

Grants to entities assisting taxpayers with their federal income taxes

HB 2888 Martinez (West)

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DIGEST: HB 2888 would have established the Volunteer Income Tax Assistance grant program administered by the Texas Department of Housing and Community Affairs. The grant program would have provided financial assistance to any nonprofit organization or political subdivision in Texas and to certain regional or local coalitions that offered a volunteer income tax assistance program.

Funding for grants would have derived from legislative appropriation, federal Community Services block grant funds, and federal Temporary Assistance for Needy Families (TANF) block grant funds. The department would have sought any necessary federal waivers to use federal funds for this purpose, and the bill would have limited the use of TANF funds for this purpose to no more than 0.25 percent of the total TANF funds awarded to the state per fiscal biennium.

**GOVERNOR'S
REASON FOR
VETO:**

“House Bill No. 2888 would take funds away from the Temporary Assistance for Needy Families (TANF) program to fund a Volunteer Income Tax Assistance grant program to be administered through the Texas Department of Housing and Community Affairs. Taking TANF dollars away from their intended purpose of serving clients to fund this program is unnecessary. These funds should be used to benefit people, not create more government bureaucracy.

“Furthermore, tax assistance and Earned Income Tax Credit education programs are already provided by the Texas Workforce Commission, Texas’ 28 local workforce development boards, and numerous nonprofit organizations and community centers.”

RESPONSE: **Rep. Armando Martinez**, the bill’s author, said: “I am extremely disappointed by Governor Perry’s veto of HB 2888. After working closely with both Senator West’s office as well as Governor Perry’s office, Governor Perry’s veto of HB 2888 was a surprise to me. Now, it is very unfortunate that many low and moderate income Texas families may not be able to access up to \$11 billion in refunds as provided in the economic stimulus package that was approved by the federal government earlier this year. In a time when many Texas families are struggling, the Texas Legislature saw the need to pass HB 2888; unfortunately, Governor Perry did not.”

Sen. Royce West, the bill’s Senate sponsor, said: “The governor’s veto of House Bill 2888 represents a lost opportunity for Texas. The bill would have helped thousands of low-income families to access millions of dollars from the Earned Income Tax Credit (EITC), the Child Tax Credit and the Child and Dependent Care Credit through expansion of Volunteer Income Tax Assistance programs (VITA).

“The Texas Workforce Commission takes no active involvement in the actual preparation of returns for these needy families. Their effort, while commendable, is limited to encouraging the 28 Workforce Boards to provide space for the activities of the very non-profit VITA programs this bill would have encouraged. They also provide a \$3.00 kit to each of these centers. (see: www.twc.state.tx.us/boards/wdletters/letters/01-09.doc)

“Over the last few years existing programs in Texas have returned hundreds of millions in increased EITC refunds. Still, according to estimates by the IRS, low-income families in Texas are losing about \$500 million dollars in refunds each year.

“The real loss, however, is the missed opportunity to utilize the expansion of tax credits made available in the federal stimulus legislation. Specifically, these credits are: Making Work Pay Tax Credit (\$1.7 Billion), Child Tax Credit (\$1.5 Billion), EITC (\$500 Million), American Opportunity Tax Credit (\$365 Million), and the new Homebuyer Tax Credit (\$412 Million). The number of Texas families eligible for these refunds is estimated to be over two million, but only if claimed on the appropriate federal tax return. HB 2888 would have provided working families with the assistance necessary to take advantage of the new and expanded tax credits. This money could have helped stabilize our state’s most vulnerable populations and boosted the Texas economy with billions of dollars in new spending.

“Some of the specific objections of the governor are addressed as follows:

- *‘... would take funds away from the Temporary Assistance for Needy Families (TANF) program’*

“HB 2888 specifically provides that the program ‘may’ be funded by transfer of TANF funds, but it also permits the department to utilize other discretionary funds and/or Community Services Block Grant (CSBG) funds. The bill is entirely permissive in every fiscal aspect.

- *‘... taking TANF dollars away from their intended purpose of serving clients’*

“Federal directives, published by the U.S. Department of Health and Human Services (HHS), on the TANF program permit use ‘in any manner reasonably calculated to accomplish’ any one of the four purposes of the TANF program. The second purpose indicated is:

To end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; under this purpose, a State could help any needy parent, including a noncustodial parent or a working parent, by providing employment, job preparation, or training services. Examples of potential services include job or career advancement activities, marriage counseling, refundable earned income tax credits, child care services, and employment services ...

“Tax preparation programs are encouraged by HHS because they have proven to help clients so dramatically. According to the Department website: ‘The EITC (Earned Income Tax Credit) lifts one out of seven children out of poverty.’ (see: http://www.acf.hhs.gov/programs/ofa/resources/funding_guide.htm#appropriate)

- ‘... *not create more government bureaucracy.*’

“HB 2888 permissively authorized the Texas Department of Housing and Community Affairs to conduct a grant program. This program in turn would subsidize local organizations (churches, non-profit organizations, and local governments) which establish tax preparation services for low-income families. Because the labor is largely voluntary, the administrative cost estimate from TDHCA (whose board the governor appoints) was lower than the allowable administrative cost of CSBG or TANF programs.

- ‘... *Earned Income Tax Credit education programs are already provided by the Texas Workforce Commission*’

“HB 2888 did not deal with EITC education programs. It would have encouraged the development and formation of VITA centers, as well as the recruitment and training of volunteer tax preparers. These centers provide tax preparation services to employed TANF-eligible families and other low-income families. Most of these families lack the capacity or resources to file the complicated return which provides an average refund check of over \$2,000.”

NOTES:

HB 2888 passed the House on the Local, Consent, and Resolutions Calendar and was not analyzed in a *Daily Floor Report*.