The I-CAN!
Earned-Income Tax Credit Module

Interim Evaluation Report

May 6, 2003

A report by

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for

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I. Introduction

The I-CAN! system is an exciting, computer-based technology developed by the Legal Aid Society of Orange County (LASOC). It enables low-income people to use a computer terminal or kiosk, either stand-alone or connected to the Internet, to perform many simple legal tasks themselves -- such as completing and printing out a legal form -- that previously would have required significant help from a legal professional.

In 2002-2003, LASOC received a Technology Implementation Grant from the Legal Services Corporation and a grant from the Internal Revenue Service Low Income Taxpayer Clinic Program to develop and implement an I-CAN! module enabling low-income people to prepare their own income tax returns and apply for the Earned Income Tax Credit. The module helps low-income taxpayers prepare the Schedule EIC and fill out the appropriate 1040, 1040A or 1040EZ tax forms, in the process providing on-line video and text assistance to help them complete the forms and better understand the Earned Income Credit program. The module is available in English, Spanish, and Vietnamese and targets a fifth-grade reading level to maximize ease of use. Once they have completed the forms, taxpayers can then file them either in traditional paper format or electronically.

An evaluation of the first season's implementation of the I-CAN! tax module is being performed by The Resource for Great Programs.[1] The evaluation includes statistical and financial analysis of the outcomes for clients and communities resulting from use of the I-CAN! system. It will also include follow-up telephone interviews with users and interviews with project staff and agency partners.

I-CAN!'s First Tax Season At-a-Glance

- **Users (estimated)** **386**
- **Completed returns** **216**
- **Completion Rate** **56%**
- **Tax Credits Obtained**...................**$424,728**
- **Average per completed return** **$1,966**
- **User Feedback About I-CAN!**
  - --   "Helpful" or "Very helpful" 99%
  - --   "Easy" or "Very Easy" to use.......98%
- **Partners (as of May 6, 2003)**..................**60**
  - --   Legal services programs 27
  - --   Others (libraries, community technology centers, community organizations)......................................33
  - --   Partners with successful users 3

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[1] The Resource for Great Programs, Inc., is a national consulting firm providing strategic support to civil justice programs. Its services include program and project evaluation, needs assessment, strategic marketing support and strategic planning facilitation. For further information, visit The Resource's web site at www.GreatPrograms.org.

This report describes the evaluation design and summarizes preliminary findings from analysis of the user data collected from the first season's use of the I-CAN! system. As an overview:

1. Development of the Earned Income Credit module has been completed and a total of 60 partners (including 27 legal services programs and 33 libraries, community technology centers and other community organizations) have thus far agreed to make I-CAN! available to their clients. During the 2003 tax season, the I-CAN! tax program was fully implemented in at least three partner locations as well as being available on the Internet.

2. At this writing, 216 low-income clients had successfully completed their returns using the I-CAN! system, providing sufficient user data to support a preliminary analysis of results to date for the client exit survey and client statistical data portions of the evaluation.

3. Although very preliminary, the results to date are exciting. Already, more than $424,000 in tax credits have been generated for low-income taxpayers, an average of $1,966 per successful session. An estimated 56 percent of the users completed their sessions and obtained an Earned Income Credit, for an average of $1,602 per completed session. In addition, users obtained more than $78,000 in other credits, including child and education credits.[2]

4. Client feedback was overwhelmingly positive. More than 99 percent of respondents to the exit survey indicated they found the system either "Helpful" or "Very Helpful", and more than 97 percent found it either "Easy" or "Very Easy" to use.

5. The main challenges ahead are activating the partners and increasing public awareness of I-CAN! in the low-income community. In the first tax season, partners were slow to ramp up the use of the system by their clients. Once this issue has been overcome, the usage is expected to climb and the number of benefits of the I-CAN! system for clients and communities will be dramatically expanded.

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[2] Note that these statistics do not include tax refunds for which users may have been eligible but unlikely to obtain without I-CAN!. Since the amount of an individual taxpayer's refund -- or balance due -- is primarily dependent upon the withholding done by his or her employer and is not directly related to the success of the I-CAN! EIC module per se, these amounts have not been included in this evaluation.

II. Evaluation design

The evaluation of the I-CAN! project has three goals:

- **Measure outcomes:** Develop a system of outcomes measures to assess the project's success in meeting key objectives and identify areas for improvement, as well as major successes which can be celebrated and built upon going forward.

- **Improve "smart systems" project management:** Provide a "feedback loop" by which key success measures are generated from performance data that can be used by system managers to make adjustments in real time, continually improving outcomes and success and allowing project staff to respond aggressively and proactively to the evolving needs of users and partners.

- **Produce a summary assessment report** outlining what worked and what didn't, with practical implications for future deployment of the technology in later phases of the program.

Six key success factors are being tested through the evaluation.

1. **Accessibility:** Does I-CAN! make the Earned Income Credit accessible and obtainable to the target low-income population?

2. **Dollars for clients:** Does I-CAN! have a significant financial benefit for low-income people and the communities in which they live?

3. **Cost savings:** Does I-CAN! provide a meaningful solution to the high fees and interest rates charged to low-income people by commercial tax preparers for tax prep assistance and Refund Anticipation Loans?

4. **Community benefits:** Does I-CAN! benefit the broader local, regional, and national community?

5. **The network implementation model:** How successfully and efficiently are partner organizations able to implement I-CAN?

6. **Overall viability:** Is I-CAN! an effective, viable way to respond to the full array of needs it is meant to address?

The evaluation is using seven evaluation "tools."

1. **Client exit survey** -- A series of simple questions have been programmed into an "exit module" of the I-CAN! software, to be completed by the client at the conclusion of the I-CAN! module.

2. **Client demographics and statistical data** -- The I-CAN! software captures a wealth of statistical data, including dollar benefits and types of tax credits obtained, geographical distribution of users, and paper versus electronic filing rates.

3. **Client follow-up telephone interview** with a sample of users to obtain more "nuanced" feedback on people's experience with the I-CAN! system, such as which sections were most/least helpful, how the module compared with their past experiences with tax preparation, whether (and why) they would use I-CAN! again, and suggestions for improvement.

4. **Interviews with staff of partner organizations** -- e.g., legal services programs – to obtain valuable input on how easily and effectively the I-CAN! system was implemented in their organizations, how they did outreach to their clients, particular challenges and opportunities they perceived, and suggestions for improvement.

5. **Dollar benefits analysis** using a combination of data captured by I-CAN!, key data items from client exit survey (e.g., "did you recieve an EIC last year?"), and secondary data (e.g., IRS data).

6. **Project quarterly report** -- a one-page summary of progress against program milestones, e.g., number of partners enlisted, number of partner staff trained.

7. **Partner focus groups** to evaluate partners' experience with I-CAN! and collaboratively develop a set of opportunities for improvement.

III. Summary of Findings To Date

This section summarizes early findings from analysis of the Client Exit Survey and Client Statistical Data portions the evaluation. (See Appendix A for a copy of the questions answered by users to provide the data for this analysis.)

At this writing, low-income clients successfully completed 216 filings. The estimated total number of users was 386.[3] The 216 completed sessions provided sufficient user data to support a preliminary analysis of results to date for the client exit survey and client statistical data portions of the evaluation.

Although very preliminary, the results to date are exciting. Already, more than $424,000 in credits have been generated for low-income taxpayers, including $346,000 in Earned-Income Tax Credits (EITC) alone (see Exhibit 1). The average EIT credit amount was $1,602 per successful filing. At least 56 percent of the users completed their filing and obtained an EIT credit. In addition, many users qualified for childcare, education, and other credits. Altogether, the average user who completed his or her tax filing through I-CAN! obtained nearly $2,000 in tax credits (Exhibit 1).

Exhibit 1 – Summary of Credits Obtained by Users[4]

	Earned Income Credit	Education Credit	Child Credit	Additional Child Credit	Other Credits	Total
Total	$346,053	$2,789	$23,219	$48,500	$4,167	$424,728
Average/ User*	$1,602	$13	$107	$225	$19	$1,966

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[3]There were a total of 557 sessions initiated and 216 completed returns. Of the 341 that did not result in a completed return, it is estimated that approximately 50% were demos, system tests by partners, and other "spurious" sessions that were not intended to complete a valid return. Accordingly we have estimated that there were 386 valid user sessions. Of the 386, some dropped out for a variety of reasons which were not captured by the statistical module: some may have needed to get additional paperwork, some may have had trouble with their forms, or dropped out of the process for reasons we are unable to determine. Some of these people came back later and either completed it or didn't – but in any case, 56 percent of all users who were deemed to have successfully filed is probably understated, since it implies that the other 44 percent failed, when some of them may have just not been eligible in the first place or didn't have their paperwork in order.

[4]Based upon 216 completed filings. Note that the per-user figures for credits other than the EIC may be understated, because not all users may have qualified for these additional credits – the average figure per eligible applicant was therefore likely higher.

Client feedback was positive. More than 99 percent of respondents to the exit survey indicated they found the system either "Helpful" or "Very Helpful," and 97.7 percent found it either "Easy" or "Very Easy" to use (Exhibit 2). The vast majority would use the system again.

Exhibit 2 – Summary of User Feedback Statistics[5]

Helpfulness	
Very Helpful	91.8%
Somewhat Helpful	7.3%
Not Very Helpful	0.0%
Not Helpful at All	0.9%

Ease of Use	
Very Easy	69.7%
Easy	28.0%
Hard	2.3%
Very Hard	0.0%

The I-CAN! EIC module is helping new users learn about and obtain the EITC. Forty-four percent of respondents to the exit survey were repeat EITC applicants who had also obtained the credit last year (see Exhibit 3). The other 56 percent either had not previously received the credit or could not remember whether or not they had done so. Of this latter group, only a very small minority (7 percent) had actually applied – most of the remainder simply hadn't known about it, or (in a smaller number of cases) simply couldn't afford to apply. The module thus appears to be helping people to learn about and apply for the EIC for the first time.

Exhibit 3 – Previous Experience with EITC Filing[6]

Obtained EITC Last Year?	
Yes	44%
No	36%
Don't Remember	19%

Of Those Who Didn't…	
Applied Unsuccessfully	7%
Couldn't Afford to Apply	8%
Didn't Know About EITC	49%
Don't Remember	36%

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[5] 111 users responded to the question about "helpfulness." A total of 133 users responded to the question about "Ease of Use."

[6] 125 users responded to the question about whether they had obtained the EITC in the previous year. Of those who did not receive the EITC, 66 responded to the follow-up question about why they did not.

I-CAN! EIC users almost universally find it eases the filing process considerably. Users have prepared and filed their tax returns in a variety of ways in the past, from doing it themselves to getting help from friends to hiring a tax-preparation service to do it for them. The vast majority, however, find that I-CAN!'s EIC module simplified the process considerably – fully 80 percent said using I-CAN! was either "much" or "somewhat" easier than the method they used last year, and only 1 percent said it was harder (see Exhibit 4).

Exhibit 4 – Comparison with Previous Preparation Methods[7]

Who Prepared Return Last Year	
Self	20%
Friend	9%
Tax-Prep Service	32%
Other	40%

Ease of Use -- I-CAN! vs. Last Year	
Much Easier	69%
Somewhat Easier	11%
About the Same	7%
Somewhat Harder	1%
Much Harder	0%
Didn't File	6%
Don't Remember	7%

From a technical standpoint, the I-CAN! system is working. Users are completing their tax returns. They are generating tax refunds for which they are eligible. They are highly satisfied with their experience. These preliminary indications from the user statistics will be explored in further detail in the Client Follow-up Interview portion of the evaluation and addressed in the final evaluation report.

The main challenge ahead is two-fold: 1) activation of the partners, and 2) increasing public awareness in the low-income community.

Most of the user sessions that have been completed to date have been done either via Internet or at Legal Aid Society of Orange County administered locations (see Exhibit 5). Partners have been slow to ramp up the use of the system by their clients and in their local communities. Indeed, partners besides LASOC accounted for only 20 percent of all successfully completed user filings. There were another 57 partner organizations whose clients did not complete any tax filings using I-CAN!

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[7]A total of 119 users responded to the question about who prepared their return last year. 104 answered the question about ease of use with I-CAN! versus their experience last year.

Although there can be many reasons for this that have little or nothing to do with partners' enthusiasm or support for the system or their perception of its value, increasing this rate of partner usage and outreach to partners' communities will be critical to the module's future success.

Exhibit 5 – Partner Utilization[8]

Completed Sessions, by Partner Organization	
California Indian Legal Services	1%
FSS Project T.E.C.H.	4%
Goodwill Industries	15%
Internet	38%
Legal Aid Society of Orange County	43%

The issue of how to expand the network of partners and increase their user activation rates will be explored in more detail in the Partner Follow-up Interview portion of this evaluation.

A related challenge is how to increase public awareness of the I-CAN! EIC module and its potential uses, benefits, and accessibility – particularly within the low-income community that the system is designed to serve. Although I-CAN! clearly obtained substantial benefits for those who completed the module and appears to have been received enthusiastically by users, the absolute numbers of I-CAN!-enabled filings this first season were not large. Publicizing the system, making potential users aware of how to access it and what benefits it offers, and performing local outreach (including broadcast advertising such as PSAs) in collaboration with partners to support increased utilization in partner communities will all be critical steps to realize the potential of the system.[9]

Once the challenges of activating partners and increasing public awareness have been addressed, the usage in the second season of use will almost certainly climb and the beneficial impacts produced in the first season of I-CAN! usage will be dramatically expanded. The dollar impacts of these benefits on clients and communities will be explored in the financial analysis portion of the evaluation and addressed in the final evaluation report.

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[8] A total of 216 completed user sessions are reflected in the statistics in Exhibit 6.

[9] Two issues that will be explored in the partner interviews to be done in the next phase of the evaluation are: (1) getting the module ready early enough (i.e., January or so) for the "early filers", who may represent the bulk of the potential user community (that milestone was missed for the initial tryout in 2003); and (2) getting the word out – to partners, community groups, and potential users (e.g., via PSAs and other broadcast media) – early enough to generate awareness. Based on the 2003 experience, this is an important key to success. This involves a) getting funding and donations from ad agencies to generate PSAs, and b) getting enough media outlets to run them in enough markets to attract public attention.

IV. Conclusion

I-CAN!'s EIC module shows early promise in creating an easy-to-use, understandable system to assist low-income workers to prepare tax documents and apply for the Earned Income Tax Credit and other tax benefits for which they may be eligible. High satisfaction rates and positive feedback from users in early returns on exit surveys appear to indicate that the system, if broadly implemented, would simplify the filing and preparation process considerably and obtain substantial dollar benefits for needy users. Although further analysis remains to be conducted in upcoming stages of the evaluation process, the challenges for the future appear to be primarily in the areas of publicizing the system and increasing public awareness, rather than in the technology itself.

These findings will be explored further in later phases of the evaluation.

Appendices

- Appendix A: Copy of User Survey module

- Appendix B: List of participating partners