time as a medical receptionist, Cindy struggled to make ends meet and plan for her future. When Cindy first learned of free tax preparation assistance through VITA, she and her three daughters were experiencing homelessness and living in a shelter. Cindy visited a VITA site and was able to get her taxes done for free. After filing her state and federal returns, Cindy received the following refund, dramatically changing the trajectory of her family's life:

Federal Earned Income Tax Credit: \$6,629  
Recovery Rebate: \$1,100  
Child Tax Credit: \$4,200  
California Earned Income Tax Credit: \$347  
Young Child Tax Credit: \$1,000  
Other: \$822  
Total Refund: \$14,098

With a substantial tax refund, Cindy was able to pay off some medical debt and move into stable housing with her children. Additionally, Cindy was able to get connected to a network of support through United Way.

Despite its positive impact, over 20% of eligible people do not claim the EITC, leaving billions of dollars unclaimed (Goldin, 2018; Maag, 2021). Of this group, 64% do not file their taxes at all. Research by the IRS found that people who do not claim the EITC despite being eligible are more likely to live in rural areas, be self-employed, receive disability income or have children with disabilities, lack English proficiency, be grandparents raising grandchildren, be workers without children, or have recently changed marital or employment status (Service, 2020). Some research suggests that reasons for EITC-eligible people not filing their taxes include not knowing they are eligible for the EITC, the hassle of filing/claiming, confusion about how to file/claim, limited bandwidth, not bothering due to expecting a low EITC amount, and fear of being audited (Bhargava & Manoli, 2015; Micheltmore & Pilkauskas, 2022).

Of those who do claim the EITC, more than 60% use paid preparers, which means they pay fees to file their taxes and increase their exposure to predatory financial practices, such as advance refund loans charging high interest rates. Paid preparers may also not actively look for tax credits that their customers may be eligible for. Minorities, people with lower educational attainment, and lower-income people are more likely than others to use a paid preparer (Hayashi, 2016; Weinstein & Patten, 2016). Given the high numbers of people who fail to maximize their benefit from the EITC, either because they use paid preparers or do not file their taxes at all, it is crucial that community-based organizations and state agencies work to increase tax filing among this group and that steps are taken to increase use of the VITA program.

Research suggests that reasons why people choose a paid preparer rather than using a VITA site might include limited VITA sites, operating hours, volunteers available, and marketing, all resulting from historically insufficient funding to reach all eligible filers. Other reasons may include confusion about eligibility; VITA's inability to offer immediate access to funds through loan products that paid tax preparers offer and which EITC claimants use at higher rates than others; mistrust of free programs; stigma associated with programs for "low-income" people; trust in professional, brand-name preparers and feeling "safer" in case of audit (people receiving EITC are much more likely to be audited than other groups); and concern that the VITA preparer will not maximize the overall refund as much as a paid preparer (Cords, 2009; Halpern-Meekin et al., 2015; Joint

Committee on et al., 2017; Linos et al., 2022; Sykes et al., 2015; Wu & Best, 2017). Important work is being done to improve VITA outreach, including through locating services at pediatric clinics (Marcil et al., 2021; Markowitz, 2022). United Ways of California already invests significant resources in VITA outreach and education, and has taken steps to improve those efforts, including building a statewide free tax preparation coalition with trusted partners across the state, maintaining and improving the tax filing experience by gathering feedback from community members, managing a successful text-message-based outreach program, and advocating at the state level to expand tax credits and make free filing accessible to more people by increasing education and outreach funding and removing eligibility barriers.

In this context, United Ways of California undertook this study to learn more about the constraints facing the low- and moderate-income households their VITA programs seek to serve, and specifically how people's financial stress may affect their attitudes, behaviors, and actions around financial decisions, including tax filing. The objective of this study was to better understand the impacts of financial stress, possible options to reduce that stress, and additional barriers to tax filing and use of VITA to ensure that future outreach efforts are as effective as possible.

The questions that United Ways of California wanted to explore include:

1. **Use of Financial Services:** What financial services are people using? How do people manage their money? Do they have bank accounts, or do they use non-bank services or cash? Are they taking on debt, and if so, what types of debt?
2. **Financial Health:** What is the state of people's financial health? How prevalent is financial hardship? Are people finding it difficult to keep up with their expenses, or are they falling behind on bills? Are they able to plan ahead financially? What are their options in case of an emergency expense?
3. **Financial Stress, Anxiety, and Shame:** To what extent are people experiencing stress related to their financial situations? What form does that stress take?
4. **Documentation Status:** Is documentation status a factor that shapes people's financial attitudes and behavior?

5. **Tax-filing Behavior:** Are people filing taxes, and if so, what preferences do they have about how they file? Why do some people use VITA and others do not? Do use of financial services, financial health, financial stress, or a person's documentation status affect tax-filing behavior?

### **3. Methodology**

A review of relevant research on financial stress and VITA program access guided the approaches and perspectives related to the project while ensuring the implementation of evidence-based practices. United Ways of California contracted with Mockingbird Analytics (MA) and Dr. Harper to conduct the research.

#### ***3.1 Developing the Survey Instrument***

To better understand the questions outlined above, United Ways of California and the research team collectively developed a survey instrument over a four-month period in 2023. When designing the survey questions, the team prioritized participants' psychological safety and accessibility while ensuring that they could gather necessary data to begin answering established research questions and project goals.

Some questions replicated validated instruments so that we could compare findings of this study with existing data (e.g., the Consumer Financial Protection Bureau [CFPB] Financial Well-Being [FWB] Scale). Other questions were tailored to the specific context; for example, questions about income included answer options relevant to the California benefits system. The study carefully considered how to ask about documentation status given the sensitivity of this issue. Though this information is sensitive, the team considered its necessity for understanding a fuller picture of tax-filing behaviors. The team decided to include a question asking whether the person has a Social Security Number (SSN), an Individual Taxpayer Identification Number (ITIN), or neither, with the aim of using both "ITIN" and "Neither" responses as a proxy for being undocumented. To reassure respondents that we were not collecting definitive information about documentation status, the team added the following statement: "Be assured that ITIN numbers are issued regardless of immigration status, so do not indicate the taxpayer's immigration status or right to work in the United States."



Each question was developed based on its relevance to our research goals and questions. We began by identifying which financial issues were most important to explore. We asked about income amount and sources, tax-filing behavior, and the use of financial services (e.g. banks and prepaid cards), financial technology apps (e.g. Venmo, CashApp), and non-bank alternative financial services (AFS) such as payday lenders. We used several validated measures to assess financial well-being, credit, financial behavior, as well as financial stress and shame. We also adapted existing institutional trust measures to understand levels of trust in financial service providers and tax preparers, including VITA. Two open-ended questions asked about experiences using VITA and “anything else” that the respondent wanted to share regarding their financial situation.

To assuage any concerns that potential respondents might have about confidentiality, the survey began with a statement explaining why the study was being conducted and assuring participants that their responses would be completely confidential. No personal identifying information was collected in connection to their responses. The final survey instrument is attached as Appendix 1. The final survey was developed on Survey Sparrow, distributed via text, and designed to be answered on a smartphone.

### **3.2 Recruitment**

The survey population was drawn from four different groups, two of which were divided by language of preference; i) a text listserv of people who have asked for information about VITA in the past – English and Spanish; ii) a text listserv of food and farm workers who were provided with funds by the USDA Food and Farm Workers Relief (FFWR) fund during the COVID-19 pandemic and who consented to receive information from United Ways of California after receiving services – English and Spanish; iii) a text listserv of people who received rent relief during the COVID-19 pandemic (RENT) and iv) a text listserv of people to whom Lyft provided Lyft credits to attend vaccination and medical appointments during the COVID-19 pandemic (LYFT). Prior outreach through these mailing lists have shown that United Ways of California has built a sense of trust with community members, which could augment the veracity of responses. Recruitment took place through four campaigns, each of which offered a different type of incentive for participation. Note that the first two campaign incentives were limited so that not all

participants received the incentive; they were informed of this in advance of taking the survey. Table 1 shows details of each campaign.

**Table 1. Recruitment methods**

Campaign	Incentive offered	# sent text	Group	Date text sent	# completed surveys
Campaign 1	\$30 gift cards	10,000	5,000 Free Tax Prep English	November 7, 2023	315
			1,136 Free Tax Prep Spanish 3,864 USDA FFWR Spanish	November 14, 2023	492
Campaign 2	\$15 gift cards	10,000	5,000 Free Tax Prep English/no language provided	November 28, 2023	174
			2,500 USDA FFWR English 2,500 USDA FFWR Spanish	December 5, 2023	350
Campaign 2.5	\$15 gift cards	5,000	1,136 Free Tax Prep Spanish 3,864 RENT	December 12, 2023	245
Campaign 3	Two raffle prizes of \$150 gift cards	15,000	1,541 RENT 2,500 USDA FFWR English 964 USDA FFWR Spanish	December 14, 2023	325
			5,000 Free Tax Prep English/no language provided	December 19, 2023	195
			5,000 RENT/LYFT	December 21, 2023	510

After clicking on the link and completing the survey, participants were sent to a landing page where they could input their name, email, and phone number to receive whichever incentive was offered for that campaign. The contact information for participants could not be connected back to specific survey responses.

### **3.3 Quantitative Data Analysis**

Of the 5,106 people who responded to our survey, 2,794 completed the survey; the rest answered some questions but did not complete the entire survey. Of the 2,794 respondents, 1,623 completed the survey in English and 1,171 completed an identical survey in Spanish.

The quantitative portion of the survey asked questions about the following topics (each survey question was analyzed based on its full response rate):

- Financial service use (e.g. *What tools did you use to receive, store, and manage your money in the last 12 months?*)
- Use of tax preparation services (e.g. *Did you file your taxes in the last 12 months? What is most important to you when filing your taxes?*)
- Trust in financial institutions (e.g. *Rank your level of trust in banks and credit unions with a physical location*)
- Financial well-being (e.g. *I am just getting by financially*)
- Financial hardship (e.g. *In a typical month, how difficult is it for you to cover your expenses and pay all your bills?*)
- Financial planning (e.g. *My household plans ahead financially*)
- Credit (e.g. *How would you rate your credit score?*)
- Financial stress (e.g. *What do you feel is the level of your financial stress today?*)
- Financial shame (e.g. *When I think about finances, I want to hide*)

A key limitation is that the survey respondents are very different from the general US population. For instance, survey respondents were much more likely to be women of color from low-income households than the general population. While women make up about half of the country's and California's population, almost 70% of respondents in this study identified as female (U.S. [Census](#), 2020). Similarly, white, non-Hispanic people comprise 60% of the national population and 57% of the California population, but only

35% of this study sample (U.S. [Census](#), 2020). Finally, with 30% of respondents reporting approximate household incomes under \$15,000, 35% reporting between \$15,000 and \$30,000, 20% reporting between \$30,000 and \$50,000 and 15% of respondents reporting household incomes over \$50,000, this is a lower-income population than average across California or the nation. While this might pose a limitation to the national representativeness of the current study, the data offer unique insight into the financial experiences of a population targeted by VITA services.

### **3.3.1 Statistical Approach**

SPSS 29.00 was used to conduct statistical analysis. Statistical power thresholds were calculated prior to the dissemination of this cross-sectional survey, and the 2,794 complete responses collected far exceeded the necessary number of responses for adequate statistical power for all tests conducted. All statistical tests run were assessed for statistical significance using an alpha level of 0.05.

Respondents' financial well-being scores were calculated based on the CFPB FWB Scale, a validated instrument. Higher scores on this scale reflect a higher degree of financial well-being, whereas lower scores correspond to a lower level of financial well-being. Instructions for scoring were taken directly from the CFPB guidelines: [https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcftp\\_fin-well-being\\_short-scorecard.pdf](https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcftp_fin-well-being_short-scorecard.pdf)

Independent samples *t*-tests were used to ascertain potential differences in mean CFPB financial well-being scores for those who reported filing taxes in the past 12 months (responded "Yes" to the question "Did you file taxes in the past 12 months?") versus those who reported that they did not file taxes in the past 12 months (responded "No" to the question "Did you file taxes in the past 12 months?").

Independent samples *t*-tests were used to assess potential differences in mean CFPB financial well-being scores for those who used VITA to file their taxes in the past 12 months versus those who filed their taxes using any other method. To group these variables in binary, responses to the question "How did you file?" were grouped into respondents who filed using VITA ("I used VITA free tax preparation service") and those

who filed using any other tax preparation method (“I visited a professional tax preparer in person and paid them to do it for me”; “I paid an online service”; “I self-filed online (for free)”; “I self-filed on paper”; “I paid someone I know to do it for me”).

Independent samples *t*-tests were used to assess potential differences in mean CFPB financial well-being scores for those who are banked versus unbanked. To group these variables in binary, responses to the question “Currently, what tools do you use to receive, store, and manage your money?” were grouped into “banked” (those who responded “I have a checking and/or savings account at a bank or credit union that I can visit in person at a physical location” or “I have an account at a digital, online only bank”) and “unbanked” (those who responded “I have a payment app that allows me to receive and store money in the account”; “I have a prepaid card on which I receive payments or can load or reload funds to spend or withdraw cash from the ATM”; or “None of the above”).

Independent samples *t*-tests were used to ascertain potential differences in mean CFPB financial well-being scores for respondents who reported having an SSN versus those who do not have an SSN. These variables were grouped based on responses to the question “Do you have an SSN or an ITIN?”, with respondents who selected “SSN” grouped into the “SSN variable” and those who responded “ITIN” and “Neither” grouped into the variable “No SSN.”

Independent samples *t*-tests were used to determine potential differences in mean CFPB financial well-being scores for respondents who reported paying their bills on time in comparison to respondents who reported not paying their bills on time. To group these responses into binary categories, the Likert-type question “I pay my bills on time” was grouped into two categories. The first category “Pays bills on time” represented respondents who selected “Completely agree” and “Agree” for this question; the second category “Does not pay bills on time” represents respondents who selected “Neither agree nor disagree,” “Disagree,” or “Completely disagree.”

Once again, independent samples *t*-tests were used to assess potential differences in mean CFPB financial well-being scores for respondents who reported ever having been

late on rent or mortgage versus those who were never late on rent or mortgage. “Ever late on rent or mortgage” grouped individuals who responded “Once” or “More than once” to the question “How many times have you been late with your rent or mortgage payments in the last 2 years?” while “Never late on rent or mortgage” represented the respondents who selected the response “Never.”

Independent samples *t*-tests were used to determine potential differences in mean CFPB financial well-being scores for respondents based on their membership in the binary categories listed in Table 2. The responses associated with each binary category are included for each question.

**Table 2. Binary categories**

Question	Category 1	Category 2
Did you file taxes in the past 12 months?	Yes	No
How did you file?	VITA <ul style="list-style-type: none"> <li>I used VITA free tax preparation service</li> </ul>	Other <ul style="list-style-type: none"> <li>I visited a professional tax preparer in person and paid them to do it for me</li> <li>I paid an online service</li> <li>I self-filed online (for free)</li> <li>I self-filed on paper</li> <li>I paid someone I know to do it for me</li> </ul>
Currently, what tools do you use to receive, store, and manage your money?	Banked <ul style="list-style-type: none"> <li>I have a checking and/or savings account at a bank or credit union that I can visit in person at a physical location</li> </ul>	Unbanked <ul style="list-style-type: none"> <li>I have a payment app that allows me to receive and store money in the account</li> <li>I have a prepaid card on which I receive payments or can load or reload funds</li> </ul>

Question	Category 1	Category 2
	<ul style="list-style-type: none"> <li>I have an account at a digital, online only bank</li> </ul>	<ul style="list-style-type: none"> <li>to spend or withdraw cash from the ATM</li> <li>None of the above</li> </ul>
Do you have an SSN or an ITIN?	SSN <ul style="list-style-type: none"> <li>SSN</li> </ul>	No SSN <ul style="list-style-type: none"> <li>ITIN</li> <li>Neither</li> </ul>
I pay my bills on time (Likert)	Pays bills on time <ul style="list-style-type: none"> <li>Completely agree</li> <li>Agree</li> </ul>	Does not pay bills on time <ul style="list-style-type: none"> <li>Neither agree nor disagree</li> <li>Disagree</li> <li>Completely disagree</li> </ul>
How many times have you been late with your rent or mortgage payments in the last 2 years?	Ever late on rent or mortgage <ul style="list-style-type: none"> <li>Once</li> <li>More than once</li> </ul>	Never late on rent or mortgage <ul style="list-style-type: none"> <li>Never</li> </ul>

These same binary categories were used to assess differences in the mean financial stress level score among groups. Mean financial stress level was calculated using respondents' raw 10-point Likert scale response to the question "What do you feel is the level of your financial stress today?"

To further assess socio-demographic impacts on these results, Pearson Chi-Square and Fisher's Exact Test analyses were conducted to assess the association between variables and, for any statistically significant associations, odds ratios were calculated to assess the directionality of these relationships.

**3.4 Qualitative Data Analysis**

Of a total of 1,623 survey responses in English, 554 provided qualitative statements in response to the first open-ended question asking about their experiences using VITA and suggestions for improvement, and 330 provided qualitative statements in response

to the second open-ended question asking if there was anything else they wanted to share about their finances. Of the total of 1,171 responses in Spanish, 352 provided qualitative statements in response to the first open-ended question asking about their experiences using VITA and suggestions for improvement, and 506 provided qualitative statements in response to the second open-ended question asking if there was anything else they wanted to share about their finances. To analyze these statements, two analysts divided the responses by language and then separately reviewed the comments to create a draft code book. They then met to discuss their findings and came to consensus on a code book. They then used that code book to code all the statements.

### ***3.5 Consultation with United Way Ambassadors***

The United Ways of California Ambassador Program is made up of community members from across the state who have used United Way programs like VITA, share similar past or current lived experiences with many of those United Way is dedicated to serving, and are dedicated to sharing their stories and speaking up about issues Californians are facing. After analyzing the survey data, we shared the preliminary results with the Ambassadors and held two focus group meetings to discuss their perceptions of the findings, which are incorporated into our results.

## **4. Results**

### ***4.1 Respondent Characteristics***

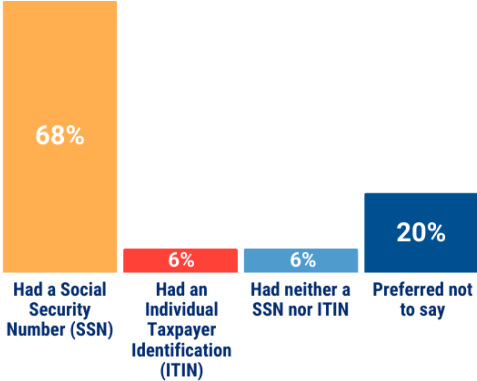
To understand the demographics of participants, we included questions about age, race, ethnicity, gender, gender identity, sexual orientation, education level, language spoken, zip code, and number of people living in the household, by age. Of the respondents who provided demographic information (the number of people who answered each question is provided):

- The average age of respondents was 44 (N=5,106).
- Most respondents (58%) identified as racially “other.” White respondents comprise 23% of the sample population, 7.3% identified as Indigenous, 5.3% as Black, and 3.5% as Asian. Less than 2% identified as Middle Eastern, Native American, or Pacific Islander (N=2,813).



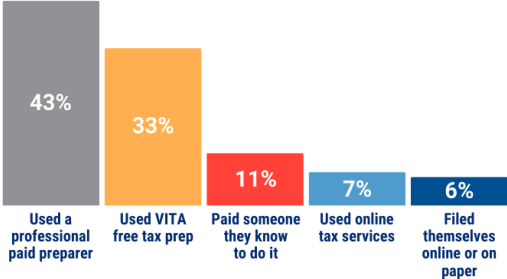
- 76% of respondents identified as Hispanic/Latinx (N=4,777).
- 69% of respondents identified as female (including transgender female respondents) and 30% as male (N=4,511).
- 36% of respondents had completed some high school, and 25% had a high school diploma or a GED. 17.4% completed some college, 8.2% received an Associate's degree or completed a 2-year program, 7.9% received a Bachelor's degree or completed a 4-year program, 3.1% received a professional/trade degree, and 2.5% received a postgraduate degree (N=2,464).
- 69% of respondents reported speaking Spanish and 57% English.
- 68% had a Social Security Number (SSN), 6% had an Individual Taxpayer Identification Number (ITIN), 6% had neither, and 20% chose "prefer not to say" (N=4,043).

**Respondent Characteristics**



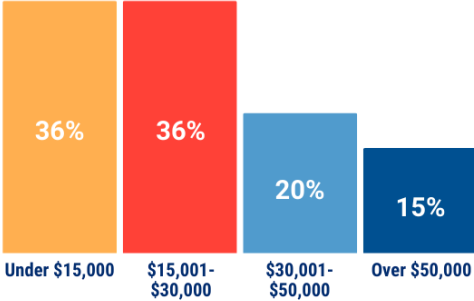
- 82% filed their taxes in the most recent tax year (3,516).
- Of those who filed taxes, 43% used a professional paid preparer, 33% used VITA, and 11% paid someone they know to do it; the rest filed themselves online or on paper (n=2,731).

**Of those who filed their taxes:**



- 36% of respondents reported *individual* income under \$15,000; 36% reported incomes \$15,001 to \$30,000; 20% reported \$30,001 to \$50,000; and 8% reported individual incomes over \$50,001.

Had income:



- 30% of respondents reported approximate *household* incomes under \$15,000; 35% reported \$15,0001 to \$30,000; 20% reported \$30,001 to \$50,000; and 15% of respondents reported *household* incomes over \$50,001. This means that most of the respondents are eligible for the EITC tax credit – this demographic is the primary target of VITA outreach.
- Half of respondents reported working more than 36 hours per week.
- 60% of respondents have children aged 0-5, and 50% have children aged 6-17.
- 74% of respondents reported having household incomes from a job that pays wages or a salary.
- 10% of respondents reported income from disability benefits (SSI/SSDI).

**4.2 Financial Service Use**

Questions about use of financial services asked respondents what tools they had used to receive, store, and manage their money during the last 12 months.

**4.2.1 Use of Banking Services**

Of the 3,690 respondents, 33% had not used a checking and/or savings account at a bank or credit union they could visit in-person at a physical location (e.g. Wells Fargo). This means that fully one-third of respondents were unbanked, much higher than the only 4.5% nationwide who are unbanked (FDIC 2022). When we consider the demographic profile of the respondents who completed this survey, there is more alignment with a comparable population nationwide. For example, nationwide, among

people who identify as Hispanic and who have household incomes less than \$15,000, 26.5% are unbanked, and among Hispanic identifying people with household incomes between \$15,000 and 30,000, 16% are unbanked (FDIC 2022). Still, the unbanked rate among our survey population is significantly higher than the national average even considering ethnicity and income. We found a statistically significant difference in participants' financial service use based on whether they have an SSN (N=2,467) or not (N=442). On average, respondents who have an SSN are about 4.84 times more likely to be banked compared to those who do not have an SSN. In other words, having an SSN is strongly associated with being banked.

Of the participants who reported having neither a bank or credit union account, 99 participants reported reasons. Participants could check all responses that applied to them. The eight options were: banks are inconvenient (5%), bank account overdraft fees are too high (5%), I don't have enough money to avoid minimum balance fees (23%), banks do not offer the products and services I need (2%), I don't trust banks (12%), avoiding a bank gives me more privacy (3%), I don't have the personal identification required to open a bank account (1%), and I cannot open a bank account due to problems with past banking or credit history. The most common response was "some other reason" (56%).

#### **4.2.2 Use of Non-Bank Financial Services**

Compared to the national population, use of non-bank transactional financial services (services to receive, store, or spend funds) among our surveyed population is low. Less than 3% of respondents reported using fintech companies that offer banking services (e.g. Chime), and fewer than 6% of respondents reported using a prepaid card not attached to a bank account (e.g. Bluebird or Netspend). While nationally only 6.9% of people use a prepaid debit card, among those who are unbanked the number is much higher at 32.8% (FDIC 2022). Nationwide, people with low incomes also tend to use these non-bank transactional financial services more than others – 13.4% of those with household incomes less than \$15,000 and 8.8% of those with household incomes between \$15,000 and \$30,000 use a prepaid debit card (FDIC 2022).

Less than 6% of our sample reported using payment applications such as Venmo, PayPal, or Cashapp to store their money. Nationally, 48% of people use payment applications such as Venmo, PayPal, or Cashapp (FDIC 2022). While the national number using payment applications is significantly lower among those who are unbanked and among those with household incomes below \$30,000 (27%), among our sample it was much lower than either of these. One in five (19%) respondents reported that they did not use any of the above payment applications (banks, online-only banks, payment apps, or prepaid cards) to store money. However, only 10% said that they usually make or accept payments in cash, leaving 9% with an unexplained method of making or accepting payments. 15% of the sample reported using check cashers, which may indicate that although they store their funds as cash, they may receive it by check and make payments using money orders, so did not respond “yes” to the question that asked whether they receive, store, and spend using cash.

When asked about use of other financial services, 15% reported using check cashers and 6% using money transfer services. This is comparable to national rates. Nationally, 3% of people use check cashers (including 22% of those who are unbanked) and 7% use money transfer services (including 15.5% of those who are unbanked) (FDIC 2022). Also in alignment with national data is use of payday loans. Among our sample, 3% reported using pawnshops and 6% reported using payday lenders. Nationally, only about 1% of people use payday lenders or pawnshops; among those who are unbanked, 1.7% use payday lenders and 3.9% use pawnshops, and among those who have incomes below \$30,000, 6.9% use payday lenders (FDIC 2022).

13% of respondents reported seeking a tax refund anticipation loan, a high cost, short-term loan in advance of filing that is repaid from a person’s tax refund. This rate of using tax refund anticipation loans is higher than the national average (2.4%) based on data from 2017 (GAO), though it is comparable to a similar demographic. Nationally, compared to households with incomes above \$60,000, households earning between \$20,000 and \$30,000 are 34% more likely and households earning between \$30,000 and \$40,000 are 61% more likely to use a tax refund anticipation loan. Also, national data shows that households headed by unmarried women with families were 76% more likely

to use tax-time financial products than households headed by married couples (U.S. GAO, 2017).

Overall, the picture of financial services used by the sampled population compared to similar demographic groups nationally indicates lower-than-average use of either bank or non-bank transactional financial services (receiving, storing, and spending funds) but similar or higher-than-average use of high-cost loans, including payday loans or tax refund anticipation loans.

The Ambassador group suggested that reasons people may choose not to have a bank account include wanting to stay under the radar, particularly if they are undocumented. Also, some people use Rotating Savings and Credit Associations such as *Tendas* or *Susus* when they want to save or borrow money, rather than using a bank. The Ambassador group suggested that low use of financial technology apps may be due to people being unfamiliar with the technology, not having reliable phone service, or, like reasons for not having bank accounts, wanting to stay under the radar if they are undocumented.

#### **4.2.3 Relationship Between Financial Services Use and Financial Well-Being (FWB)**

Among 2,900 respondents, on average, those with a checking and/or savings account at a bank with a physical location branch had statistically significantly lower FWB scores (M=43.73; std=11.64) compared to respondents who are unbanked (M=45.57; std=11.54); see report on FWB below. On average, respondents with a digital online bank only (M=41.7; std=12.12) have lower FWB scores compared to those who do not use a digital online bank (M=44.4; 11.6), but not at a statistically significant level. On average, respondents who have a payment application that allows them to receive and send money have significantly lower FWB scores (M=41.09; std=10.725), compared to those who do not use payment applications (M=44.5; std=11.67). While the association between using banking services and worse FWB and greater financial stress is surprising, it is not unprecedented; research has shown that low-income people with bank accounts show greater levels of financial anxiety than those without accounts (FINRA 2021).

The Ambassador group suggested that reasons for people being more stressed if they have a bank account could include the high fees that can be charged by banks, particularly overdraft fees. They noted that when you have a bank account and set up automatic bill pay, it can be stressful worrying if more money will be taken out than you have in the account, causing an overdraft fee. They said that some people may not trust banks, or be afraid of fraud, whereas you have more control over money if you keep it as cash. They also said that when you have cash, you can keep track of what you have more easily. They also said that people with bank accounts worry about how going overdrawn and falling behind on bills may affect their credit, but people without bank accounts are more invisible and so they don't have to worry so much about that.

### ***4.3 Trust in Institutions***

The survey measured the levels of trust that participants felt in different kinds of financial services. Respondents most often reported high levels of trust in banks with a physical location (62%). Of most relevance to VITA provision, **50% of respondents indicated high levels of trust in professional, private tax preparers, while slightly fewer – 45% – reported high levels of trust in VITA.** 40% of respondents reported high levels of trust in money transfer services, 37% in check cashers, 35% in online financial applications, 30% in online tax preparers, 16% in payday lenders, and 14% in pawnshops.

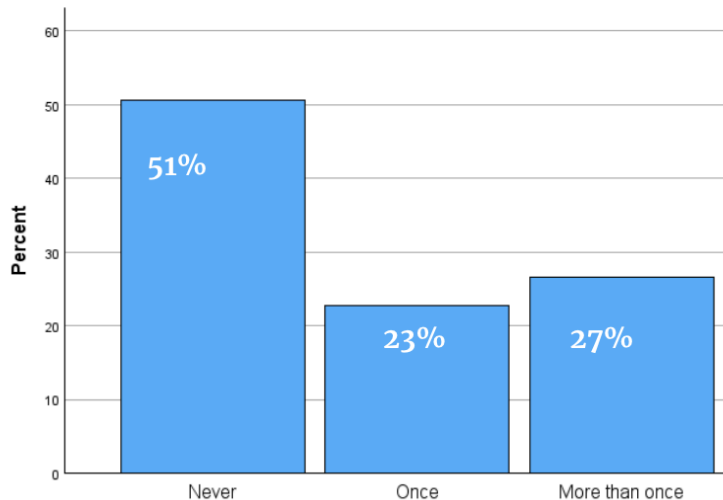
### ***4.4 Financial Situation***

#### ***4.4.1 Ability to Keep up with Bills***

The survey asked respondents questions regarding their financial hardship, using questions from the FINRA Financial Capability Study and the OECD Financial Literacy Survey. Of the 2,929 respondents who responded to this question, **88% said they find it difficult to cover expenses and pay all their bills**, compared to 29% of respondents in a nationally representative sample (Financial Health Network, 2023). When asked the level of agreement (1=completely agree, 5=completely disagree) with the statement “I pay my bills on time,” only 19% of respondents reported paying their bills on time. This is much lower than the national norm for similar income groups; in a nationally representative sample, 67% of adults with a household income under \$25,000 expected to pay all their bills in full, compared to 94% of adults with household incomes over

\$100,000 (SHED, 2023). Most respondents in our survey (51%) had not been late with their rent or mortgage payments in the last two years, but 23% had been late once and another 27% were late more than once (see Figure 1). Because people often pay their rent before anything else, this data suggests substantial financial hardship.

**Figure 1. Frequency of being late on rent or mortgage payments over past two years (n=2,924)**



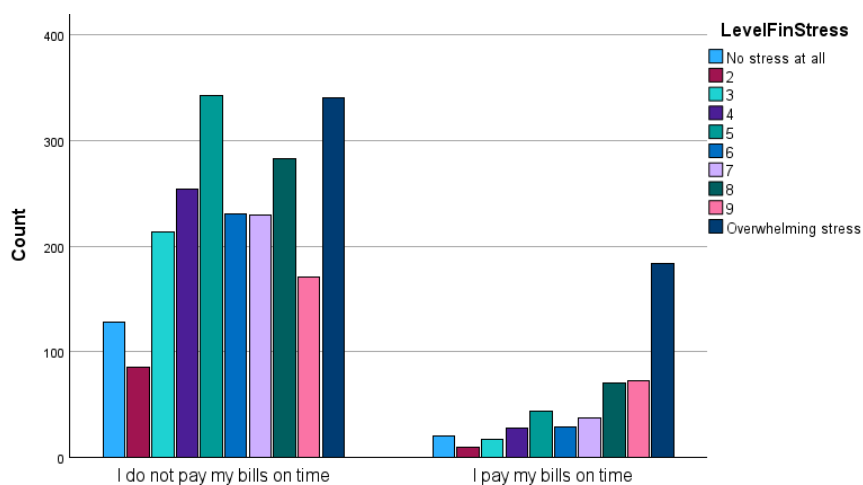
A slight majority (53%) of respondents reported that they consistently carry balances on their credit card, which is markedly higher than the national average (9%) (FINRA, 2022). In a nationally representative study, a credit card bill was the most common type of bill that people did not expect to pay in full and still, 59% reported paying their credit cards off in full each month (FINRA 2022). When we asked our sample whether they used credit cards to cover monthly necessities like groceries because they could not afford them otherwise, just under half (46%) said they do. The Ambassador group mentioned that more and more people are using paycheck advance products, which we did not ask about in the survey.

#### **4.4.1a Relationship Between Ability to Keep up with Bills and Financial Well-Being**

On average, respondents who report paying their bills on time have *statistically significantly lower* FWB scores (M=40.64; std=12.07), compared to respondents who report they do not pay their bills on time (M=45.06; std=11.36; N=2892). Similarly, respondents who have *never* been late on a rent or mortgage payment, on average, have *statistically significantly lower* levels of FWB (M=42.34; std=10.99) compared to

respondents who reported being late in paying their rent or mortgage (M=46.1; std=11.94; N=2,886). Similarly, respondents who reported they always paid their bills on time had statistically significantly higher odds (67.5%) of experiencing higher financial stress levels, compared to respondents who reported they did *not* always pay their bills on time. Note that the distribution of stress levels is much more varied among participants who do *not* pay their bills on time, compared to respondents who do pay bills on time (see Figure 2).

**Figure 2. Proportion of respondents' stress levels based on whether they pay their bills on time or do not pay bills on time**



Respondents who reported always being on time with their rent or mortgage payments had statistically significantly higher odds (140%) of also experiencing higher financial stress, compared to respondents who reported sometimes or often being late on a mortgage or rent payment.

This association between ability to keep up with bills and financial stress/FWB is counter-intuitive and does not align with national data – though we note that one CFPB study found that while paying bills on time is positively correlated with FWB for most people, that correlation narrows and is almost non-existent among the lower income population (CFPB 2016). It does seem that the advantages of paying bills on time are less for low-income people.



The Ambassador group shared potential reasons for the association. They said that people who pay their bills on time may find themselves short of funds later in the month, thus unable to pay for essentials such as food or to manage any emergency expenses that might arise. They also said that it can be less stressful to wait until you know you have enough money in the bank before paying your bills, even if that means paying late, and potentially paying a late fee, as it is not going to be as much as an overdraft fee. They noted that bills tend to come in at different times of the month, whereas income tends to come in less frequently, so it makes sense to wait rather than rush to pay on time.

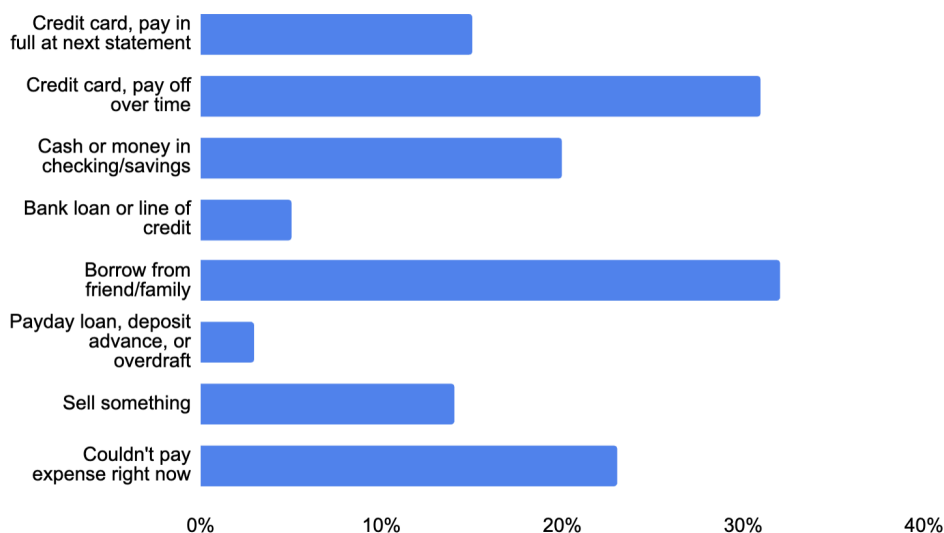
#### ***4.4.2 Ability to Plan Ahead Financially***

Questions about future financial plans came from the Financial Health Network FinHealth score and the Federal Reserve Survey of Household Economics and Decision-making (SHED, 2022).

Of the 2,883 respondents, only 21% reported planning ahead financially, compared to 59% of the general population and 48% of Hispanic respondents in a nationally representative survey (Pulse, 2023).

When asked about a scenario in which they have an emergency expense that costs approximately \$500, the most common way that respondents said they would pay for this expense was to borrow money from friends or family (32%). 31% would use a credit card to pay off the expense over time, 23% could not afford the expense at all right now, and 20% would pay using cash in their checking or savings account. Another 15% would use a credit card to make the payment and pay the balance in full on the next statement, 14% would sell something to make the payment, and 5% would use a loan or line of credit. The least common method to pay the expense was taking out a payday loan (3%) (see Figure 3).

**Figure 3. Faced with an emergency expense of \$500, how would you pay for this expense?**



In comparison to the 35% of respondents to this survey who felt they could cover a \$500 payment using cash or a credit card paid off in full during the next statement, 63% of respondents in the Federal Reserve SHED survey (2022) found that they could cover a \$400 payment one of these two ways. Though the hypothetical expense in our survey was \$100 more, these findings suggest lower levels of economic well-being among United Ways of California respondents.

The survey also asked about respondents' perceptions of their credit scores. On a 5-point scale from poor to excellent, most respondents (38%) rated their credit neutrally as "good." 35% rated their credit as great or excellent, and 27% rated their credit as either fair or poor.

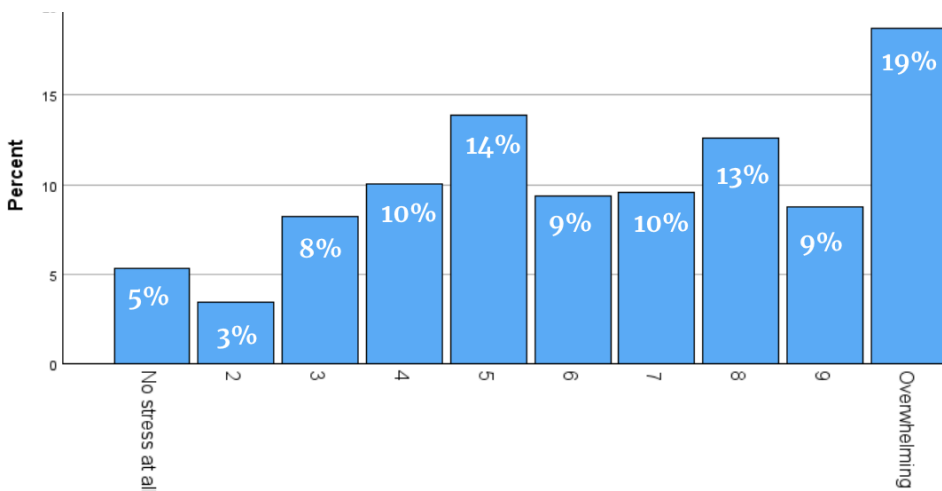
## **4.5 Feelings About Finances**

### **4.5.1 Financial Stress and Shame**

When asked "what do you feel is the level of your financial stress today?", on a scale from 1 to 10, the mean score for the sample was 6.3, indicating high financial distress/poor financial well-being overall (Prawitz et al., 2006). Of the 2,825 respondents, 19% reported overwhelming stress (i.e. 10) and another 41% reported levels of stress at 5 or higher (see Figure 4). Only 26% reported financial stress lower

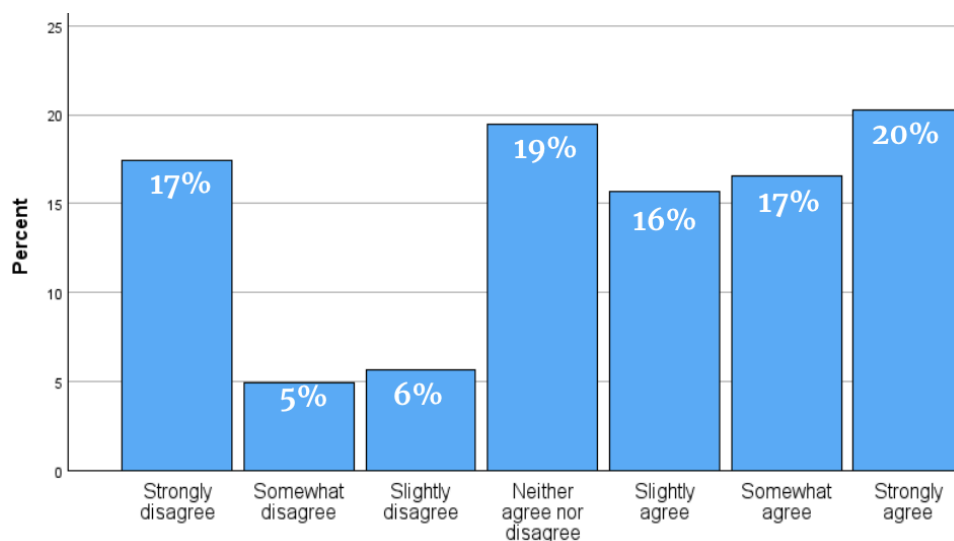
than the median score (i.e. 5). While this appears high, it is in fact similar to, and even slightly better than, national data. A nationally representative study from 2021 found that 56% of people felt anxious about their finances, rising to 66% of people earning less than \$25,000 (FINRA 2022).

**Figure 4. What is your level of financial stress today?**



Questions about financial shame asked respondents to indicate their level of agreement with statements that included, “My financial situation makes me feel ashamed,” “When I think about my finances, I want to hide,” “My finances sometimes make me feel small, worthless,” and “My finances make me feel humiliated, disgraced.” (0=strongly disagree, 6=strongly agree). The mean score for the sample was 3.4. This average level of financial shame among United Ways of California respondents is well above that of British participants in a past study (M=2.1) (Gladstone et al., 2021). Most respondents (53%) experienced feeling some sense of worthlessness because of their financial situation (see Figure 5). Similar trends were reported for respondents wanting to hide when thinking about their finances and feeling humiliated or disgraced because of their finances. Measuring shame is an important indicator of financial hardship because shame is a stronger driver of financial hardship than related emotions like guilt. Guilt, for instance, does not increase withdrawal behaviors at the same levels as shame. Such withdrawal can deepen one’s financial hardship because people are less likely to make effective financial decisions amid such shame (Gladstone et al., 2021).

**Figure 5. My financial situation makes me feel small, worthless (n=2,765)**

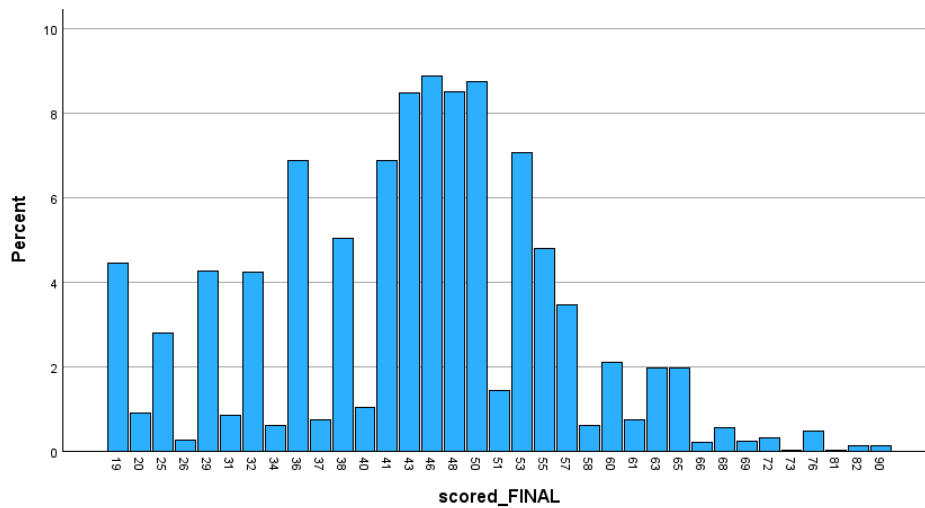


#### **4.5.2 Financial Well-Being (FWB)**

We inquired about financial well-being using the Consumer Financial Protection Bureau (CFPB) Financial Well-Being Scale. The scale includes five separate questions which are then combined in a single financial well-being (FWB) score; a higher score reflects a higher level of financial well-being. With regard to the individual questions, of the 2,964 respondents who answered these questions, 75% reported that they sometimes or often felt that, because of their financial situation, they would never have what they wanted. A similar rate – 76% – felt that they were just getting by financially. Participants more often felt concerned that the money they have or will save will not last (84%). Of 2,937 participants, 80% of respondents reported that they often felt that finances control their lives. Only 9% reported regularly having money left over at the end of the month.

When combined into a single score, our sample had a mean FWB score of 44.25 with a standard deviation of 11.6. The median and mode scores were 46. These figures are comparable to national FWB scores for people with similar incomes to our sample (CFPB 2017).

**Figure 6. Financial well-being scores**



#### **4.5.2a Relationship Between Financial Well-Being and Having a Social Security Number**

On average, respondents who have an SSN (M=43.55; std=11.9; N=2,061) have lower financial well-being scores compared to those who do not have an SSN (M=44.85; 11.5; N=323), but not at statistically significant levels.

#### **4.5.3 Open-Ended Question About Finances**

The second open-ended question in the survey asked participants, “Is there anything else you would like to share about your financial situation?” Of people who completed the survey in English, 330 provided qualitative statements in response to this question, and of those who completed the survey in Spanish, 207 provided qualitative statements. We identified seven themes in the participant responses, including the following:

- i) Prices are too high;
- ii) Income is too low;
- iii) Debt and credit;
- iv) Wanting advice/change behavior;
- v) Negative feelings about finances;
- vi) Positive feelings about finances; and
- vii) The economy and government policies.

Below we provide the numbers of statements included in each code and some illustrative statements.

*i) Prices are too high*

84/330 statements in English and 70/207 statements in Spanish came under this theme. The statements were divided into five codes. Most people referred either to the high and growing cost of essentials (40 English, 31 Spanish) or their inability to keep up with those expenses (22 English, 21 Spanish). Smaller numbers of people mentioned losing their home or car (8 English, 0 Spanish), being unable to save (8 English, 6 Spanish), and the expense associated with supporting family members (8 English, 12 Spanish). Note that for this code, some of the Spanish statements were double-coded, leading to a higher number of codes than statements. Note that a higher proportion of Spanish (34%) than English (25%) statements mentioned prices being too high.

*I try my best to work hard in as much as possible. I try to budget as much as I can but the economy is very expensive rent 3 kids food clothes bill in every day supply for them do cost alot..I explain to my kids that iam always working in can't spend time with them to make sure everyone in my household needs are met..I do stay up at night in stress but doing the best I can with what I got.*

*I don't know how much longer I can afford to stay in California but cannot afford to move.*

*ii) Income is too low*

97/330 statements in English and 86/207 statements in Spanish were listed under this theme. The statements were divided into four codes. Most people referred either to the fact that their wages were not enough to cover expenses (40 English, 40 Spanish), that they were unemployed or unable to find full time work (24 English, 33 Spanish) or that they were unable to work due to illness or disability and/or that their income from disability benefits was too low (30 English, 8 Spanish). Three people mentioned the challenges of being unable to work enough hours due to being students. Note that a higher proportion of Spanish (42%) than English (29%) statements mentioned income being too low.

*Living paycheck to paycheck with no savings. I'm always hoping and praying that I don't have a financial emergency.*

*Overworked and underpaid.*

*iii) Debt and credit*

24/330 statements in English and 13/207 in Spanish were listed under this theme, divided into three codes, including: in debt (15 English, 9 Spanish); behind on bills or borrowing to pay bills (7 English, 2 Spanish); bad credit (2 English, 2 Spanish).

*I feel like I can never get ahead and am afraid to file my taxes because I owe and can not afford payments*

*Trying desperately to get a loan with my credit score, 510 no luck. They make it sound so easy to get a loan.*

*iv) Wanting advice/change behavior*

16/330 statements in English and 41/207 in Spanish were listed under this theme. Note that a higher proportion of Spanish (20%) than English (5%) statements indicated wanting advice/change behavior.

*I don't know how to change this cycle. That information from a trusted source would be helpful.*

*v) Negative feelings about finances*

46/330 statements in English and 61/207 in Spanish mentioned negative feelings about finances – while numerous statements had a negative tone, we only included statements here that explicitly mentioned a negative feeling. The theme was divided into five codes: unspecified plea for help (24 English, 0 Spanish); stress/worry/anxiety (22 English, 48 Spanish); fear/shame/overwhelmed (9 English, 4 Spanish); depression/sadness (9 English, 7 Spanish); hopelessness (7 English, 2 Spanish). Note that a higher proportion of Spanish (29%) than English (14%) statements mentioned negative feelings about finances.

*Always stressed about money*

*Wish I could make more money to pay my bills so I wouldn't feel so small*

*I worry about it every day*

*vi) Positive feelings about finances*

46/330 statements in English and 37/207 in Spanish were relatively positive about finances, divided into four codes: making the best of it/coping/trusting in God (23 English, 8 Spanish); hopeful (6 English, 8 Spanish); comfortable (12 English, 14 Spanish); feeling grateful (5 English, 4 Spanish).

*Everything's so expensive right now it's really hard to save money. We can't predict the future and sometimes certain situations happen but we have to learn how to just take it one day at a time and work your way back up.*

*I've learned to be very frugal, use coupons and buy second hand.*

*I am counting on my tax money to find some relief.*

*Try to be positive at all times*

*vii) The economy and government policies*

30/330 statements in English and 18/207 statements in Spanish refer to the broader economy or government policies, divided into four codes: national economic situation (15 English, 0 Spanish); need more help from government (7 English, 15 Spanish); California government (5 English, 3 Spanish); grateful for government support (3 English, 0 Spanish).

*I wish our government would intercede with the rising costs of rent, groceries, fuel, etc!*

*Yes, Calif needs to raise minimum wage higher than it currently does.*



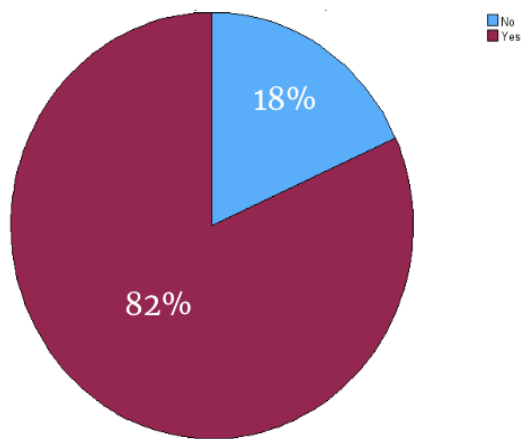
*Without Social Security, my brother, Medi-Cal, MediCare, Food Stamps I'd be homeless and sick, hungry, maybe dead*

## **4.6 Tax-Filing Behavior**

### **4.6.1 Filed Taxes or Not**

Of the 3,516 respondents who answered the question about whether they filed taxes or not over the past year, 82% filed their taxes (see Figure 7). Of the 18% who did not file taxes, when asked why they did not file, 6% of respondents said they did not know where to start, 4% thought they were not required to file taxes, and 2% did not expect a refund so they did not file. The remaining 6% gave other reasons including not bothering to file because they thought their refund may be attached, being afraid of an audit, or being afraid to share their personal information, or no reason given.

**Figure 7. Filed taxes in the past 12 months**



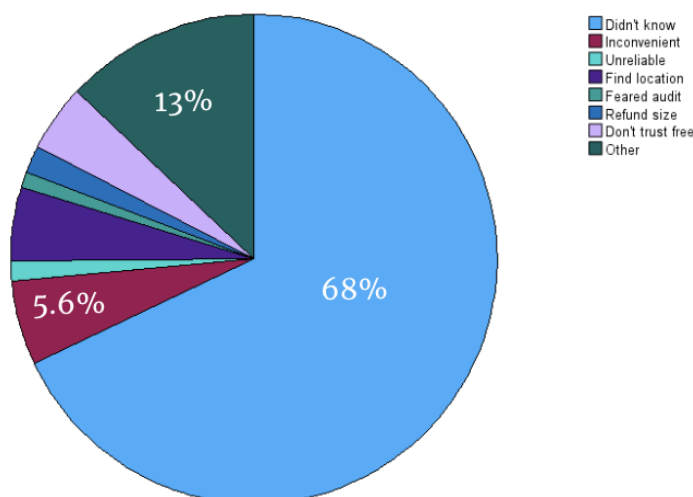
### **4.6.2 Use of VITA**

Most respondents (43%) paid an in-person professional tax preparer to file their taxes. One-third used VITA free tax preparation services. Another 11% paid someone they knew, and 7% paid for an online tax service. The rest – 4% – either self-filed online for free or self-filed on paper. Of those 2 in 3 surveyed who did not use VITA, when asked the reasons why, most respondents (68%) reported that they did not know about it, 13% selected “other”, 6% reported that they found VITA inconvenient, and the rest (15%)

selected either that they were unable to find a location, don't trust free services, didn't expect a refund, found VITA unreliable, or feared an audit (see Figure 8). The Ambassador group suggested that people may prefer to use paid preparers because of a perception that if you pay someone, they will be more professional, less likely to make mistakes, and more likely to get you the biggest possible refund. They also said that if there are problems you can call a paid preparer directly, which is not always the case with VITA.

While the reasons given here align with what has been found elsewhere in studies of reasons for non-use of VITA, it is notable that two-thirds of the sample who didn't use VITA had not heard of VITA. Those who completed the survey in Spanish and provided a qualitative comment were much more likely than those who completed the survey in English and provided a qualitative comment to say that they had not heard of VITA. A recent survey United Ways of California conducted of people who used VITA found that just over half of respondents said they found out about the service through a friend or family member, so word of mouth is clearly a key outreach mechanism. The Ambassador group emphasized the importance of strategies that United Way already employs, including partnering with churches and other trusted organizations in the Spanish community, putting more commercials on TV and advertisements on buses, and having more people who are Spanish speaking and visibly Hispanic/Latinx serve as VITA volunteers.

**Figure 8. Reasons for *not* using VITA**



When asked what is most important to respondents when they file their taxes, responses were fairly evenly split among “getting full EITC and child credits” (27%), “paying as little as possible” (22%), and “receiving the largest refund possible” (22%). The other 29% of respondents were evenly split among “cash refund as quickly as possible,” “I don’t file,” and “other.”

#### **4.6.3 Open-Ended Question About VITA**

One of two open-ended questions in the survey asked participants, “Is there anything else you would like to share about your use of VITA and what might make it easier for you or people you know to use it?” Of those who completed the survey in English, 554 provided qualitative statements in response to this question, and of those who completed the survey in Spanish, 351 provided qualitative statements. We identified five themes in the statements that participants wrote as follows:

- i) Positive about VITA;
- ii) VITA services need to be improved;
- iii) Need for better outreach;
- iv) Access barriers; and
- v) Haven’t heard of VITA.

Below we provide the numbers of statements included in each code and some illustrative statements.

##### *i) Positive about VITA (349 statements):*

254/554 statements in English and 91/351 in Spanish were listed under this theme, divided into six codes including: good, great, or excellent (79 English, 54 Spanish), gratitude/appreciation (50 English, 10 Spanish); easy/fast/reliable (41 English, 8 Spanish); knowledgeable/professional/helpful (36 English, 31 Spanish); free/good for low-income people (35 English, 5 Spanish); friendly/respectful (13 English, 4 Spanish). Note that for this code some of the Spanish statements were double-coded, leading to a higher number of codes than statements. It is notable that a higher proportion of English (46%) than Spanish (26%) statements were positive about VITA.

*Vita is very reliable and professional; I don't know what I would do without this service because everywhere else is so expensive.*

*I love the staff who I have worked with at United Way. Love what United Way does for people. Thank you so much for your commitment to making a difference in our world.*

*ii) Haven't heard of VITA (272 statements):*

53/554 people who responded in English said that they had never heard of VITA and 219/350 people who responded in Spanish said they had never heard of VITA. A much higher proportion of Spanish (63%) than English (10%) statements indicated not having heard of VITA.

*I don't know what VITA is*

*never tried or heard of vita would like to know more about it*

*iii) Need for better outreach (118 statements):*

57/554 statements in English and 61/350 statements in Spanish were listed under this theme. A higher proportion of Spanish (17%) than English (10%) statements indicated a need for better outreach.

*I feel it was easy to navigate and apply. One thing I did note was that it was not advertised much for people that could have used this help. Possibly more advertising for it or something of the sort.*

*iv) Access barriers (92 statements):*

70/554 statements in English and 22/350 statements in Spanish mentioned access barriers, which included problems with the appointment system (29 English, 6 Spanish), desire for more locations (24 English, 7 Spanish), and then a few other barriers related to the length of time the service is available, languages, the online option, and eligibility (14 English, 9 Spanish). A higher proportion of English (13%) than Spanish (6%) statements mentioned access barriers.

*Need tax preparation help but couldn't get an appointment*

*My main feedback would be to focus on making the site user friendly & free of cliches as well as saving previous years data for people to access*

*Need more people to file taxes. Lines tend to build up.*

v) VITA services need to be improved (63 statements):

55/554 statements in English and 13/350 statements in Spanish were listed under this theme, divided into five codes, including: needs more expertise about different financial situations (23 English, 6 Spanish); made errors (14 English, 0 Spanish); time-consuming/inefficient (6 English, 2 Spanish); disrespectful (6 English, 0 Spanish); should offer additional services (6 English, 5 Spanish). A higher proportion of English (9%) than Spanish (4%) statements said VITA should be improved.

*The person that helped me was not extremely knowledgeable and did not care to include deductions I knew I could claim she seemed to want to use a "general approach"*

## **4.7 Associations Between Tax-Filing Behavior and Other Characteristics**

### **4.7.1 Relationship Between Tax-Filing Behavior and Having a Social Security Number**

We found a statistically significant difference in respondents' tax-filing behavior based on whether they had an SSN (N=2,380) or not (N=411). Respondents who filed their taxes in the past 12 months are about 3.35 times more likely to have an SSN compared to those who did not file their taxes. As such, having an SSN is strongly associated with filing taxes in the past year. We also found a statistically significant difference in respondents' VITA participation based on whether they have an SSN (N=1,948) or not (N=245). Individuals who participated in VITA are about 2.79 times more likely to have an SSN compared to those who did not participate in VITA. This means that having an SSN is strongly associated with participation in VITA.

#### **4.7.2 Relationship Between Tax-Filing Behavior and Financial Service Use**

We found a statistically significant difference in respondents' financial service use based on whether they filed taxes in the last 12 months (N=2,833) or not (N=630). Individuals who did not file their taxes in the last 12 months are about 2.71 times more likely to be unbanked compared to those who did file their taxes. This means that being unbanked is associated with a higher likelihood of not filing taxes.

We also found a statistically significant difference in respondents' financial service use among those who did file taxes, based on whether they used VITA (N=897) or not (N=1796). Respondents who filed taxes but did not participate in VITA are about 3.09 times more likely to be unbanked compared to those who did participate in VITA. This means that for people who file taxes, being unbanked is associated with a higher likelihood of not using VITA.

#### **4.7.3 Associations Between Tax-Filing Behavior and Ability to Keep up with Bills**

We found a statistically significant difference in respondents' tax-filing behavior based on whether they agreed with the statement that they pay their bills on time (N=534), compared to those who disagreed with that statement (N=2,357). Respondents who filed their taxes in the past 12 months were approximately 1.59 times more likely to disagree with the statement that they pay their bills on time, compared to those who did not file their taxes in the past 12 months. This means that agreeing with the statement that you pay bills on time is associated with a higher likelihood of *not* filing taxes in the past 12 months.

We also found a statistically significant difference in respondents' use of VITA based on whether they agreed with the statement that they pay their bills on time (N=393) compared to those who disagreed with that statement (N=1,923). Individuals who participated in VITA were about 1.96 times more likely to disagree that they pay their bills on time, compared to those who did not use VITA.

While paying bills on time is associated with *not* filing taxes, the reverse is true when specifically talking about housing expenses – rent or mortgage. We found a statistically significant difference in respondents' reported ability to pay their rent or mortgage on

time based on whether they have filed taxes over the past 12 months (N=2,394) or not (N=491). The results suggest that respondents who filed their taxes in the past 12 months are about 1.67 times more likely to self-report never being late with their rent or mortgage payments, compared to those who did *not* file their taxes in the past 12 months. In other words, being late on rent or mortgage payments is associated with a higher likelihood of not filing taxes in the past 12 months.

Like the findings above regarding ability to pay bills, we found a statistically significant difference in respondents' ability to pay their rent or mortgage on time based on whether they participated in VITA (N=798) or not (N=1,514). The results suggest that respondents who did not participate in VITA are about 1.88 times more likely to self-report punctual rent or mortgage payments, compared to those who did participate in VITA. This means being late on rent or mortgage payments is associated with a higher likelihood of using VITA.

To sum up, people who do not pay bills on time (other than housing) are more likely to have filed their taxes and to have used VITA compared to people who pay their bills on time. People who report making rent or mortgage payments late are more likely to have *not* filed taxes, though if they have filed taxes they are more likely to have used VITA.

Given what we found about the lower FWB scores and higher rates of financial stress among people who report paying bills on time, our finding that people who do *not* pay their bills on time are more likely to file taxes and use VITA could indicate, counterintuitively, that this group may be more in control of their financial situations than others, including being prepared to file taxes and make use of a free services. In a situation where surviving financially often entails juggling bills to avoid falling short and incurring overdraft fees, those who strategically pay late on some bills may be faring better than those who pay on time.

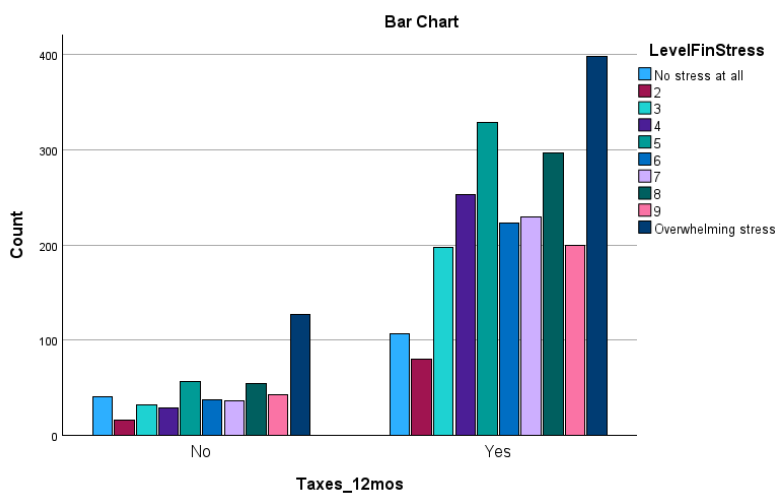
The finding that people who report late payments on rent/mortgage are more likely to have *not* filed taxes may suggest that while people who are behind on other types of bills are effectively juggling limited finances, people who fall behind on the most essential bill of all – housing – are not doing as well with the juggling and so are less

likely to keep up with tax filing. The finding that the group of people who report late payments on rent/mortgage who *have* filed taxes are more likely to have used VITA may simply indicate that this group is more concerned about their finances and so is using VITA to save money.

#### 4.7.4 Relationship Between Tax-Filing Behavior and Financial Well-Being

Respondents' FWB scores were tested based on whether they filed taxes in the past 12 months (N=2,896). Results of a *t*-test show that there are statistically significant differences between the FWB scores of those who did file taxes in the past 12 months (M=44.6, std=11.5) versus those who did not file taxes in the past 12 months (M=42.7, std=12.2). The mean difference is 1.8 and *d*=.158, which suggests that whether respondents filed taxes had a small effect on their FWB scores. Nevertheless, the data suggest that those who did file taxes also have a higher FWB score. Age did not appear to be a covariate, as the ages of respondents were nearly identical among the two groups (i.e. those who filed taxes and those who did not). Respondents' financial stress was also tested based on tax-filing behavior. **Those who reported *not* filing taxes in the last 12 months had significantly higher odds (32%) of being in a higher category of financial stress compared to respondents who *did* file their taxes.** There was much more variation among the group of respondents who did file. Those who did not file their taxes reported "overwhelming stress" at much higher rates (see Figure 9).

**Figure 9. Distribution of respondent stress levels based whether they did (right) or did not (left) file their taxes in the last 12 months**





We did not find a statistically significant difference in respondents' FWB scores based on whether the respondent used VITA tax preparation services (M=44.5, Std=11.5, N=798) or not (M=44.5, Std=11.5, N=1,524). These results suggest that, with  $d=.004$ , respondents' use of VITA services, compared to using some other method to file taxes has a negligible effect on their FWB scores. Similarly, there was not a statistically significant difference in respondents' financial stress scores based on whether the respondent used VITA tax preparation services (M=44.52; std=11.5) or some other filing method (M=44.47; std=11.47). These results suggest that using VITA tax preparation services or using some other method of filing does not have a meaningful impact on financial stress.

## **5. Discussion**

### ***5.1 Financial Hardship, Stress, and Well-Being***

Respondents indicated that they are facing significant financial hardship. Only 19% reported they can pay bills on time, and close to one-fourth had been late at least once on housing expenses (rent or mortgage) in the last two years. Close to half (46%) use a credit card to pay for ongoing essential expenses, and a significant number (53%) report consistently carrying a balance forward on their credit cards. Most (79%) feel they are not able to plan ahead financially, and most (65%) are not able to cover a \$500 expense using cash or a credit card paid off in full at the next statement. We found that 13% use tax refund anticipation loans, which is higher than the national average of 2.4%.

These data suggest that our respondents experience greater financial hardship than comparable groups across the country. Interestingly, however, respondents in our survey reported financial stress and overall Financial Well-Being (FWB) at similar levels to these groups. This suggests that the population sampled may be resilient in the face of financial difficulties, such that even though they are experiencing significant objective financial hardship, they do not report the commensurate subjective financial hardship that might be expected. Particularly interesting is that among our sample, those who reported not being able to pay their bills on time have higher FWB scores than others. This finding contradicts what has been found in most prior research, which finds that paying on time is correlated with higher FWB scores; although a CFPB study found that while paying bills on time is positively correlated with FWB for most groups, the

difference in FWB scores between those who report paying on-time compared to those who report paying late is almost non-existent among people with lower incomes (CFPB 2016). The focus group with Ambassadors provided insight into possible reasons for this, suggesting that people who pay their bills on time may be required to defer purchasing essentials such as food, or to manage any emergency expenses that might arise, and also that, for those who are banked, paying bills on time risks going overdrawn, given the mismatch between when bills are due and income is received. In this sense, not paying bills on time may indicate an effective strategy by people with low incomes to juggle income and expenses.

## ***5.2 Financial Inclusion***

One-third of respondents reported being unbanked, which is higher than the national average for a similar demographic. Unsurprisingly, people who reported not having an SSN were even more likely to be unbanked. We also learned that very few respondents use non-bank financial services such as financial technology apps or prepaid debit cards – lower than the national average for a similar demographic. By contrast, use of in-person, non-bank financial services such as check cashers, pawnshops, and payday lenders was comparable to national data. People with bank accounts indicated lower FWB and higher financial stress than those without bank accounts; this seems counterintuitive, but prior research has had similar findings for low-income people who are banked. The Ambassador group suggested that this may be due to the high fees that can be charged by banks, such as when automatic payments trigger overdraft fees. Other reasons could include people not trusting banks and worrying they may be subject to fraud and finding it harder to keep track of their finances by balancing a checkbook or using online access or apps than with tracking cash. The Ambassador group also expressed a view that one benefit of being unbanked is that one's finances remain relatively invisible; focus group participants suggested one can manage one's money with less fear of financial problems affecting one's credit, or having the balance garnished. Interestingly, however, survey respondents ranked banks among the most trusted among different types of financial service institutions.

### **5.3 Tax Filing Behavior**

We learned that 82% of our respondents reported filing their taxes in the prior 12 months; the minority of respondents (18%) who did not file their taxes in the past 12 months stated they failed to do so because they thought they were not required to do so, were confused, or didn't expect a refund – this confirms what has been found in previous research.

We also learned that of those who had filed taxes, one-third had not used VITA. Across California, VITA only serves about 10% of the population eligible for the EITC; the higher number in our sample is likely because outreach for the survey included using contact details of people who had used VITA in the past. The reasons respondents provided for not using VITA varied; 2 in 3 of those who did not use VITA reported they had never heard of it. As suggested by responses provided to the open-ended questions, this may be due to the large proportion of the sample who are Spanish speaking. Those who completed the survey in Spanish and provided a response to the open-ended question were much more likely than those who completed the survey in English to say that they had not heard of VITA. Of those remaining (1 in 3) who had heard of VITA but chose to use another method, the reasons they cited align to some extent with what has been found in previous research – that people didn't find the VITA service convenient or didn't trust it; respondents indicated that they trusted paid tax preparers more.

We found several interesting associations between tax-filing behavior and other characteristics. People who report having an SSN are much more likely to file taxes and more likely to use VITA than others, suggesting the need for more targeted outreach to people who do not have an SSN. People who are unbanked are less likely to file taxes, and those who do file taxes are less likely to use VITA; similarly, this points to the need for more targeted outreach to people who are unbanked. While these findings just mentioned are not surprising, a more surprising finding was that people who report not paying their bills on time (not including rent or mortgage) are more likely to have filed their taxes and to have used VITA compared to people who pay their bills on time. People who report late payments on rent or mortgage are more likely to have *not* filed taxes, though if they *have* filed taxes, they are more likely to have used VITA. The association in our results between people reporting paying bills late having higher FWB scores may indicate that juggling bills is an indicator of good financial management

under difficult circumstances; the Ambassador group explained that it can be more sensible to wait until you have enough money before paying bills, rather than paying them on time and risking overdraft or not being able to cover essential expenses. It could be that people who manage their bills in this way are more likely to do all they can to maximize their income at tax filing time. This does not explain, however, why people who were sometimes late paying rent/mortgage were more likely not to file taxes. It could be that people who are late on their housing expense – the most crucial bill of all – are in deeper financial trouble than those who strategically pay other bills late to juggle and stay on top of things. Perhaps this “late on housing expenses” group is in deep financial distress and less likely to have the wherewithal to keep up with filing taxes. We also found that people who file taxes have slightly higher FWB scores than others, though there is no indication that using VITA rather than any other method is associated with higher FWB.

## **6. Recommendations**

### **Key Takeaways**

While the financial well-being scores and stress levels found in this study were in alignment with previous research, the data underscore the importance of trusted community messengers as crucial connectors to financial empowerment programs. As noted in the survey answers, community members struggling with their finances are often more stressed, are less likely to be able to pay their bills on time, and lack the ability to plan ahead financially. Local community-based organizations, like United Way, serve as important resources for those who may lack trust in government institutions or need additional assistance with complicated and cumbersome financial processes.

Free tax preparation continues to be an important anti-poverty measure which has substantial positive health impacts (Rehkopf et al, 2014.) These programs provide an essential community benefit, helping put thousands of dollars back into households across California. Additionally, they serve as an entry point for community members to access additional valuable support services. Trusted partners that run VITA sites in their community help connect people to additional resources, including helping community

members get banked; apply for or renew their ITIN; sign up for health insurance, internet, housing, and other financial needs – and more.

Beyond the proven impact of VITA as a resource for addressing community member needs, there are still clear systemic barriers that are actively harming communities and limiting access to these vital programs. It is imperative that community-based organizations also actively engage in policy solutions that open up doors to increased eligibility and access as well as mitigate harm.

Below are some recommendations that emerge from the findings of the survey that could improve access for vulnerable communities across California; some are best practices already being put into action in communities by California United Ways.

### **Increase Awareness of and Access to Refundable Tax Credits**

- Increase funding for outreach and awareness of the CalEITC and other refundable credits to ensure all eligible households can claim these credits, particularly those who are more difficult to reach but have high financial needs.
- Continue to expand targeted outreach about tax credits to Spanish speakers, people without SSNs, people who are unbanked, and people who are highly stressed about their finances. This often requires the use of trusted messengers, such as other community-based organizations with strong relationships, community institutions like churches and schools, and other community members with shared lived experience.
- Advocate for federal and state tax authorities to pre-fill tax returns for low-income households that only have wage (W-2) income as well as to automatically send refundable EITC and CTC tax credits to eligible households without requiring they file a tax return first.
- Encourage or require state and county agencies managing public benefits to inform families and individuals about the availability of refundable tax credits and free tax filing assistance programs.

### **Continue and Expand Free Tax Filing and Assistance Options, Including VITA**

- Increase state and federal funding for VITA free tax filing services in order to increase capacity to recruit more volunteers, host more in-person sites, and expand free online assistance.
- Continue increasing the number of VITA volunteers and staff who have shared lived experiences with community members accessing services and who can provide culturally competent services.
- Continue to partner with other programs and services as an entry point to VITA, creating holistic wrap-around services for community members.
- Increase the extent to which VITA is visible year-round to improve community member awareness and program familiarity and trust (professional tax preparers and banks with physical locations were indicated as the most trustworthy intuitions).
- Support continued implementation of and expanded eligibility for the IRS Direct File tool, ensuring state tax filing is fully integrated, to provide free online self-filing options for all.

### **Protect and Empower Community Members with Information and Expanded Options**

- Make banking more accessible to low-income households, especially to community members without an SSN or Individual Taxpayer Identification Number (ITIN), perhaps through creation of public banking options like those being considered by the state of California and others.
- Ensure that all VITA clients know about the benefits of bank accounts with accredited institutions, including [Bank On accounts](#), which do not have overdraft fees.
- Use VITA as an opportunity for holistic financial counseling services, delivered by trusted providers using culturally competent methods, including understanding of why people with low incomes make certain financial management decisions, as detailed in this study.
- Streamline public benefits enrollment to allow easier access to these programs, helping community members save on monthly expenses and increase their financial well-being.

- Pass legislation to prevent predatory pricing by individuals and firms providing for-profit paid tax preparation and ITIN application services, perhaps by requiring upfront disclosure of full estimated costs, including the finance charges on refund advances.

### **Opportunities for Further Research**

While focus groups helped us gain insight into potential explanations for surprising survey data, additional quantitative research with larger sample sizes than those of the focus groups may be helpful in developing a stronger understanding of certain factors illuminated by our survey data. Such further research opportunities could include deepening understanding of:

- Why people who reported paying bills on time also reported increased financial stress, as well as why those who reported not paying bills on time were more likely to report filing their taxes and using VITA. (Expand sample size to explore accuracy of focus group data suggesting that those who are more flexible about when they pay their bills may actually be better at managing the ups and downs of their finances than those who pay bills as they are due.)
- Reasons for the relationship between higher financial stress and having a bank account. (Again, testing the hypothesis based on focus group feedback that this is due to concerns about overdraft fees as well as increased visibility of one's financial situation.)
- How to increase trust and uptake of VITA among community members who know about the service but do not use it.

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