The SaveUSA Coalition: A National Network of Tax-Time Savings

Abstract: This paper discusses the creation of the SaveUSA Coalition, a network of cities working to replicate and enhance the tax-time savings program SaveUSA. The SaveUSA model, first piloted in New York City and then replicated in three cities through the Obama Administration's Social Innovation Fund, leverages the tax refund moment to incentivize short-term savings through a savings match. The current program provides a 50 percent match for up to $1,000 in savings; an expanded SaveUSA Coalition will test match rates and savings caps to pinpoint optimal levels for maximizing participant savings, and will experiment with expanding enrollment into SaveUSA through other service providers. The Coalition, managed by the Cities for Financial Empowerment Fund, will provide extensive technical assistance in program design and operations to member cities, and will work to build evidence and momentum for introducing a similar matched savings opportunity through the federal tax code.

Keywords: SaveUSA, tax-time savings, CFE Fund, Financial Security Credit

Introduction

With limited access to the right savings opportunities, families with low incomes struggling to meet their basic needs often do not take steps to start accumulating financial assets. Without savings, when faced with an emergency these families must often turn to costly alternative sources of funds, which can lock them into a cycle of high-cost debt (Mills and Amick 2010). Such emergencies or unexpected needs can greatly impact the household's financial stability, and impact their overall economic security. In addition, families with low incomes often receive traditional social services—homeless prevention, workforce development, reentry services—and the successful completion of these interventions can be negatively impacted by their vulnerable financial situation. While much of the focus in the asset-building field has been on longer-term asset building vehicles, namely retirement savings, there is a growing body of work prioritizing short-term savings, or emergency savings, as a necessary onramp on the pathway towards longer-term savings and financial stability (Valenti 2013). A strong, targeted incentive for short-term savings can offer a realistic first step for individuals and families to weather financial shocks, manage emergencies, strengthen their overall finances, prevent breaching of retirement savings (Fellowes and Willemin 2013), and get on a pathway to longer-term savings.

Recognizing this, the SaveUSA program provides low and moderate income tax filers with a timely, simple, risk-free and valuable incentive to precipitate short-term savings and build savings habits. The model, first piloted by the New York City Department of Consumer Affairs Office of Financial Empowerment (OFE) in 2008 as $aveNYC, and now being replicated in Newark, NJ, San Antonio, TX, and Tulsa, OK through the Obama Administration's Social Innovation Fund (SIF), gives tax filers with low incomes a zero-risk opportunity to save a portion of their refund and then receive a 50 percent match if they save that initial deposit for one year. Not yet built into the federal tax code, SaveUSA is currently offered at select Volunteer Income Tax Assistance (VITA) sites in the participating cities.

The creation of a national SaveUSA Coalition, coordinated by the Cities for Financial Empowerment Fund (CFE Fund), will expand this tax-time savings model beyond the VITA program to a wider array of service providers.[1] It will also build upon existing efforts to provide

[1] The Cities for Financial Empowerment Fund (CFE Fund) mission is to leverage municipal engagement to improve the financial stability of households by embedding financial empowerment strategies into local government infrastructure. The approach combines technical and adaptive work to enable cities to embrace financial empowerment strategies, consider the most appropriate large-scale services within which to embed these strategies, and boost outcomes for individuals and families in the most cost-effective manner.

technical assistance to cities piloting the model outside of the SIF grant–the United Way of Greater Houston launched their own version of SaveUSA in 2012; and in 2013, the Center for Public Policy Priorities in Austin, Texas, and the Opportunity Fund in San Jose, California, piloted versions as well. Expanding the range of partners beyond VITA programs will increase opportunities for eligible families to participate in the program by making it available through a range of providers who recognize the value of short-term savings for their clients, and are willing to embed such an opportunity into their own approach. Providers will still leverage the infrastructure of tax preparation services, through partnerships, but will introduce this powerful emergency savings model within their own service context. Such an expansion will allow us to better understand the pathways to scale and establish an evidence base on key design features - match rate, savings threshold and income eligibility. Finally, a national movement of diverse organizations advocating for onramp savings will also provide momentum around the Financial Security Credit.

These sites can serve as a "public laboratory" to test the program for the broader federal tax policy goal: integrating a tax-time savings incentive for low-income filers through the creation of a refundable Financial Security Credit for contributions to a range of savings vehicles, including shorter-term savings vehicles (New America Foundation 2012). Ultimately, income-eligible filers would have the option to simply designate on their tax form the amount of their refund to save in an approved savings account for one year, and then present documentation with their tax return to show that the account remained open and fully funded for the entire year to claim the matching funds.

To build the political will to create an incentive structure for flexible emergency savings through the federal tax code, testing and evaluation of program impact in a variety of local contexts and integrated with a number of different social service programs is critical, as is developing a network of key political stakeholders advocating for such a credit. Findings from further evaluations in other municipalities can provide evidence-based learning on the impact of matched tax-time savings on participating families and the program terms necessary to hone in on appropriate policy parameters and realistic cost projections.

Background

Despite widespread agreement that savings is necessary for the financial well-being of low-income households, most offerings currently available to this population are traditional, long-term savings vehicles, mostly in the form of retirement savings products or individual development accounts. These are unrealistic for those with limited funds, and are unlikely to help them build savings or savings habits. A number of recent studies have illustrated that “short-term savings” or “contingency funds” are both more relevant and essential in helping families become financially stable (Mills and Amick 2010). However, even within this short-term framework, small amounts of savings are often difficult for people already struggling with limited incomes and unstable employment. For this reason, tax-time savings pilots have gained popularity with a diverse group of practitioners who are leveraging the filing infrastructure to facilitate personal savings decisions at a critical moment, when individuals and families receive a ‘windfall’ and thus have the ability to save. These programs build on early lessons from two notable pilots.

During the 2000 tax season, a former community development bank in Chicago piloted the Extra Credit Saving Program (Beverly, Romich and Tescher 2003). This program offered Earned Income Tax Credit (EITC) eligible filers the opportunity to open a no-fee, no-minimum balance savings account into which they could directly deposit their federal tax refund. Participants were eligible to receive a 10 percent bonus (up to $100) on funds remaining in the account at the end of the year. 20 percent of eligible filers opened the account, 61 percent of whom were unbanked at enrollment; 86 percent of participants received the bonus.

In a 2005 study, tax filers at select H&R Block offices in the St. Louis metropolitan area were randomly assigned to one of three match rates—0, 20, or 50 percent—on contributions to an H&R Block Express IRA at the point of tax preparation (Duflo et. al 2005). The control group included filers who were given information about the IRA but did not receive a match. The study concluded that a combination of the financial incentive, involvement of the tax professional, and the ease of participation had a significant effect on the willingness of individuals to participate in such programs and the amount they were willing to contribute.

Building on promising results such as these,[2] OFE launched its $aveNYC pilot in 2008 and expanded the program to additional New York City sites during the 2009 tax season. $aveNYC's program design served as the foundation of the national SaveUSA program, as did a number of key implementation and evaluation findings. OFE's work with $aveNYC provided a number of lessons that were used to enhance SaveUSA, specifically around embedding the program into the VITA process, developing effective training modules, and streamlining account management.

[2] Beverly et. al (2003), Duflo et. al. (2005)., and Madrian (2012).

OFE's findings, along with a program evaluation conducted by the Center for Community Capital at the University of North Carolina at Chapel Hill and supported by the Ford Foundation, showed that participation in the program was positively associated with an increased savings level and, thus, improved financial stability. They found that participants were saving for the short term and were withdrawing their funds to pay household expenses, reduce debt or cover emergencies (Key et. al. 2011). Their research also suggested, in the face of very low household income and unstable employment, participants appeared to have used their savings to meet these shortfalls instead of incurring new debt. Based on the success of the pilot, in 2010 the SIF awarded a grant to the Mayor's Fund for New York City's SIF Collaborative to replicate $aveNYC in three other cities as SaveUSA. Building on the success of $aveNYC, SaveUSA continues the delivery of this program at VITA sites, adding a more rigorous evaluation of the impact and effectiveness of a non-goal directed tax-time savings opportunity.

The next phase of SaveUSA will entail expanding the model even further, working with providers with varied missions and social service offerings. This next program phase is grounded in $aveUSA research, our implementation experience, and the reality that only a small percentage of EITC filers visit a VITA,[3] and based on two key insights:

- *Tax time is the right moment*: Among low-income families, a key reason for not saving is the lack of sufficient funds to do so once basic needs are met. This is why leveraging the tax moment is key when families and individuals receive their refund, oftentimes the largest lump sum amount of money they will receive all year.

[3] As reported by the IRS, less than one percent of EITC returns are prepared at a VITA.

- *Further contributions to this work means finding pathways to scale:* Given the growing call for onramp savings, and the limited capacity of VITA services, this savings opportunity should be accessible to more low-income families, as a way to reach scale. By channeling the program opportunity through a variety of service providers, this onramp can be made available to a variety of social service clients in many local contexts. In addition, scalability will hinge on the cost implications and participation rates of such a model, which will come from further tests around the match rate and savings threshold.

In addition to the national replication opportunities afforded by the SIF, the SaveUSA model is well-positioned to benefit from further replication, analysis and advocacy efforts. Given its focus on national replication of locally developed, promising programs, the CFE Fund provides a venue to manage the SaveUSA Coalition and provide the necessary technical assistance and support for members.

Ultimately, the ideal vehicle for bringing this approach to scale is the federal tax code. Although significant tax expenditures are already devoted to promoting household savings, current credits are non-refundable and focus on longer-term savings goals, like retirement and post-secondary education. The creation of a refundable Financial Security Credit, to provide a match for shorter-term, emergency savings, would offer a realistic, meaningful, and risk-free first step into savings for all low-to-moderate income Americans directly through the tax filing process. Building legislative buy-in to enact this model through the tax code will hinge upon building a network of supporters through the creation and growth of the SaveUSA Coalition.

Problem to be addressed

Without a savings cushion, it is clear that just one economic shock can greatly impact the ability of families to manage their finances, disrupt households and render them vulnerable to additional financial shocks (Mills and Amick 2010). The SaveUSA model has been characterized by a number of promising results addressing this problem, demonstrating clear demand for a flexible, short-term savings opportunity that can be used for emergency needs instead of incurring new debt. In addition, six years of program implementation have led to a deep understanding of potential challenges and implementation best practices. By working with a number of social service providers with varied missions, we can explore the impact of flexible savings on different social service outcomes. As much progress as a social service intervention might accomplish, gains can be easily lost when foundational financial stability falters. For example, the inability to afford fixing a flat tire could mean the inability to show up for work and loss of a day's pay. Access to emergency savings could counter the use of high-cost credit and bolster the ability to withstand such setbacks. It is crucial that we focus on refining the model through replication in diverse markets, and develop pathways to scale and long-term strategies like the creation of a federal tax credit, while leveraging the years of work already underway for this promising model.

Additional analysis of program features will lead to a better understanding of how these features impact participant rates and savings contributions, and can ensure an optimal, evidence-based design for a federal tax credit. The current SaveUSA framework continues to leverage research and evidence in both program design and implementation.[4] However, two important features of the program—its 50 percent match rate and $1,000 match threshold—have largely been defined

4 See UNC SaveNYC Research Papers and NYC OFE *SaveUSA Implementation Brief*. Note that SaveUSA is currently being evaluated by MDRC; findings expected in 2014.

by political will and funding availability, and the significance of each have not been incorporated into the program's current evaluation. As the SaveUSA framework gains momentum and an increasing number of cities and service providers partner with the CFE Fund to replicate their own version of a matched tax-time savings program for low and moderate income earners, there is a growing urgency to better understand the impact and cost implications of the match rate and savings threshold. In other words, what is "the sweet spot" of incentivizing savings participation and level, while keeping the match rate as low as possible to minimize cost[5] and allow for scale?

In addition, replication efforts under the SaveUSA Coalition will be focused on identifying social service providers who can embed tax-time saving in their program model and develop a savings onramp for their clients. To date, the SaveUSA model has focused solely on VITA sites, which provided an easy-to-access infrastructure for this type of tax-related intervention. However, after a number of years focused on the current implementation model through the VITAs, the time is right to further build upon this foundation and identify other target audiences for which tax-time savings would be effective. This expanded SaveUSA approach will provide further evidence for the "Supervitamin Effect," the effect that integration of financial stability programming into other programs can have, boosting the effectiveness and improving the outcomes of traditional social service programs.[6] It will also assist with bringing the model to scale nationally and in a variety of program and client contexts.

Further replication in partner cities through the SaveUSA Coalition will allow for next generation enhancements to the model and provide clarity on appropriate match percentages,

[5] While match funds are not the only aspect of program cost, they are the most relevant to potential for scalability and policy.
[6] The New York City Department of Consumer Affairs Office of Financial Empowerment outlines the "Supervitamin Effect" in its series of white papers, *Municipal Financial Empowerment: A Supervitamin for Public Programs*

thresholds and integration contexts – a key to increased participation and political support for national expansion through the federal tax code.

Proposed Intervention

Mechanism

This matched tax-time savings program for low and moderate income individuals has already been piloted in four cities, first as $aveNYC and now as the national SaveUSA program. In the last two years, nonprofit programs in additional cities—Houston, Austin and San Jose—have also piloted their own version of SaveUSA, outside of the SIF replication, using insights from the $aveNYC/SaveUSA work.

Currently, the program works as follows: participants open a specially-designed SaveUSA account at select VITA sites. Using the IRS split refund mechanism, Form 8888 Allocation of Refund Form, participants directly deposit a portion of their refund into a specifically designed SaveUSA account. They receive a 50 percent match, up to $500, on the initial tax time deposit if they leave the funds untouched for approximately one year. Account holders can make additional deposits and withdrawals. However, if they withdraw an amount that reduces their initial deposit, they are ineligible for the match. Account holders unable to save their initial deposit for the full year are not penalized and can access all of the money in the account, including any accrued interest. They only forego the savings match. After successful savers receive their match, they may withdraw funds from their SaveUSA account or keep the account and continue to accrue interest. There are no restrictions on how participants may use funds from their account, and they are encouraged to roll over the account and participate in the program again by directly depositing a portion of their next year's tax refund in the same account. The SaveUSA model does not mandate or attach a goal to participant savings; the lack of necessary monitoring around goal verification makes the program easier to administer, and non-goal savings is a more realistic first step for participants. Both are key ingredients to achieving scale.

In this expanded version, providers will still leverage the tax-time infrastructure of the tax preparation services, but will introduce this powerful emergency savings model within the context of their own service, such as workforce development services, reentry work, programming for domestic violence survivors, immigrant services, microloan services, etc. In this way, tax-time savings provide an entry point for clients receiving a variety of services to begin saving for the short-term and move towards long-term financial stability, while furthering the goals of the host programs. An example of this approach can be found in the work of Opportunity Fund based in San Jose, California. Over the last few years, they have been offering clients an opportunity to save small amounts of money through their "Start2Save" program, but were interested in exploring ways to increase enrollment. Based on SaveUSA, in 2013, Opportunity Fund modified "Start2Save," piloting the program through one VITA site to increase program enrollment. Now, clients filing their return can seed their account at tax-time and continue to save during the year. The program is coupled with a required financial education course through Opportunity Fund.

Grantees for the SaveUSA Coalition will be chosen by the CFE Fund through a competitive solicitation process, and will need to demonstrate the involvement of their municipal leaders and their ability to work strategically to influence the public policy process and build a case for including a savings opportunity in the tax code. The CFE Fund would look to provide grants to two different groups: (1) Organizations providing VITA services, who will replicate the traditional SaveUSA approach; and (2) Diverse service providers, in partnership with tax preparation services, committed to short-term savings for their clients. Under the expanded national replication, each grantee's SaveUSA initiative will be delivered through a variety of programs and will include a way for participants to leverage their tax refund to save. Grantees will be required to partner with a free or affordable tax preparation service (VITA sites, online services, commercial tax preparers, etc). Accounts meeting programmatic terms will need to be negotiated locally with financial institution partners, and program terms appropriate for the grantees will need to be established, but both will likely work in the same way as described above. In addition, some organizations will be asked to vary program terms for evaluation purposes, as outlined in the *Evaluation* section of this paper.

The CFE Fund will provide a clear implementation framework and will ensure that programs under the SaveUSA Coalition are grounded in a few key elements: (1) a portion of the tax refund will serve as the initial savings deposit; (2) participants will be rewarded through a match based on positive savings behavior; (3) savings incurred can be used for anything; (4) participants will always have access to their savings with no risks or penalties; and (5) focus will be on low- to moderate-income populations.

Within these guidelines, an expansion of the SaveUSA program will clarify a number of implementation issues and allow for programmatic innovations based on connections to a wide range of social services. SaveUSA programs that are anchored in a variety of services will help bring the model to scale and demonstrate its viability in a number of municipalities and contexts. Working with a diverse group of partners will also allow for better understanding around the impact and cost implications of key program terms, such as match rate and savings threshold.

Grantees will be able to access a number of tools to assist them in building out their programs, such as templates for numerous legal and program documents, customizable marketing materials, and OFE's 2012 *SaveUSA Implementation Brief*. They will also receive substantial technical assistance from the CFE Fund around program design and implementation, and will have the opportunity to join an ongoing learning network of cities replicating the model. Cities will be required to include an evaluation component in their programs, to provide further evidence for the model, and would work with the CFE Fund to set a match rate and savings threshold for their local context.

In all replication planning efforts, a key consideration will be identifying the most effective approaches to impact take up. The focus will be on implementing a diverse mix of strategies to raise awareness and increase on-site enrollment, including identifying community partners who can act as program champions, utilizing relevant and motivating messages for printed materials and talking points, and streamlining on-site processes to more seamlessly integrate the program for easier enrollment. The SaveUSA Social Innovation Fund replication has led to a number of valuable lessons in maximizing program uptake at each site using these methods— the CFE Fund will provide trainings on best practices to program leads, and work with grantees to develop marketing material and draft enrollment plans.

Goals

The SaveUSA Coalition has two distinct goals. First, through replication in a variety of local contexts, the CFE Fund will be able to evaluate the match rate and match threshold that will maximize participation rates and savings levels, while minimizing costs. The diversity of experience among coalition partners will offer the ability to examine the effect of both the savings match rate and savings threshold amount on participation rates and savings levels across cities. In addition, the CFE Fund will encourage cities to design models that fit their own programmatic goals, while adhering to a number of foundational features of the program. Such modifications will provide additional opportunities to reach a broader audience and demonstrate that savings cushions can help people be successful in a range of social service interventions, while also examining program features, including match rates, match thresholds, and program eligibility. Evidence on optimal program design that maximizes savings amounts and participation rates while minimizing costs will be invaluable for policymakers, funders and other stakeholders.

A second, longer-term goal will be to introduce a similar matched savings opportunity through the federal tax code in the form of a refundable savings credit, such as the Financial Security Credit, which applies to a range of savings modes, including shorter-term emergency savings vehicles. The tax code provides an effective way to truly bring this idea to scale and encourage a realistic first step for millions of families with low incomes to start building savings. The SaveUSA Coalition will engender a base of program champions in cities across the country, who will be able to work with their Congressional representatives to build support for federal investments in promoting savings among financially vulnerable Americans.

Target Population

In the current SaveUSA implementation cities, the program is aimed at low-income filers using the IRS' VITA program. The national VITA program is designed to reach these families in underserved communities across the country, where affordable tax preparation services are usually unavailable. The average income of SaveUSA participants in the Social Innovation Fund SaveUSA cities is $18,000; the program serves a very low-income population for whom the tax-time refund represents a vital infusion of funds. Although evidence from each replication will enhance the learnings around take up, it is already clear that for the filers who enroll in the program and receive the match, this is a huge step on the pathway towards long-term savings. When selecting grantees, the CFE Fund will work to ensure a diverse mix of organizations and demographic groups are targeted.

New SaveUSA Coalition cities could use any free or affordable tax preparation service to deliver the program and the match. Some cities could serve roughly the same population as is currently served, while others could integrate the program into other tax preparation models outside of VITA to offer the savings opportunity to tax filers with more moderate incomes. Including moderate-income consumers in the program will better reflect the full population ultimately intended to be eligible for the Financial Security Credit.

Evidence of Effectiveness

OFE's $aveNYC pilot ran from 2008 to 2010. Initial results demonstrated that adults with low incomes will save at tax time when presented with the right opportunity and incentive. During that period, 2,200 people, roughly nine percent of eligible tax filers, chose to open a $aveNYC

Account and commit over $1.7 million to savings. The majority of participants (81 percent) saved for the full program term and received match funds, accumulating over $2.3 million; and about 75 percent of participants who received the match chose to keep the account open for another year. In addition, participants were found to not incur debt as a way to maintain their $aveNYC account balance.

An in-depth analysis of the $aveNYC program, led by the Center for Community Capital at the University of North Carolina, found that the program was positively associated with an increased savings level and, thus, improved financial stability (Key et. al. 2011). While $aveNYC participants held more savings, relative to a comparison group, of particular importance was the finding that these participants were better equipped to deal with emergencies or a loss of income. In fact, program participants also increased their odds of having one month's worth of savings to cover expenses and, over the course of the study period, increased their savings, while comparison group members experienced reductions in their savings. Qualitative research further suggests that $aveNYC helped participants overcome some savings barriers, including poor history with financial institutions, inability to see themselves as "savers", and family/community pressure discouraging savings behavior and practice.

Early findings from the SaveUSA evaluation, a 5-year Random Control Trial evaluation being conducted by the research firm MDRC, suggests the program is facilitating savings and motivating participants to save again (Azurdia et. al. 2013). Program participation rates are comparable, if not slightly better, than similar tax-time savings for low and moderate income individuals. In terms of demographics, program participant's average gross income is less than

$18,000, half of the participants are single filers with children; and 66 percent received the Earned Income Tax Credit (EITC). With respect to enrollment, despite income, 29 percent of participants pledged to save $1,000, which is the maximum amount eligible for a match. In addition, a key highlight is that that without SaveUSA, few eligible tax filers who were motivated to save, actually did (based on control group information). The majority of participants are saving their pledged amounts with the hope of a large match serving as motivation. And, receiving the match increased the likelihood that participants would save again—nearly half of all match recipients pledged again.

Limitations

While VITA providers may be more likely to work within the SaveUSA Coalition, one immediate challenge could be identifying other social providers to replicate the model. These providers may not see the relevance of tax-time savings to their clients, compared to other pressing needs, and the ways in which such access to a savings vehicle could benefit their own programmatic outcomes, under the "Supervitamin Effect." Also, it may be a challenge to ensure the replication grantees are willing and able to pilot the program terms laid out below. In addition, tax preparation sites serve large volumes of clients, who are focused solely on tax preparation and may not be interested in taking the time to learn about additional services. Integrating the SaveUSA enrollment process into the site can be challenging, and requires time and resources from preparer staff.

Replication grantees will need to work with financial institutions able to provide an account that meets all the necessary terms, provide data reports and distribute the match to successful savers.

In some cases, filers may be subject to legal garnishments, or may face difficulty opening any account due to ChexSystems review. The CFE Fund will work with grantees to develop targeted outreach for likely participants who can open accounts. All of these operational challenges have been overcome in New York City and in the SIF replication cities, so we believe program operation is feasible in new Coalition cities, especially given the technical assistance the Fund will provide. In addition, the degree to which programs can be customized should ensure that program design accounts for local challenges.

Evaluation

Matching savings contributions is a common method aimed at increasing individual savings. However, a relatively recent review of the literature finds that conditional on participation, a higher match rate has only a small effect on savings plan contributions. In contrast, the match threshold has a substantial impact, probably because it serves as a natural reference point when individuals are deciding how much to save and may be viewed as advice from the savings program sponsor on how much to save (Madrian 2012).

In order to examine the impact of these two program features in the context of SaveUSA, we will take advantage of different match rates and match thresholds to compare program participation rates and savings levels across and within cities replicating the SaveUSA model. While there are other costs associated with the program, the most policy relevant costs are around the match rate and thresholds. For this reason we would look to explore four different scenarios: (1) 50 percent match and $1,000 cap; (2) 50 percent match, and $2,000 cap; (3) 25 percent match and $1,000 cap; and (4) 25 percent match and $2,000 cap. Of course, these figures will need to be discussed with grantees and could be modified based on the funding available.

For this evaluation, the CFE Fund will need program and bank administrative data for all program years (from the filer's enrollment in the program during tax season to the February of the following year). In addition, surveying a random sample of program participants would allow us to monitor the entire household balance sheet and identify potential unintended consequences, such as increasing or holding onto high-cost debt in order to preserve savings. However, as shown in the findings from the $aveNYC study conducted by UNC's Center for Community Capital, program participants avoided taking on new debt and were more likely to use a household budget to pay their bills on time. The evaluation would seek to add to these findings around unintended consequences. Additionally, we would probe for positive outcomes and behaviors other than savings that are correlated to financial well-being, such as averting high cost credit, reducing high-cost debt, and strengthening self-efficacy. While total matching funds is not a comprehensive measure, we feel it is the most policy relevant aspect of program cost.

We will also document how expanding beyond VITA sites impacts the implementation of the model. Key to this will be looking at implications on staffing, program integration, messaging, and training, among other features.

An evaluation of program features and results in the SaveUSA Coalition cities will continue to strengthen the evidence base behind the program, adding to findings from OFE, UNC's Center for Community Capital, and MDRC, through the Social Innovation Fund.

Laying Groundwork for Federal Policy Change

The creation of the SaveUSA Coalition and the proliferation of local programs to encourage savings at tax time through the SaveUSA model will have meaningful impacts, especially in replication cities. However, to achieve national scale, an incentive for flexible use savings must be universally implemented as a refundable credit for low and moderate income tax filers through the Federal tax code. This structure will leverage existing infrastructure of the tax filing process and tax reporting to ensure universal access to the savings incentive.

The tax code already contains a number of incentives for households to build retirement savings, including the Savers Credit. However, retirement savings may not be the right first step for many households with low incomes whose most immediate concern is having a cushion for emergencies or shorter-term savings needs. Further, since it is not refundable, the current Savers Credit provides only limited benefit to those consumers who do not have a tax liability. For incentives to truly impact savings behavior, current policy must be expanded to invest in on-ramps to savings that provide a buffer when emergencies occur and jumpstart recipients on the path of building longer-term savings.

The SaveUSA model could be incorporated into the tax code through the creation of a Financial Security Credit, a proposed federal tax credit that would provide a match for qualified contributions into a range of savings vehicles, including shorter-term products. Eligible tax filers could either direct a portion of their income tax refund into a qualifying savings product using the split refund form or report previous contributions to a designated savings product from that tax year. If the tax filer does not have an account, she could open one directly using the federal income tax form and deposit all or part of her refund into this newly-opened account. A percentage of every dollar deposited into the designated savings product would be matched, up to a maximum amount, by a tax credit directly deposited into the account after the funds have been verified as being in the account for a specified time period. The verification process could include enhanced 1099 reporting for eligible savings vehicles to ensure the account balance is maintained throughout a testing period, as well as additional safeguards to ensure requirements are met. The credit would promote savings for a number of purposes, including for short-term savings that can act as an emergency fund so that tax filers without savings can begin to become more financially secure. The creation of a Financial Security Credit would facilitate personal savings decisions at a critical moment when workers have the opportunity and ability to save.

The creation of the SaveUSA Coalition will naturally expand the constituency of partner organizations and champions that will be essential to advancing legislation to create the Financial Security Credit. The CFE Fund and OFE have already begun working towards this goal—we have been meeting with legislators to work towards an introduction of the Financial Security Credit Act by members of the New York City delegation in the 113th Congress—and national participation in the program by key stakeholders would only further the potential of enacting the credit. The Coalition will also build the evidence base to support the expansion of federal policy into shorter-term savings vehicles, and additional programmatic learnings about varying match rates and integration contexts can inform policy design to maximize impact and minimize cost. Finally, the amplified voice of multiple cities, working together to implement the model and advocate for change in the federal tax code, can be a powerful impetus for funding.

The SaveUSA Coalition and the CFE Fund can offer support to municipal entities, service providers and tax preparation organizations in raising funds for their local programs.

Conclusion

SaveUSA has grown from a one-city pilot to a federally supported, national model. The model's innovative approach to coupling the tax refund "windfall" moment with a significant savings incentive has proven to be a realistic onramp to encourage short-term savings and help filers on the road to greater financial stability. A national SaveUSA Coalition, which will provide technical assistance on program design and operations, will guide various iterations of the model in diverse contexts, and provide additional evidence on optimal program design. Ultimately, the formation of the Coalition and the evidence it provides can inform a federal tax credit that will ensure millions of Americans with low incomes can leverage their tax refund to begin saving.

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