

Community Developments

FACT SHEET

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Leveraging Earned Income Tax Credits to Reach New Bank Customers

Community Developments Fact Sheets are designed to share information about programs and initiatives of bankers and community development practitioners. These fact sheets differ from OCC bulletins and regulations in that they do not reflect agency policy and should not be considered regulatory or supervisory guidance. Some of the information used in the preparation of this fact sheet was obtained from publicly available sources. These sources are considered reliable and current, as of January 2025, but the use of this information does not constitute an endorsement of its accuracy by the OCC.

This *Community Developments Fact Sheet* describes the earned income tax credit (EITC) and provides examples of what national bank and federal savings associations (collectively, banks) can do to promote EITC awareness. Some of the EITC-related bank activities, may be eligible to receive Community Reinvestment Act (CRA) consideration.

The EITC is a refundable tax credit for eligible low- to moderate-income workers and families that can be an important part of nonwage income. Individuals and families that qualify for the EITC may see a reduction in their taxes owed or an increase in their tax refund. Nationwide, as of December 2024, about 23 million taxpayers received about \$64 billion in EITCs, an average credit of \$2,743.¹ Approximately, 19.2 percent of all eligible earned income taxpayers in tax year 2021 didn't claim the earned income tax credit (EITC).² Eligible taxpayers and the communities in which

they live and work may lose out on economic benefits when billions of dollars in unclaimed EITC proceeds do not flow into the households, businesses, and neighborhoods.

Banks should consider how their products and services can help EITC recipients build financial capability and strengthen financial health.

Background

Income and family size determine the amount of the EITC received. The income amounts and the amount of the EITC may be adjusted for inflation each year.

Eligible workers and families have up to three years to claim their EITC. They may consider checking with their tax preparer to see whether they were previously eligible to claim the EITC and, if so, they may file for

¹ Internal Revenue Service (IRS), "[Statistics for Tax Returns With the Earned Income Tax Credit \(EITC\)| Earned Income Tax Credit.](#)"

² IRS, "[Participation Rate by States: Tax Years 2014–2021.](#)"

the previous two years in addition to the current year's taxes.

EITCs Provide Opportunities for Both Consumers and Banks

For many low- and moderate-income families, the EITC is one of the federal government's largest refundable tax credits for low-to moderate-income families.³ Internal Revenue Service (IRS) rules allow taxpayers to split their refunds between deposit accounts, giving them more options for saving and spending.

Individuals and families can use EITC refunds to pay bills and set up, or add to, savings accounts as financial cushions for unexpected expenses. They can use their savings for new homes, education or training, small businesses, and retirement. When individuals and families use tax refunds for paying off debt, building a liquidity buffer, or providing for long-term assets, they improve their financial health.

Banks can benefit from promoting awareness of the EITC in the following ways:

- New customers may use a broad range of transaction, deposit, and loan products and services.

Starting a Successful EITC Program

Banks create successful EITC programs by bringing together community stakeholders, such as members of local chambers of commerce, tax preparation volunteers, financial literacy representatives, community development corporations, and consumer credit counseling agencies.

Generally, successful bank EITC programs include

- partnering with nonprofit organizations or local government entities that provide tax preparation services and financial literacy training to share information about bank services that might be beneficial to those receiving refunds.
- offering a mix of complementary products to serve different needs.
- creating a smooth transition from tax preparation to opening a bank account by having dedicated staff to coordinate and administer the program.

EITC program sites and events can be in person at the bank, virtual, or hybrid. EITC programs can also be included in existing financial literacy programs that banks may have.

Partnering With Employers on EITCs

Bank partnerships with employers provide another venue to educate potential customers about the benefits of EITCs and other refundable tax credits. Banks can work with employers to offer bank-sponsored payroll and stored-value cards, retirement services, college savings funds, and other depository products and services. These types of products can be explained through financial literacy education programs.

In addition, employers can host or adopt an [IRS Volunteer Income Tax Assistance \(VITA\)](#) site staffed with company and bank volunteers. VITA is a national program sponsored by the IRS to offer free tax help to people who need assistance in preparing their own tax returns.

³ IRS, "[Changes to the Earned Income Tax Credit for the 2022 Filing Season](#)," February 28, 2022.

Employers also can launch internal EITC public awareness campaigns through seminars, inserts included with paychecks, company newsletters, and other forms of communication.

Supporting IRS VITA Sites

Many banks support IRS VITA sites by providing staff or other resources, such as extra space. These sites can help tax filers prepare returns that include filing for the EITC. VITA sites are staffed with volunteers who offer free tax help. Volunteers prepare and electronically file tax returns for low- to moderate-income taxpayers who may find it difficult to pay for commercial tax preparation assistance. VITA sites are typically organized in community and neighborhood centers, libraries, schools, shopping malls, and other convenient community locations.

Community Reinvestment Act

Support for programs that promote EITC may receive positive consideration under the Community Reinvestment Act (CRA). For example, volunteering for on-site VITA tax preparation may help a bank to meet its CRA obligations. Bank activities involving financial literacy may meet the definitions of a qualified community development activity in the CRA regulations and therefore may receive CRA credit, which can improve a bank's CRA rating.

The OCC and other financial institution regulatory agencies have interpreted the CRA and its implementing regulations as recognizing the importance of financial

literacy programs in primarily serving the credit needs of low- and moderate-income individuals and families.⁴ Generally, such programs must have a community development purpose, which is defined to include community services primarily targeted to low- and moderate-income individuals.

Under the CRA, large banks are reviewed under the lending, investment, and service tests, as described more fully below. Intermediate small banks also may receive CRA consideration for lending, investments, or services that support financial literacy under the small bank lending test or community development test, as applicable. Similarly, small banks may receive consideration for lending activities that support financial literacy, as well as other lending activities with a community development purpose, under the small bank lending test. In addition, small banks are eligible to receive consideration for investments and services that support financial literacy if their lending performance exceeds satisfactory standards. Further, wholesale banks and limited purpose banks may receive consideration for these lending, investment, and service activities under the community development test applicable to those banks.⁵

Lending Test

Loans to not-for-profit organizations serving community development needs, such as by providing financial counseling or financial literacy programs primarily targeted to low- and moderate-income individuals, are considered as community development loans.

consideration for the examples of community development activities discussed in the lending, investment, and service tests sections under the small bank lending test or the community development test, as applicable.

⁴ Federal Financial Institutions Examination Council (FFIEC), "[Community Reinvestment Act Interagency Questions and Answers](#)."

⁵ Small banks, intermediate small banks, wholesale banks, and limited purpose banks may receive

Investment Test

Investments in, or grants to, a program, activity, or organization that provides financial literacy or credit counseling that primarily serves low- and moderate-income individuals will be considered as community development qualified investments. For example, a qualified investment could be an in-kind donation of extra space to host a VITA site.

Service Test

Community development services include activities such as providing bank staff to serve as educators in financial literacy programs primarily targeted to low- and moderate-income individuals.

Examples of community development services also include “providing technical assistance on financial matters to small businesses,” “providing credit counseling, home buyer and home maintenance counseling, financial planning, or other financial services education to promote community development,” and “establishing school savings programs or developing or teaching financial education or literacy curricula for primarily low- or moderate-income individuals.”⁶

For More Information

OCC Resources

The following OCC resources have more EITC educational program information.

- [Financial Literacy Resource Directory](#). This directory can help banks develop EITC programs. It also has information

on other financial literacy and education opportunities for banks.

- [Banking the Underbanked Resource Directory](#). This directory provides useful information and resources to banks that are interested in providing financial services to underbanked consumers.
- *Community Developments Fact Sheet, “Individual Development Accounts.”* This fact sheet provides information on how banks can offer matched savings accounts as a tool to help low- to moderate-income individuals and families save for and achieve their financial goals. It describes why banks offer these accounts, how they are involved, and potential program challenges.
- [Community Affairs Contacts](#). This is a list of contacts and a description of their roles.

Other Resources

- The IRS’s [EITC & Other Refundable Credits](#) web page has information by tax topic, including on how to promote the EITC and volunteer.
- [IRS Tax Volunteers](#) web page provides information on how to sign up, get training and begin helping to prepare individual’s taxes as part of the VITA program.
- The FDIC’s [Volunteer Income Tax Assistance \(VITA\)](#) web page explains that banks supporting VITA programs may be eligible for CRA consideration and explains ways they can educate and provide financial-related services to underserved individuals.

⁶ FFIEC, “[Community Reinvestment Act Interagency Questions and Answers](#).”