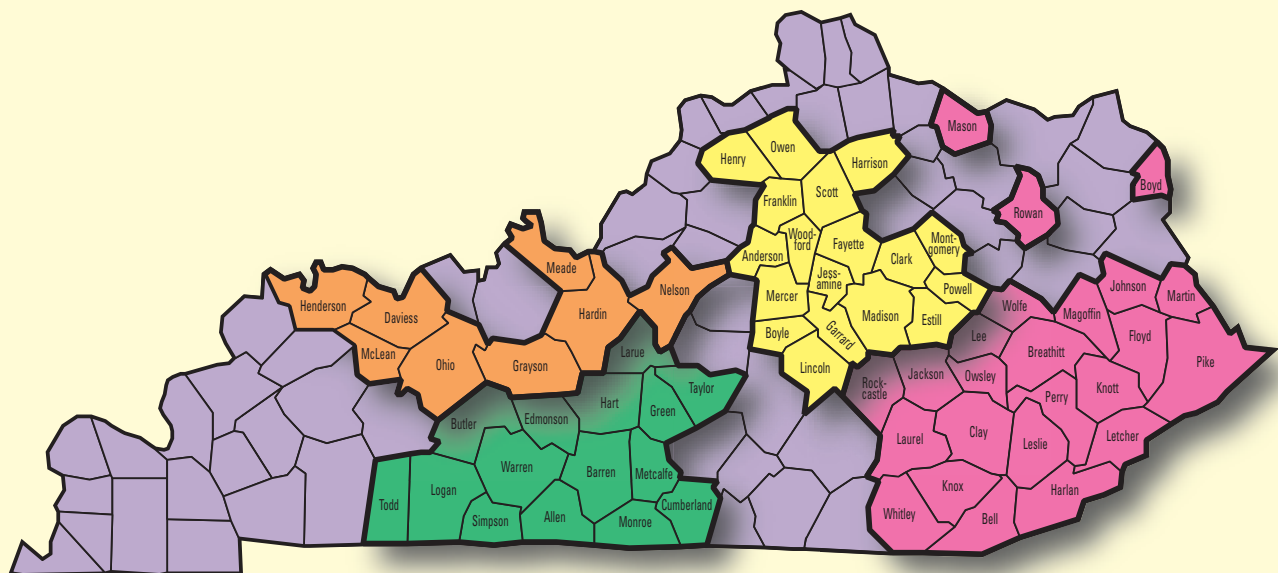


KENTUCKY Asset Success INITIATIVE

Free tax preparation, financial education and
asset-building tools for working families

2010 ANNUAL REPORT



10,298 families served • \$13.5 million in federal tax refunds returned
3,476 families claimed the Earned Income Tax Credit

Total Economic Impact: \$21.7 million



Free tax-preparation sites operated by the Kentucky Asset Success Initiative (KASI) helped 10,298 working families claim federal tax refunds of more than \$13.5 million in 2010. The sites helped families claim state refunds totaling an additional \$1.3 million. These refunds generated \$21.7 million in economic activity in their communities.

In addition, because of the free services provided by KASI volunteer tax preparers, families saved \$2.2 million in tax preparation fees and refund-anticipation loans – an average of \$215 per taxpayer.

KASI is an asset-building project that provides free tax-preparation services and financial education to low-to-moderate income families in Kentucky. In 2010 the initiative sponsored 56 free tax sites and served 65 counties across the state.

The median Adjusted Gross Income (AGI) for families who used KASI's sites was \$13,416.

The primary goal of the KASI free tax-preparation sites is to help more eligible families apply for the federal Earned Income Tax Credit (EITC).

The IRS estimates that as many as 20 percent of Kentucky families who qualify for the EITC do not claim it. More than 3,476 of the families served by KASI sites claimed over \$5 million with the credit in 2010.

Immediate savings

KASI free tax-preparation sites are staffed by volunteers who are trained and certified by the IRS to

complete all but the most complicated tax returns.

The free tax sites filed returns electronically, which meant that participating families usually received their refunds quickly – within 7-10 days.

The sites give families an alternative to commercial

tax preparers, who often charge a basic fee with add-ons for completing additional forms such as the EITC, the child tax credit, and child/dependent care credit. The sites are also important because families who used them were not tempted by refund-anticipation loans, or RALs. Such loans cost taxpayers who claim the EITC, on average, an additional \$88, according to the National Consumer Law Center's analysis of 2009 tax filings.

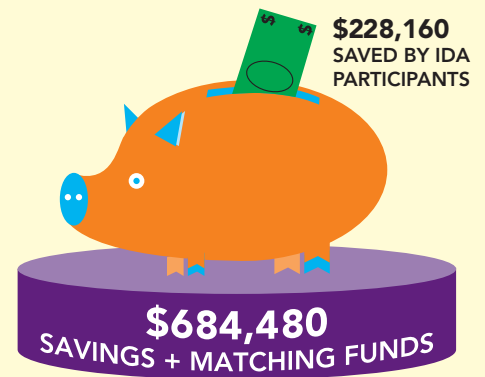
Low-income families in Kentucky use refund-anticipation loans much more often than middle-income families, according to the Center's analysis. One in 12 (8.5%) Kentucky taxpayers used a refund-anticipation loan in 2008.

Meanwhile, about a third of the state's tax filers (34%) who claimed the EITC in 2008 obtained a RAL.

Discouraging refund-anticipation loans

Many tax filers get RALs in order to receive their refunds on the same day they file for them. But they do so at a high cost, according to the National Consumer Law Center's analysis. The average RAL in Kentucky is \$3,300, and

Median Adjusted Gross Income of KASI filers was \$13,416

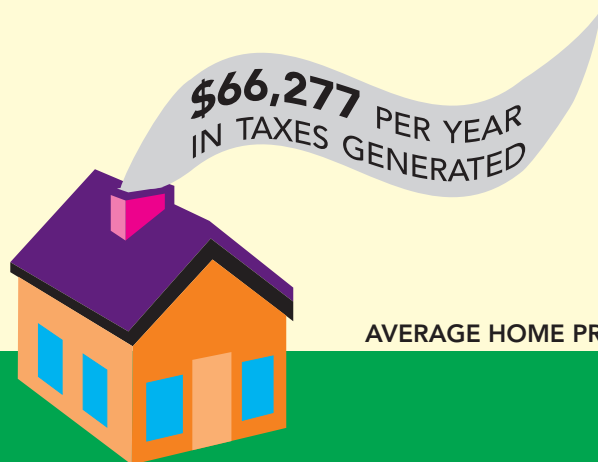


the average annual percentage rate is 72 percent, providing a very poor value for taxpayers' refund dollars

Families often choose RALs because the payment is deducted from the amount of the refund, and may seem reasonable to those who need their tax refunds quickly. However, these fees are the equivalent of high-interest loans to tax filers in advance of their tax refunds.

Largest government program for working families

The Earned Income Tax Credit is the federal government's largest program benefitting working families. More families benefitted from the EITC in 2010 than in previous years due to an increase in the maximum qualifying



AVERAGE HOME PRICE OF \$94,430

\$7,176,710 IS THE TOTAL VALUE OF HOMES PURCHASED BY 81 PARTICIPANTS

continued on page 4

SUCCESS STORY:

Christa McMichael

IDA savings fund new career and home

Christa McMichael moved to Owensboro five years ago because she didn't want her two daughters to grow up around the violence and substance abuse that was keeping her from taking charge of her life.

She found subsidized housing and supported her family on a meager work-study income while she studied to become a Certified Nursing Assistant at Owensboro Community & Technical College. To make ends meet, Christa charged many of her living expenses to credit cards and found herself shackled by too much debt and a low credit score.

A presentation about Individual Development Accounts (IDAs) by an advocate at OASIS helped change Christa's life. "It sounded too good to be true," she said of the program that matches low-income earners' savings at a rate of 2:1 and can be used toward education, homeownership, or small business expenses.

Christa enrolled and began the required financial literacy classes and monthly one-on-one financial counseling sessions. She learned how to budget, saved enough each month to maximize the matching funds, and deposited the majority of her tax refunds into her IDA.

She's making sure the experience makes a difference for her two girls, Caya, 12, and Caylyn, 9. "One of the best things about this program is that my girls have



learned with me and will grow up knowing how to make good financial decisions."

Christa used her savings and matching funds to complete CNA and LPN programs at the community college and got a job at a nursing facility. She opened a second IDA in early 2009, with the goal of buying a home, and in less than a year had saved the maximum contribution of \$2,000. Christa also improved her credit score by more than 150 points – enough to get 4.25% interest rate on her mortgage. In October 2009,

Christa and her daughters moved into their brand new three-bedroom home with a large backyard. Many families with young children live in the neighborhood, and her girls made friends quickly.

Christa continues to look toward the future and would like to start her own small business, developing and managing a small personal care home. She wants to open another IDA to cover some of those expenses. "Five years ago, I never even thought about having my own home," she said. "Now I know that anything is possible."



Thanks to our funders

- Audubon Area Community Services, Inc.
- Allstate Foundation
- BB&T
- Citi Foundation
- City of Owensboro
- Daviess County Fiscal Court
- Federal Reserve Bank of St. Louis – Louisville Branch
- Fifth Third Bank
- Gannett Foundation
- Honorable Order of Kentucky Colonels
- Independence Bank
- Internal Revenue Service
- JP Morgan Chase Foundation
- Kentucky Housing Corporation
- Kentucky Poverty Law Center
- Lawrence and Augusta Hager Educational Foundation
- Lester E. Yeager Charitable Trust
- LexLinc
- Michael E. Horn Family Foundation
- Old National Bank
- Owensboro Medical Health System
- Owensboro Municipal Utilities
- PBI Bank
- PNC Foundation
- Progeny Fund
- State Farm Insurance
- Steele-Reese Foundation
- Toyota Motor Manufacturing, Kentucky, Inc.
- US Bank
- U.S. Assets for Independence Program
- Verizon Foundation
- Walmart Foundation

income and number of qualifying children. The amount of the credit was also larger; filers claiming the EITC received a maximum credit of \$5,657 for a family with three or more children, \$3,043 for a family with one child, and \$457 if there were no children.

When the EITC and other credits exceed a family's tax liability, the federal government refunds the difference. In 2010 the average federal EITC claimed at KASI sites was \$1,454; the overall average tax refund to families using a KASI site was \$1,320.

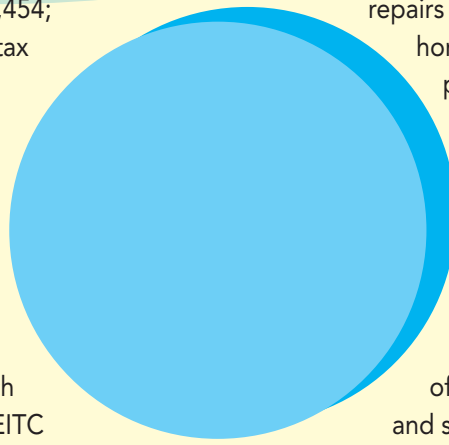
Tax refunds are the single largest influx of money each year for many Kentucky families, and research has shown that the EITC has a significant impact on many low to moderate income families because it reduces poverty, encourages employment, supplements low wages,

helps families build assets, and increases purchasing power.

The benefit to communities

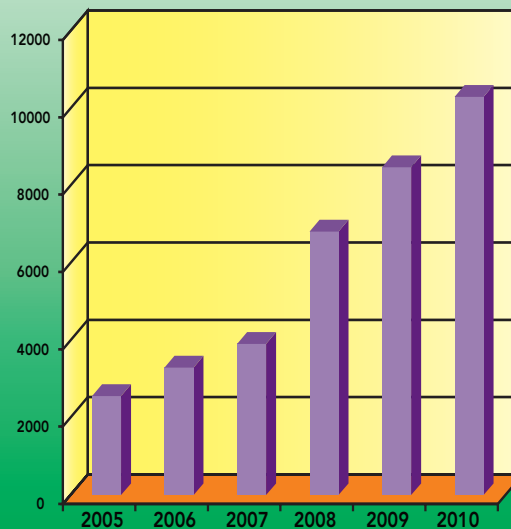
Overall, KASI tax sites generated more than \$5 million in EITC claims in 2010.

Research has shown that most taxpayers who claim the EITC spend their tax refunds in their communities. They may pay off loans, make overdue repairs on their vehicles or homes, or make big-ticket purchases like new refrigerators. This spending creates a multiplier effect – every dollar the taxpayer spends is actually worth more. For every dollar of tax refund received and spent by KASI filers, an additional 41 to 52 cents of economic activity was created in Kentucky communities. For example, if a family uses its tax refund to repair a car,

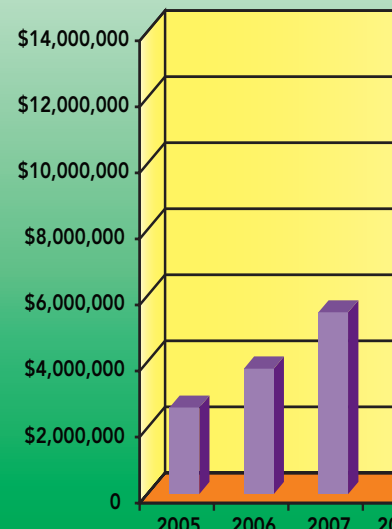


Since 2004, 146 participants in the program have bought homes, 81 bought homes, 59 used their tax refund to buy a home.

FAMILIES SERVED



TOTAL REVENUE



it pays a mechanic to do the work. That mechanic, in turn, receives income and will likely spend some portion of that on car parts as well as purchases for his own household. The storeowner who sells the car parts then receives payment from the mechanic, and so on.

Using the multiplier effect, the tax refunds spurred more than \$21.7 million for the recipients' communities, according to calculations by University of Kentucky economist Dr. Alison Davis. Dr. Davis separated tax refunds into expenditure categories. Then she used multipliers ranging from 1.26 to 1.65, depending on the location, to calculate the total economic impact.

How KASI sites help taxpayers learn and save

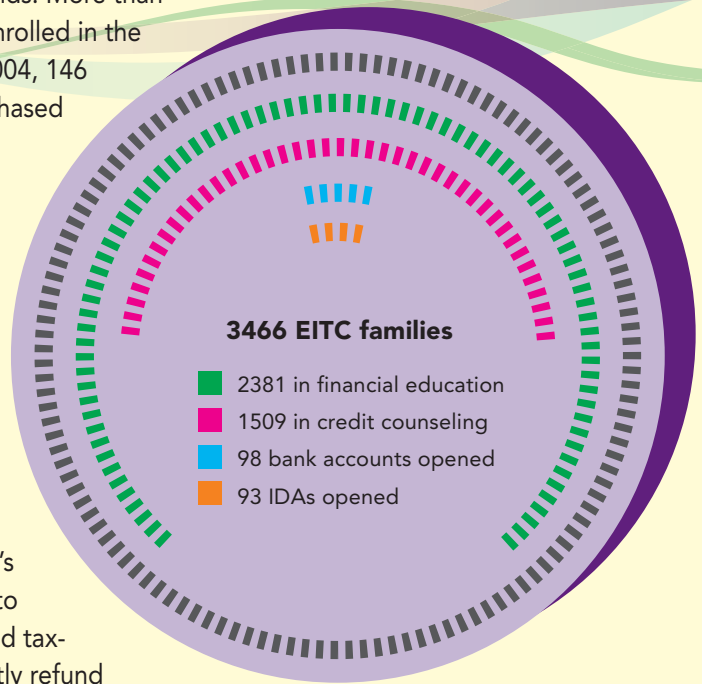
KASI sites also offer tax filers free financial education, one-on-one financial coaching, credit reports, and the opportunity to start building wealth through an Individual Development Account (IDA). An IDA is a matched savings account that rewards income-

eligible families for monthly savings as they work toward financial goals such as buying homes, paying for education, or starting small businesses.

IDA holders who enroll through KASI tax sites have their savings matched 2:1. Most finish the program with \$6,000: \$2,000 of their own money and \$4,000 in matching funds. More than 200 participants are enrolled in the IDA program. Since 2004, 146 participants have purchased assets: 81 bought homes, 59 pursued higher education, and six started small businesses.

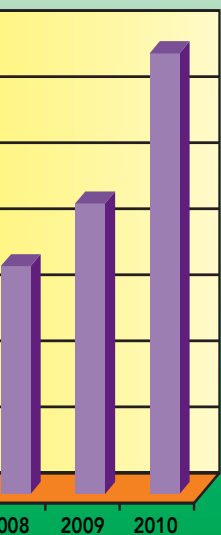
In six years KASI has grown from a dozen tax sites serving only Eastern Kentucky to 56 sites serving 65 counties across the state. KASI's growth is in response to the proliferation of paid tax-preparers offering costly refund

anticipation loans. KASI provides an alternative so that Kentucky families can keep more of their refunds and contribute to the state's economic development. As a proven model of success, KASI will continue to expand its services to all eligible families throughout the Commonwealth.

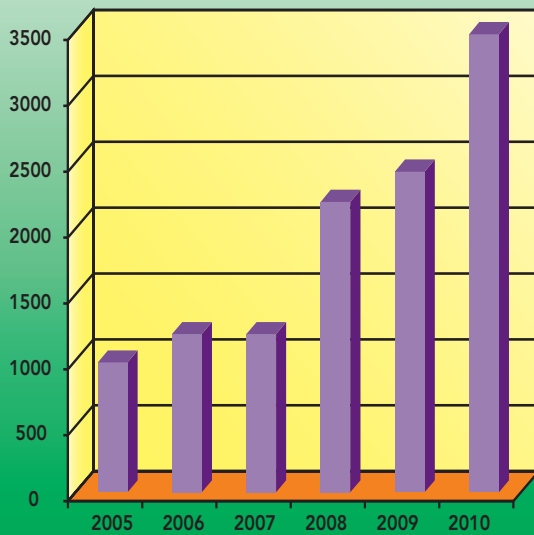


Individual Development Account program have purchased assets: for funds for higher education and six started small businesses.

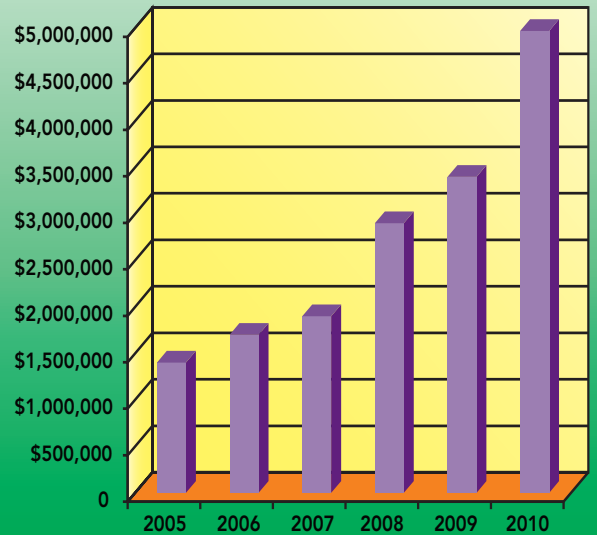
FUNDS



EITC CLAIMS



EITC DOLLARS



SUCCESS STORY: Sharon Hays



Allstate Foundation microloan program raises credit score

Fueled by support from her friends and pastor, Sharon Hays found the courage three years ago to leave her abusive marriage. She had tried to leave several times before, but as is the case for many survivors of domestic violence, she was immobilized by the fear of being unable to provide for her two children. The last time she left, she had the Bluegrass Domestic Violence Program in Lexington in her corner.



With the help of a program advocate, Sharon began taking steps to build a future. She divorced her husband and filed for bankruptcy. She found work and child care for her children -- not an easy task since many providers would not care for her son who has Asberger's Syndrome.

Sharon also opened an Individual Development Account (IDA) and began saving for college. In May she graduated from Transylvania University with degrees in sociology and environmental science.

During that time she was laying the groundwork for another victory: her credit score. In the last two years, she increased her score by an average of 134 points, from 530 to 662. Sharon did that with the help of a \$300 Allstate microloan through KDVA in April 2009, which she finished re-paying in March 2010. KDVA created the micro loan program to give survivors an alternative to payday lenders and a way to build their credit scores. KDVA reported Sharon's payments directly to the credit bureaus. The program was made possible with a grant from the Allstate Foundation.

So far, at least 18 survivors have increased their credit scores by 50 points or more, and three of them increased their scores by more than 100 points.

Sharon still has work to do to improve her credit score. She's taken out another microloan to continue increasing her score. She also plans to open a

second IDA to begin saving for a home for herself and, Grace, 12, and Austin, 15.

By next year she should be well on her way to having a credit score that would qualify her for a market-rate mortgage.



SUCCESS STORY: Kathleen Simms

Allstate Foundation funds car IDAs

It has been less than a year since Kathleen Simms left her abusive relationship for good and moved into the Bethany House Abuse Shelter in Somerset. Six months later, she celebrated an important milestone when she moved into one of the shelter's transitional housing units.

Unfortunately, her journey to self-sufficiency stalled soon after that because she doesn't have

a car. Kathleen wants to return to work, but Somerset has limited public transportation services, so she's dependent on shelter staff



when she needs to go somewhere.

Her plight is common for domestic violence survivors, especially those who live in rural areas. That's why KDVA created its Car Individual Development Account (IDA) program. Funded by the Allstate Foundation, the car IDA program matches participants' savings 1:1 up to \$2,000. A participant who saves the maximum will have \$4,000.

Participants are required to take financial education classes, participate in one-on-one credit counseling and take a basic car maintenance class.

A serious car wreck in 2001 left Simms with a disabling back injury, and she survives on Social Security Disability Insurance. She's working with the state's vocational rehabilitation program to find jobs and she hopes to line something up by the time she purchases a car.

"The people at Bethany House and my church have been so helpful," she said. "But having my own car will allow me to get to work, see my family more often, and be more independent."

RAISE KENTUCKY:

Advocating for financial opportunity for working families

Elected representatives and state officials have many opportunities to improve public policy to help working families. In January 2008 KDVA helped organize RAISE Kentucky, an advocacy group focused on improving asset-building opportunities for low-income families. RAISE Kentucky, a coalition of 60 organizations, is advocating for:

- A state Earned Income Tax Credit
- A permanent state funding source for IDAs and
- Eliminating asset limits from public benefits programs that discourage low-income families from saving.

This year RAISE Kentucky helped convince state officials to eliminate an assets test that prevented food stamp recipients from having more than \$2,000



in savings. This is an important development for Kentucky's working low-income families because food stamps are one of the most prevalent forms of public assistance and the number of people receiving food stamps

is increasing across the country. In Kentucky 354,000 families and 779,000 individuals currently receive food stamps. Now those families can continue saving without losing their food stamps.

FOUNDING MEMBERS

Barren River Asset Building Coalition
Brighton Center
Central Kentucky Economic Empowerment Project
Center for Women and Families
CLOUT
Community Action Kentucky
Eastern Kentucky Asset Building Collaboration
Family Scholar House
Federal Home Loan Bank of St. Louis, Louisville branch
Green River Asset Building Coalition
Lawrence and Augusta Hager Educational Foundation
Jewish Family and Career Services

The Kentucky Coalition for Responsible Lending

RAISE Kentucky's top legislative priority is to cap interest rates on payday loans at 36% (down from 400% being charged today). RAISE Kentucky is a founding member of the Kentucky Coalition for Responsible Lending (KCRL), 64 organizations that support a 36% APR cap on the interest rate payday lenders can charge their customers. As part of its campaign, KCRL issued a report, "The

Debt Trap in the Commonwealth: The Impact of Payday Lending on KY Counties," the first comprehensive



look at the economic damage of payday lending in Kentucky counties. KCRL spearheaded the introduction of House Bill 381 in 2010, but the bill stalled in the House Banking and Insurance Committee. KCRL is gearing up for the 2011 legislative session.

RAISE Kentucky's founding funders include BB&T Bank, PBI Bank, the Raymond & Irene Wilborn Charitable Foundation and the Stoler Family Foundation. This year, CFED, the Common Counsel Foundation and the Unitarian Universalist Fund for a Just Society became RAISE Kentucky supporters.

Kentucky Asset Success Initiative
Kentucky Domestic Violence Association
Kentucky Youth Advocates
Kentucky Equal Justice Center
LexLinc
Louisville Asset-Building Coalition
MACED
Making Connections, Annie E. Casey Foundation
Metropolitan Housing Coalition
Metro United Way
New Directions Housing Corporation
PBI Bank

KASI Member Organizations

Barren River Asset Building Coalition

Barren River Area Safe Space Inc.
 BB&T
 Bowling Green Daily News
 Bowling Green-Warren County Community Education
 Community Action of Southern Kentucky
 Green County Adult Education Center
 HANDS, Inc.
 Housing Authority of Allen County-Scottsville
 Housing Authority of Bowling Green
 Housing Authority of Glasgow
 Kentucky Legal Aid
 Kentucky Department of Protection and Permanency
 Logan County Good Samaritan
 Monroe County Senior Center
 PNC Bowling Green
 PBI Bank
 United Way of Southern Kentucky
 Western Kentucky University Alive Center for Community Partnerships

Central Kentucky Economic Empowerment Project

Clark County Community Services
 Farmer's Bank
 Heart of Kentucky United Way
 Jessamine County Public Library
 Kentucky Department for Community Based Services
 Kentucky River Foothills Development Center
 Lexington-Fayette Urban County Government
 Lexington Public Library
 Opportunity for Work and Learning
 PBK Bank
 REACH, Inc
 St. Paul AME Church
 United Way 2-1-1
 University of Kentucky Law School
 Urban League
 YMCA of Central Kentucky

Eastern Kentucky Asset Building Coalition

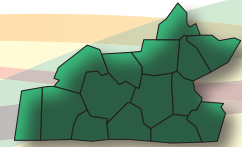
Bell-Whitley Community Action Agency
 Big Sandy Area Community Action Program
 Hazard-Perry County Community Ministries
 HOMES, Inc.
 KCEOC Community Action Program
 LKLP Community Action Agency
 Owsley County Action Team
 Housing Development Alliance Inc.
 Eastern Kentucky Concentrated Employment Program

Green River Asset Building Coalition

Audubon Area Community Services Inc.
 Bellevue Baptist Church
 Boulware Mission
 Catholic Charities
 Cliff Hagan Boys & Girls Club
 Daymar College
 Daviess County Detention Center
 Department of Community Based Services
 Family Resource Centers & Youth Service Centers of Owensboro-Daviess County
 Girls, Inc.
 Housing Authority of Owensboro
 OASIS
 Ohio County Career Center
 Owensboro Community & Technical College
 Public Life Foundation of Owensboro
 St. Pius X Catholic Church
 United Way of Henderson County
 United Way of the Ohio Valley
 University of Kentucky Extension Service



Thank you to the IRS VITA Grant Program and the Kentucky SPEC staff.



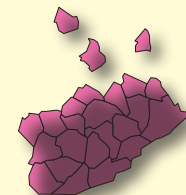
Barren River Asset Building Coalition

Returns Filed	1423
Claiming EITC	588
EITC	\$894,942
Federal Refunds	\$2,195,608
State Refunds	\$181,555
Economic Impact	\$3,382,626



Central Kentucky Economic Empowerment Project

Returns Filed	3,144
Claiming EITC	1,110
EITC	\$1,711,635
Federal Refunds	\$4,446,712
State Refunds	\$445,262
Economic Impact	\$7,460,243



Eastern Kentucky Asset Building Coalition

Returns Filed	2,833
Claiming EITC	734
EITC	\$932,274
Federal Refunds	\$2,846,590
State Refunds	\$245,590
Economic Impact	\$4,477,592



Green River Asset Building Coalition

Returns Filed	2,898
Claiming EITC	1044
EITC	\$1,514,325
Federal Refunds	\$4,105,899
State Refunds	\$399,317
Economic Impact	\$6,371,143