

MOTION BY SUPERVISOR HOLLY J. MITCHELL

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Empowering Communities Through Free Tax Preparation and Individual Tax Identification Number Services

Free tax preparation services, such as the Volunteer Income Tax Assistance (VITA) program, play a crucial role in reducing poverty by ensuring that low-income individuals and households can access essential financial resources. However, many individuals and households—especially those in underserved communities, immigrants, those who have limited English proficiency, and/or those experiencing financial instability—face significant challenges navigating the complexities of the tax system. By offering no-cost tax preparation and Individual Tax Identification Number¹ (ITIN) assistance, the VITA program removes these barriers, helping individuals claim refunds and tax credits that they may not otherwise know they are entitled to receive, such as the Federal and California Earned Income Tax Credit (CalEITC) and Child Tax Credits. These tax credits are powerful tools for reducing poverty. These life-changing credits can significantly supplement family income, reduce debt, and improve financial stability. These funds often make the difference in covering essential needs like housing, utilities, and groceries, contributing to improved quality of life. Yet, as much as \$500 million goes

¹ The ITIN was created by the IRS in July 1996 to allow foreign nationals and other individuals who are not eligible for an SSN to comply with U.S. tax laws.

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unclaimed each year by eligible households.²

Additionally, ITIN assistance ensures that immigrant families, who may not qualify for social security numbers but pay taxes, can file their returns and access some of the same credits and refunds available to other taxpayers. ITIN assistance is critical for expanding access to tax credits and resources for all residents, regardless of immigration status, contributing to inclusive wealth-building and financial empowerment. A 2017 report by the Institute on Taxation and Economic Policy, found that undocumented immigrants living in the United States (U.S.) pay billions of dollars each year in state and local taxes, but this population often does not take advantage of tax credits to which they are entitled.³ Studies by the Bipartisan Policy Center attribute this to persistent misconceptions about the impact that claiming these credits has on one's ability to seek U.S. citizenship, the tax system, and the ITIN application process.⁴

The County of Los Angeles Department of Consumer and Business Affairs (DCBA) Center for Financial Empowerment, in partnership with community-based organizations, the City of Los Angeles, the State of California, County Departments, the Poverty Alleviation Initiative, and other municipalities, has made significant strides in increasing access to tax-related services and resources for low-income communities through its Free Tax Prep Los Angeles initiative⁵ and Claim Your Cash Los Angeles⁶ initiative. These initiatives have enhanced outreach and education about available tax credits, free tax preparation, and ITIN application assistance for underserved populations, while also serving as gateways to other County and community service resources to further support financial well-being. In just the past two tax seasons, Free Tax Prep Los Angeles has served over 11,700 clients, including approximately 1,400 ITIN clients, saving more than \$2.5 million in tax preparation fees and securing over \$14.3 million in tax refunds.

To support the Free Tax Prep Los Angeles initiative, DCBA has continued to identify funding sources. As such, DCBA has successfully secured a fourth year of

²<https://www.dailynews.com/2024/03/01/too-many-low-income-families-dont-tap-tax-credits-that-offer-big-cash-refunds/>

³<https://itiep.org/undocumented-immigrants-state-local-tax-contributions-2017/>

⁴<https://www.ppic.org/blog/are-eligible-undocumented-immigrants-claiming-the-calcitc-and-young-child-tax-credit/>

⁵<https://www.freetaxprepla.org/>

⁶<https://www.claimyourcashla.com/>

funding from the 2021 CalEITC+ Education and Outreach grant program, to help implement the Free Tax Prep Los Angeles initiative through the 2024-2025 tax season. However, given that the tax season commences in January 2025, there is an urgent need for DCBA to enter into agreements with partners to ensure services are readily available and deployed.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Delegate authority to the Director of the Department of Consumer and Business Affairs (DCBA), or designee, to apply for and accept grant funding from federal, state, and philanthropic sources, that support Free Tax Prep Los Angeles, Claim Your Cash Los Angeles, tax preparation, Individual Tax Identification Number (ITIN) assistance, and tax credit awareness efforts, with the requirement to notify the Board upon acceptance of such funding, subject to any applicable funding restrictions.
2. Delegate authority to the Director of DCBA, or designee, to negotiate, execute, and amend contracts and/or Memorandum of Understanding with relevant departments, community-based organizations, consultants, and service providers, as necessary, to implement Free Tax Prep Los Angeles, tax preparation, ITIN assistance, and tax credit awareness efforts.
3. Waive the requirements of Board Policy No. 5.100 for these agreements. These agreements and any amendment(s) shall be approved as to form by County Counsel.

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