

Economic Impact of the Real \$ense Prosperity Campaign

Hassan Pordeli
Jacksonville University

Peter Wynkoop
The HPW Group, LLC

ABSTRACT

This document provides a detailed analysis of the financial benefits that accrued from tax assistance work conducted by the RealSense Prosperity Campaign, a United Way agency in Jacksonville, Florida. This study documents the savings to consumers in tax preparation fees and the cash awarded to clients who qualified for the Earned Income Tax Credit over the tax years 2004 through 2010, and it provides the economic impact of these benefits to the community. The study focuses on three zip codes of Jacksonville that are home to large low- and middle-income populations. Using RealSense tax records, models were built using the IMPLAN system to estimate these economic impacts. IMPLAN is a PC-based social accounting and impact analysis software developed by the Minnesota IMPLAN Group, Inc. This system, broadly acclaimed for such analysis, is based on national economic data, and the models were specifically designed to determine the effects of these savings and cash infusions on the local economy. The study reveals that, for zip codes 32206, 32208 and 32218, savings in tax assistance fees totaled some \$2.4 million, and that the total of Earned Income Tax Credits awarded to RealSense clients exceeded \$8.4 million. The total economic activity from these savings and cash infusions led to the creation of more than 100 new jobs in the study area.

Keywords: Earned Income Tax Credit, IMPLAN, Multiplier, Income effect, Employment effect, Output effect.

Copyright statement: Authors retain the copyright to the manuscripts published in AABRI journals. Please see the AABRI Copyright Policy at <http://www.aabri.com/copyright.html>

INTRODUCTION

The Jessie Ball duPont Fund was established in 1970 under the will of Jessie Ball duPont. It provides support to 330 organizations – religious organizations, educational institutions and nonprofit organizations – identified by Mrs. duPont in her will. In 2003, the Jessie Ball duPont Fund was instrumental in establishing the RealSense Prosperity Campaign, which provides income tax assistance services to eligible, low-income individuals and families in greater Jacksonville. Housed at United Way of Northeast Florida, the RealSense Prosperity Campaign has managed a growing network of sites across seven counties that provide free tax preparation assistance and education about the Earned Income Tax Credit [EITC]. The work has broadened the awareness of this valuable income supplement to eligible families, and it has significantly expanded the application for EITC by eligible families across greater Jacksonville. In addition to measuring the effects of EITC awards, RealSense has documented the amount of savings that accrued to clients from no-fee tax preparation services provided in collaboration with RealSense by the Internal Revenue Service [e.g. VITA]. This study measures the economic impact of this work by the RealSense Prosperity Campaign in three urban Jacksonville neighborhoods with low- and middle-income populations for whom RealSense has provided substantial tax assistance; in zip codes 32206, 32208 and 32218 for the tax years 2004 through 2010.

MISSION STATEMENT

RealSense Prosperity Campaign exists to proactively provide resources to improve the prosperity of our community's most vulnerable and economically challenged citizens.

METHODOLOGY

Software

The IMPLAN [IMpact analysis for PLANning] system is an input-output analysis system that provides a highly accurate and reliable model for analysis. It is widely used to determine the consequences of a project or to estimate the effects of the arrival or departure of a business or an industry in a region. IMPLAN's social accounting system describes transactions that occur between producers and intermediate and final consumers using a social accounting matrix [SAM], which represents flows of all economic transactions that take place within a defined economy – local, regional or national. The IMPLAN database contains zip code, county, state and national economic statistics which are specialized by region, not estimated from national averages. These statistics can be used to measure the effect on a local or regional economy of a given change or event in that economy's activity.

Effects

This study examines the economic results of the savings in tax preparation fees by and awards of the Earned Income Tax Credit [EIC] to families and individuals who reside in the Jacksonville, Florida zip codes 32206, 32208 and 32218. At the focus of these results are three distinct types of economic effect:

Output effect: A measure of the total sales activity that resulted from savings in tax preparation fees and the receipt of cash benefits from the EIC.

Income effect: a measure of income, including pay and benefits, generated by this economic activity.

Employment effect: the number of jobs created in the study area economy as a result of this economic activity.

Impacts

Within these effects, the IMPLAN defines the economic impacts that comprise them: the direct, indirect and induced impacts.

Direct impact: The direct components indicate the activity that a business firm undertook, including the purchase of raw materials and hiring of employees.

Indirect impact: The indirect portions represent business-to-business transactions in support of this activity, such as when their suppliers make purchases from other suppliers.

Induced impact: The induced components reflect activity by employees of affected industries, such as purchase of groceries.

Geographic Study Area

The study area for this project includes the neighborhoods of urban Jacksonville, Florida defined by postal zip codes 32206, 32208 and 32218, which are contiguous neighborhoods located immediately north of the downtown area of the city ” as shown in Figure 1 (Appendix I)”. The relative sizes of these neighborhoods and their median household incomes “are indicated in Table 1 (Appendix I)”.

Economic process

Low-to-medium-income families qualify for federal income tax credit, which can amount to more than \$5,600 in a year. When combined with the savings they enjoyed from no-fee tax filing assistance, their cash awards lead to substantial consumer activity. Purchases of goods and services in their communities will stimulate even broader economic activity. As this money circulates through the economy, value is added and productivity achieved, ultimately resulting in the creation of jobs.

Leakage

As money is introduced to the study area economy, it begins to stimulate further economic activity. Several factors reduce the size of these economic effects. First, because these payments are transfer payments, rather than wages for labor, they have no immediate economic contribution. Once an EIC refund is received and spent, it begins to circulate in the economy and then to generate further economic activity. Further, the study area is small. Because the model measures the economic effects on only those components of economic activity within the study

area, many goods purchased are treated as imported because they were manufactured or produced in other counties, states and countries. These “imported” goods are treated in the model as leakages because their production was not achieved within the study area. The leakages – the amount of economic activity not attributable to the study area – are omitted from the calculations of the model. Specifically, the total of tax preparation savings and EIC refunds in the study area was \$10.8 million. Leakage of some \$3.7 million reduced the size of the input to the local economy to \$7.1 million. That \$7.1 million circulated through the local economy and resulted in a total economic activity of \$11.3 million.

ANALYSIS OF RESULT

Employment effect

The RealSense tax assistance activity across the zip codes of 32206, 32208 and 32218 had positive effect in the creation of jobs. The direct, indirect and induced jobs that were created in each neighborhood “are indicated in Table 2 (Appendix I)”. In addition, “Figure 2 indicates the totals by zip code in (Appendix I)”

Income effect

The job creation detailed above resulted in significant labor income generated across these neighborhoods. The combined effects on labor income in this area “are indicated in Table 3 (Appendix I)”.

Output effect

The output effect reflects the total economic impact of the consumer activity that resulted from RealSense tax assistance in the Jacksonville neighborhoods 32206, 32208 and 32218. The total output effect “as indicated in Table 4 (Appendix I)” shows that the RealSense efforts in this portion of its multi-county region resulted in more than \$11 million in total economic activity. The labor income and total output “are shown in Figure 3 graphically (Appendix I)”.

Industries that gained jobs

When consumer spending stimulated job creation in these neighborhoods, these new jobs appeared across many industries. The list of local industries that gained the most new jobs from this activity between 2004 and 2010” is shown in Table 5 (Appendix I)”.

Analysis by Year

In addition to studying these neighborhoods’ response to the increased consumer activity that resulted from the work of RealSense Prosperity Campaign, we examined how the results changed from year to year, from 2007 through 2010. This is especially useful because zip code 32218 entered the program beginning in 2007, so its data covers only four years, while 32206 and 32208 cover the full period 2004 – 2010. The steady growth in new jobs in the study area “ is shown by Table 6 and Figure 4 (Appendix I)”.

Growth in Labor Income and Total Output by Year

The trend of steady growth of RealSense operations, especially in recent years, is exhibited in increases in labor income earned and in total economic output in these neighborhoods. This pattern is “demonstrated in Table 7 and Figures 5 and 6 (Appendix I)”.

RealSense Throughout Jacksonville

The foregoing analysis covers our findings regarding the study area of zip codes 32206, 32208 and 32218. In addition, we have analyzed the work of the RealSense Prosperity Campaign in the rest of the community, outside the study area. Looking at the entire effort of RealSense in comparison with the study area, we have determined results for all of its work in Duval County from 2004 through 2010.

The economic effects reached across more than 300 different industries in Duval County, creating jobs and income through a broad swath of the economy. The total economic effect is approximately double the effect that we measured in the study area alone [32206, 32208 & 32218]. This pattern is “shown in Table 8 and Figures 7- 9 (Appendix I)”.

Multiplier

The aggregating effects of indirect and induced impacts on the direct impacts are called multipliers. Because they are often misunderstood, multipliers are frequently estimated in error or are exaggerated. The IMPLAN models compute multipliers with great accuracy. Each industry has multipliers that are unique to that industry, to the effect [e.g. employment or output effect] and to the region of the country. The combination of the industries in 32206, 32208 and 32218 produces local multipliers distinct from those in any other region.

Output multiplier.

The output multiplier computes to 1.59: For each dollar earned through free tax assistance or awarded through the Earned Income Tax Credit, an additional \$0.59 of economic output is achieved in the economies of 32206, 32208 and 32218. The returns that were awarded to local consumers developed into more than \$11.3 million of total output. A similar multiplier was at work across the rest of Jacksonville. This relationship “is shown in Table 9 (Appendix I)”.

Conclusion

The work of the RealSense Prosperity Campaign has paid large dividends throughout the Jacksonville community, especially in the neighborhoods of 32206, 32208 and 32218, where the annual tax assistance programs bring much-needed relief to the residents. Between 2004 and 2010, RealSense processed 11,930 income tax returns in these neighborhoods. 4,778 of these clients – more than 40% – were eligible for the EITC and received a tax credit. The total infusion of aid and cash that results from this program brings new employment to these neighborhoods, and broader consumer spending and economic wellbeing result.

Highlights of the results of RealSense work in neighborhoods 32206, 32208 & 32218:

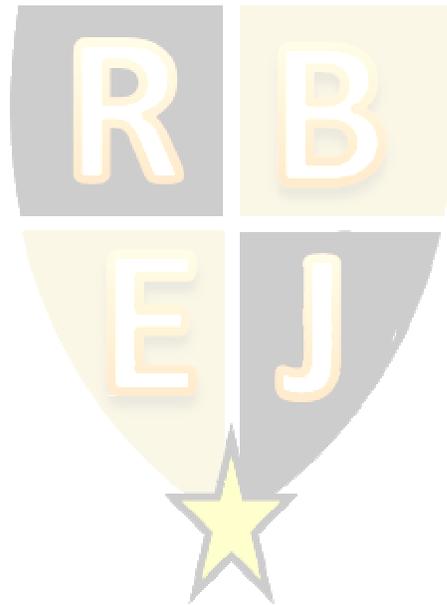
- 106 new jobs created
- \$4 million in new labor income created

Research in Business and Economics Journal

- More than \$11.3 million created in total economic output.

Highlights of the RealSense outcomes across all of Jacksonville:

- 204 new jobs
- \$8.1 million in new labor income
- Nearly \$23.2 million in total economic output
- More than 300 different industries affected by this economic activit



Appendix A - Project Demographics

EITC-Eligible Households by Number and Proportion

By Zip Code

32206	# HH	% HH	Jax %		
Number of Households <10k	3,004	0.372	0.155		
Number of Households 10-15k	1,066	0.132	0.096		
Number of Households 15-25k	1,714	0.213	0.217		% HH
Number of Households 25-35k	1,151	0.143	0.231		EITC-elig
Number of Households 35-50k	1,132	0.140	0.301		in 32206
Total	8,067			8,067	0.874
All 32206 Households	9,227			9,227	
32208	# HH	% HH	Jax %		
Number of Households <10k	2,172	0.219	0.155		
Number of Households 10-15k	1,204	0.122	0.096		
Number of Households 15-25k	2,041	0.206	0.217		% HH
Number of Households 25-35k	1,978	0.200	0.231		EITC-elig
Number of Households 35-50k	2,504	0.253	0.301		in 32208
Total	9,899			9,899	0.725
All 32208 Households	13,658			13,658	
32218	# HH	% HH	Jax %		
Number of Households <10k	1,391	0.148	0.155		
Number of Households 10-15k	744	0.079	0.096		
Number of Households 15-25k	1,990	0.212	0.217		% HH
Number of Households 25-35k	2,235	0.238	0.231		EITC-elig
Number of Households 35-50k	3,019	0.322	0.301		in 32218
Total	9,378			9,378	0.626
All 32218 Households	14,979			14,979	
Duval County	# HH	% HH			
Number of Households <10k	31,255	0.155			
Number of Households 10-15k	19,332	0.096		27,344	
Number of Households 15-25k	43,780	0.217			% HH
Number of Households 25-35k	46,462	0.231			EITC-elig
Number of Households 35-50k	60,538	0.301			in Duval
Total	201,367			201,367	0.608
All Duval County Households	331,254			331,254	
# HH in Study area	27,344	= 0.136			
# HH in Duval County	201,367				

Appendix B - EITC Data Zip Code 32206 2004 - 2010

Year	Zip	Tax Site Location	Total Returns Completed	Total EITC Returns Completed	EITC Ratio	Total Refund \$	Total EITC \$	Total \$ Saved by Taxpayers	Total EITC \$ + Taxpayers \$ Saved
2004	32206	N. FL.COMMUNITY ACTION AGENCY	86	29	34%	\$121,797	\$66,152	\$14,620	\$80,772
2005	32206	N. FL.COMMUNITY ACTION AGENCY	76	31	41%	\$127,516	\$67,331	\$13,376	\$80,707
2005	32206	EVERBANK	135	29	21%	\$14,857	\$28,153	\$23,760	\$51,913
								2005 Total	\$132,620
2006	32206	NEFCAA - RFK Center	87	47	54%	\$150,502	\$78,581	\$16,095	\$94,676
2007	32206	NEFCAA - RFK Center	143	68	48%	\$206,337	\$91,903	\$22,812	\$114,715
2008	32206	NEFCAA - RFK Center	212	113	53%	\$345,649	\$162,217	\$37,920	\$200,137
2009	32206	NFCAA - RFK	233	131	56%	\$427,478	\$198,093	\$60,512	\$258,605
2010	32206	NEFCAA - RFK Center	164	81	49%	\$330,475	\$142,322	\$46,725	\$189,047

Appendix C - EITC Data Zip Code 32208 2004 – 2010

Year	Zip	Tax Site Location	Total Returns Completed	Total EITC Returns Completed	EITC Ratio	Total Refund \$	Total EITC \$	Total \$ Saved by Taxpayers	Total EITC \$ + Taxpayers \$ Saved
2004	32208	GATEWAY WORKSOURCE	743	295	40%	\$1,104,172	\$600,603	\$126,310	\$726,913
2004	32208	ST. MATTHEW'S CHURCH	151	30	20%	\$206,135	\$54,800	\$25,670	\$80,470
								2004 Total	\$807,383
2005	32208	GATEWAY WORKSOURCE	504	180	36%	\$820,780	\$403,086	\$88,704	\$491,790
2005	32208	ST. MATTHEW'S CHURCH	196	80	41%	\$250,189	\$88,953	\$34,496	\$123,449
								2005 Total	\$615,239
2006	32208	EverBank @ Klutho	33	11	33%	\$55,934	\$18,874	\$6,105	\$24,979
2006	32208	Gateway WorkSource	799	304	38%	\$1,111,243	\$461,289	\$147,815	\$609,104
2006	32208	HabiJax	85	49	58%	\$207,838	\$98,478	\$15,725	\$114,203
2006	32208	St. Matthew's	192	47	24%	\$314,076	\$70,460	\$35,520	\$105,980
								2006 Total	\$854,266
2007	32208	Gateway WorkSource	883	349	40%	\$1,232,251	\$527,245	\$139,737	\$666,982
2007	32208	HabiJax	229	112	49%	\$472,345	\$234,039	\$38,596	\$272,635
2007	32208	St. Matthew's	312	71	23%	\$473,685	\$126,646	\$45,462	\$172,108
								2007 Total	\$1,111,725
2008	32208	Gateway WorkSource	916	368	40%	\$1,483,684	\$559,819	\$186,770	\$746,589
2008	32208	HabiJax	215	137	64%	\$591,158	\$315,966	\$47,626	\$363,592
2008	32208	St. Matthew's	230	71	31%	\$500,718	\$128,341	\$43,700	\$172,041
								2008 Total	\$1,282,222
2009	32208	Gateway WorkSource	1,120	462	41%	\$1,826,930	\$680,955	\$234,360	\$915,315
2009	32208	HabiJax	293	195	67%	\$918,464	\$480,981	\$78,030	\$559,011
2009	32208	St. Matthew's	218	62	28%	\$406,701	\$101,516	\$45,780	\$147,296
								2009 Total	\$1,621,622
2010	32208	Gateway WorkSource	1,323	517	39%	\$2,338,823	\$833,215	\$292,826	\$1,126,041
2010	32208	HabiJax	273	179	66%	\$929,479	\$476,701	\$57,560	\$534,261
2010	32208	St. Matthew's Church	204	60	29%	\$377,893	\$94,033	\$42,008	\$136,041
								2010 Total	\$1,796,343

Appendix D - EITC Data Zip Code 32218 2007 – 2010

Year	Zip	Tax Site Location	Total Returns Completed	Total EITC Returns Completed	EITC Ratio	Total Refund \$	Total EITC \$	Total \$ Saved by Taxpayers	Total EITC \$ + Taxpayers \$ Saved
2007	32218	FCCJ North Campus	270	72	27%	\$322,400	\$110,210	\$43,431	\$153,641
2008	32218	FCCJ North Campus	385	132	34%	\$644,595	\$217,881	\$78,310	\$296,191
2009	32218	FCCJ North	582	225	39%	\$1,195,959	\$445,487	\$157,250	\$602,737
2010	32218	FSCJ North	638	241	38%	\$1,356,118	\$478,910	\$141,825	\$620,735

Appendix E - Model Summaries

32206 Total			
Impact Type	Employment	Labor Income	Output
Direct	6.9	\$250,840	\$700,930
Indirect	1.6	\$72,062	\$211,840
Induced	1.9	\$70,074	\$202,164
Total	10.5	\$392,977	\$1,114,934
32208 Total			
Impact Type	Employment	Labor Income	Output
Direct	52.4	\$1,908,522	\$5,319,357
Indirect	12.5	\$550,058	\$1,613,400
Induced	14.4	\$533,350	\$1,538,234
Total	79.3	\$2,991,930	\$8,470,991
32218 Total			
Impact Type	Employment	Labor Income	Output
Direct	10.4	\$393,031	\$1,104,514
Indirect	2.5	\$113,583	\$335,334
Induced	2.9	\$109,879	\$318,414
Total	15.8	\$616,494	\$1,758,263
Study Area Total			
Impact Type	Employment	Labor Income	Output
Direct	69.8	\$2,552,393	\$7,124,801
Indirect	16.7	\$735,703	\$2,160,574
Induced	19.1	\$713,303	\$2,058,812
Total	105.6	\$4,001,401	\$11,344,188
Duval County			
Impact Type	Employment	Labor Income	Output
Direct	135	\$5,167,884	\$14,565,405
Indirect	32	\$1,492,537	\$4,438,200
Induced	37	\$1,444,560	\$4,193,647
Total	204	\$8,104,981	\$23,197,252

Appendix F - Top 20 Industries by Employment

Top 20 Industries by Employment	
Sector	Description
413	Food services and drinking places
397	Private hospitals
394	Offices of physicians, dentists, and other health practitioners
360	Real estate establishments
426	Private household operations
398	Nursing and residential care facilities
331	Retail Nonstores - Direct and electronic sales
329	Retail Stores - General merchandise
324	Retail Stores - Food and beverage
356	Securities, commodity contracts, investments, and related activities
319	Wholesale trade businesses
392	Private junior colleges, colleges, universities, and professional schools
396	Medical and diagnostic labs and outpatient and other ambulatory care services
395	Home health care services
330	Retail Stores - Miscellaneous
382	Employment services
320	Retail Stores - Motor vehicle and parts
327	Retail Stores - Clothing and clothing accessories
400	Individual and family services
419	Personal care services



Appendix G - Top 20 Industries by Labor Income

Top 20 Industries by Labor Income	
Sector	Description
397	Private hospitals
394	Offices of physicians, dentists, and other health practitioners
413	Food services and drinking places
319	Wholesale trade businesses
398	Nursing and residential care facilities
367	Legal services
396	Medical and diagnostic labs and outpatient and other ambulatory care services
320	Retail Stores - Motor vehicle and parts
357	Insurance carriers
360	Real estate establishments
324	Retail Stores - Food and beverage
354	Monetary authorities and depository credit intermediation activities
395	Home health care services
329	Retail Stores - General merchandise
392	Private junior colleges, colleges, universities, and professional schools
432	Other state and local government enterprises
381	Management of companies and enterprises
356	Securities, commodity contracts, investments, and related activities
355	Nondepository credit intermediation and related activities
419	Personal care services



Appendix H - Top 20 Industries by Output

Top 20 Industries by Output	
Sector	Description
397	Private hospitals
360	Real estate establishments
394	Offices of physicians, dentists, and other health practitioners
413	Food services and drinking places
319	Wholesale trade businesses
357	Insurance carriers
354	Monetary authorities and depository credit intermediation activities
355	Nondepository credit intermediation and related activities
398	Nursing and residential care facilities
396	Medical and diagnostic labs and outpatient and other ambulatory care services
367	Legal services
432	Other state and local government enterprises
351	Telecommunications
392	Private junior colleges, colleges, universities, and professional schools
324	Retail Stores - Food and beverage
329	Retail Stores - General merchandise
395	Home health care services
320	Retail Stores - Motor vehicle and parts
356	Securities, commodity contracts, investments, and related activities
331	Retail Nonstores - Direct and electronic sales



Appendix I – Figures and Tables

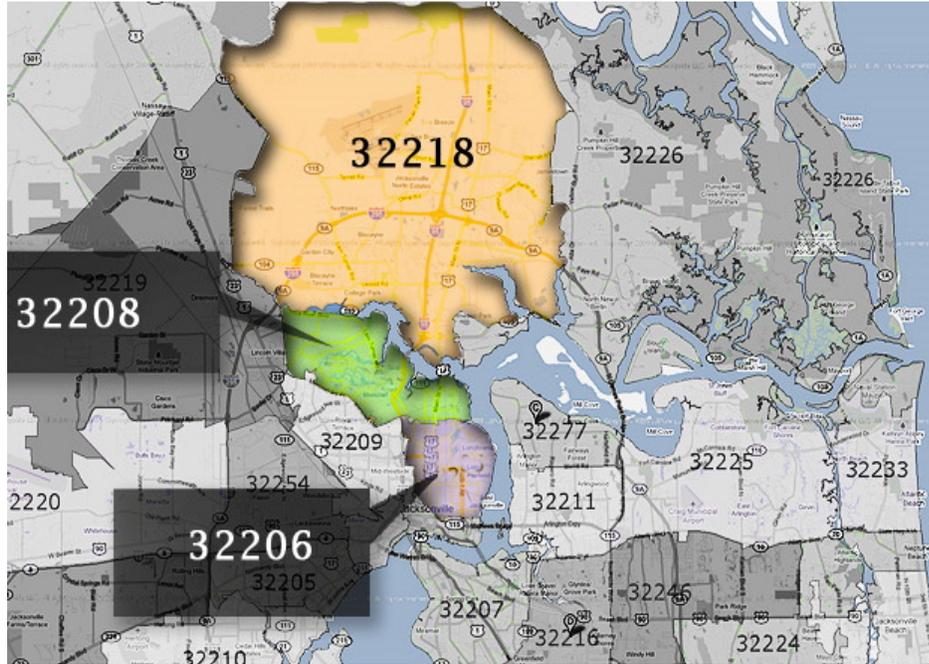


Figure 1

Projected Household Incomes			
Location	Incomes		
	Median	Average	Per Capita
32206	\$24,193	\$33,993	\$13,324
32208	\$42,345	\$54,905	\$20,772
32218	\$55,041	\$64,362	\$23,651
Jacksonville	\$57,467	\$73,018	\$28,587

Table 1

Employment				
Type	32206	32208	32218	Total
Direct	6.9	52.4	10.4	69.8
Indirect	1.6	12.5	2.5	16.7
Induced	1.9	14.4	2.9	19.1
Total	10	79	16	106

Table 2



Figure 2

Labor Income				
Type	32026	32208	32218	Total
Direct	\$250,840	\$1,908,522	\$393,031	\$2,552,393
Indirect	\$72,062	\$550,058	\$113,583	\$735,703
Induced	\$70,074	\$533,350	\$109,879	\$713,303
Total	\$392,977	\$2,991,930	\$616,494	\$4,001,401

Table 3

Output				
Type	32206	32208	32218	Total
Direct	\$700,390	\$5,319,357	\$1,104,514	\$7,124,801
Indirect	\$211,840	\$1,613,400	\$335,334	\$2,160,574
Induced	\$202,164	\$1,538,234	\$318,414	\$2,058,812
Total	\$1,114,934	\$8,470,991	\$1,758,263	\$11,344,188

Table 4

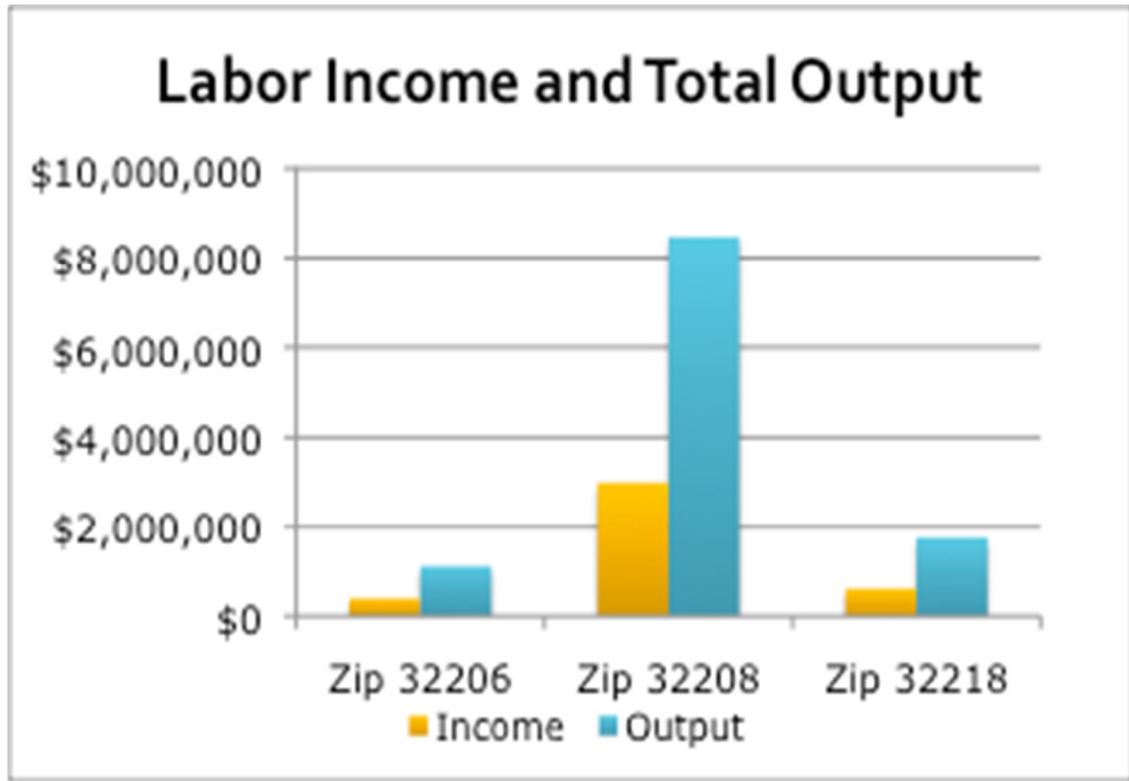


Figure 3

Top Industries for Employment	Jobs
Food services and drinking places	9.2
Private hospitals	6.2
Offices of physicians, dentists & other health practitioners	5.2
Private household operations [domestic]	4.8
Real estate establishments	4.4
Nursing & residential care facilities	3.8
Retail - nonstores - direct & electronic sales	2.9
Retail stores - General merchandise	2.7
Retail stores - Food & beverage	2.5
Private junior colleges, universities & professionals	2.0

Table 5

32206, 32208 & 32218 New Jobs

Year	Jobs
2007	14
2008	17
2009	23
2010	24

Table 6

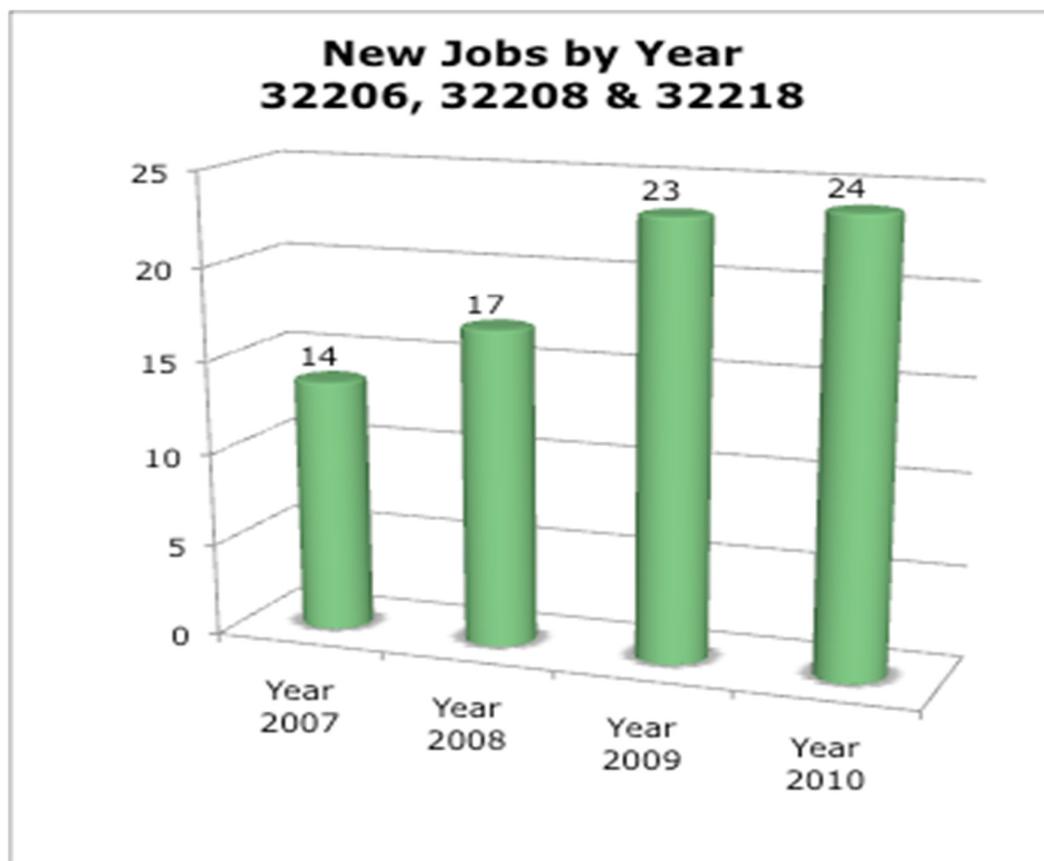


Figure 4

32206, 32208 & 32218 Combined Income and Output

Year	Income	Output
2007	\$517,062	\$1,445,341
2008	\$659,340	\$1,860,807
2009	\$906,952	\$2,598,281
2010	\$949,636	\$2,731,175

Table 7

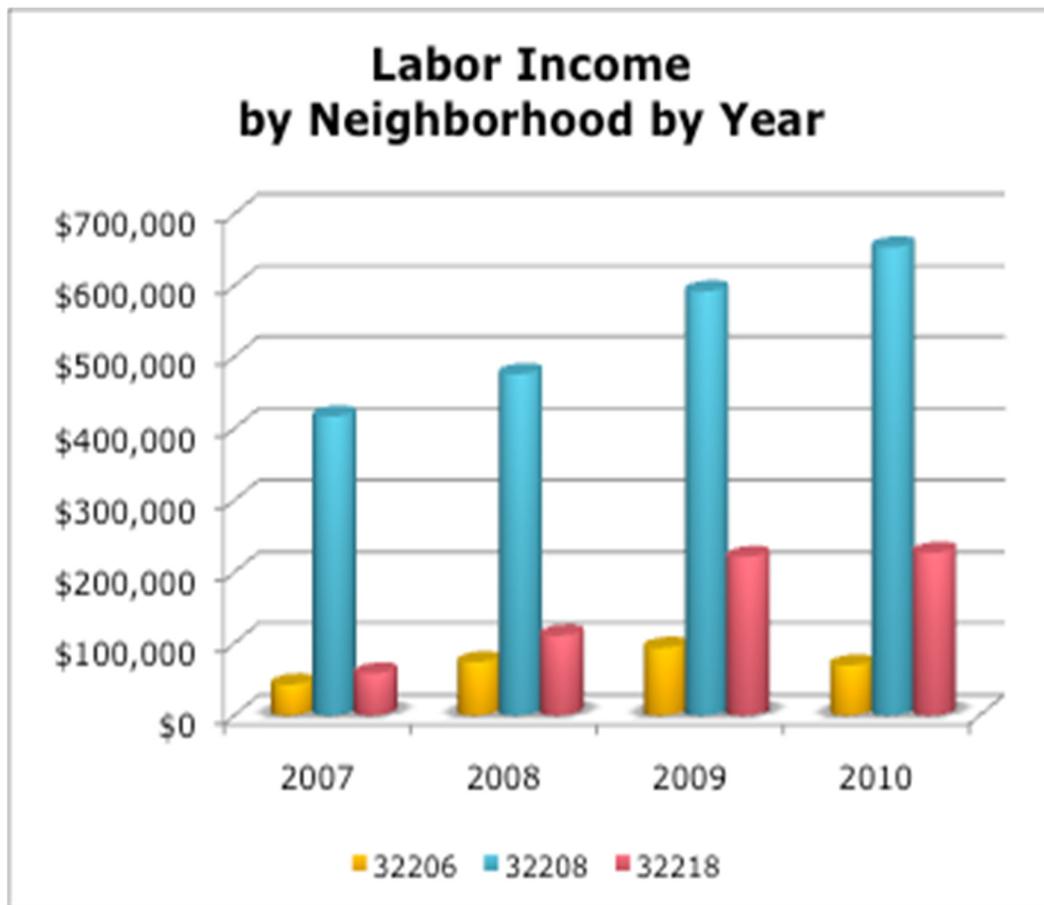


Figure 5

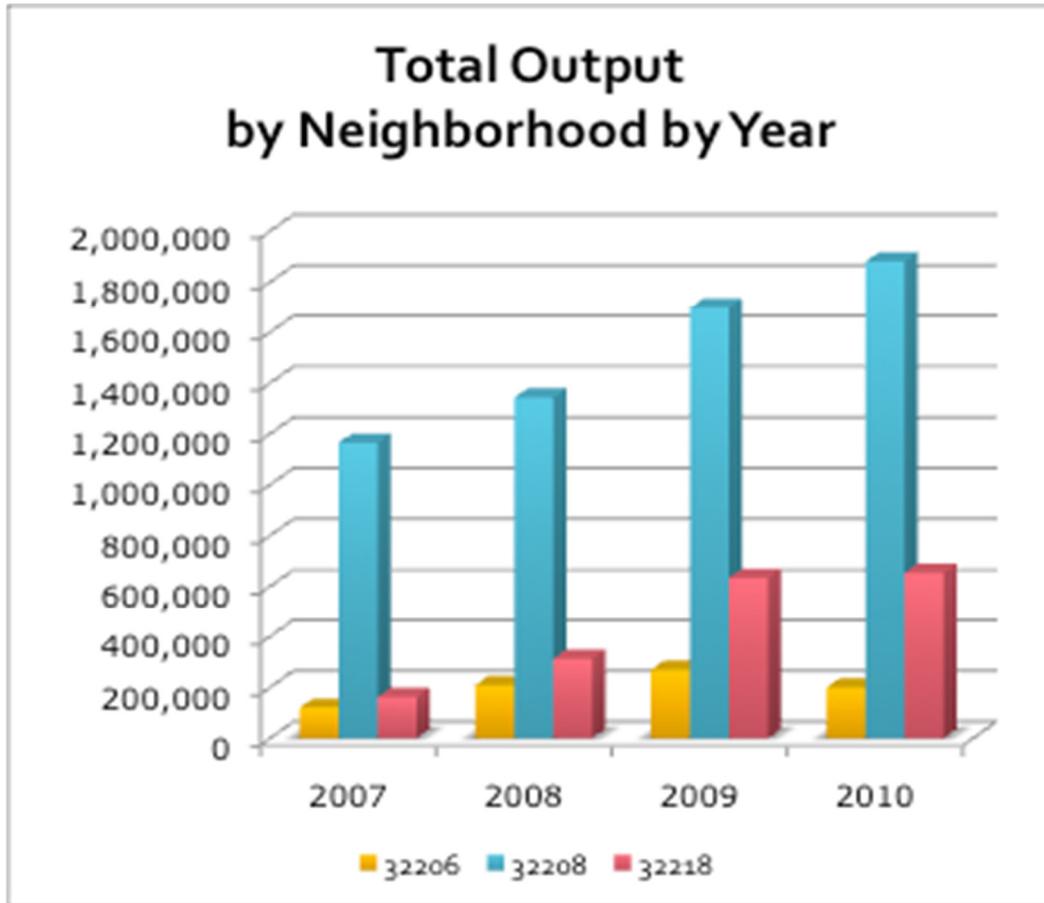


Figure 6

Study Area vs. Jacksonville

Subject	Employment	Labor Income	Output
Study area	105.6	\$4,001,401	\$11,344,188
Jacksonville	204.3	\$8,104,981	\$23,197,252

Table 8

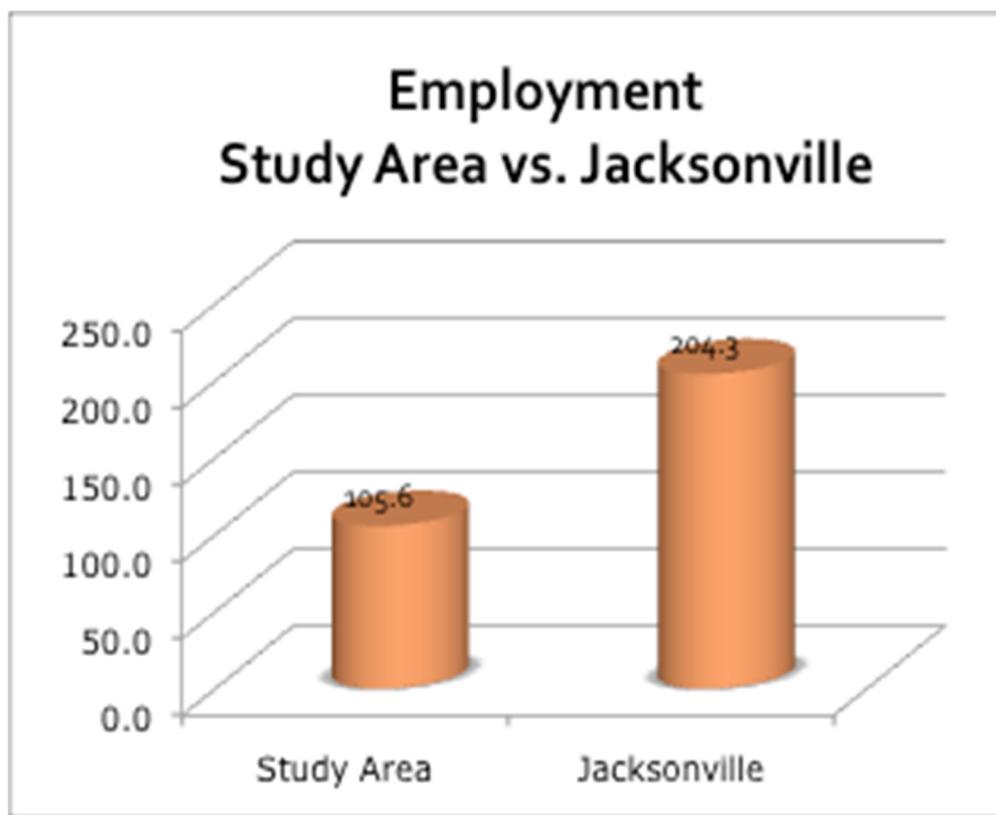


Figure 7

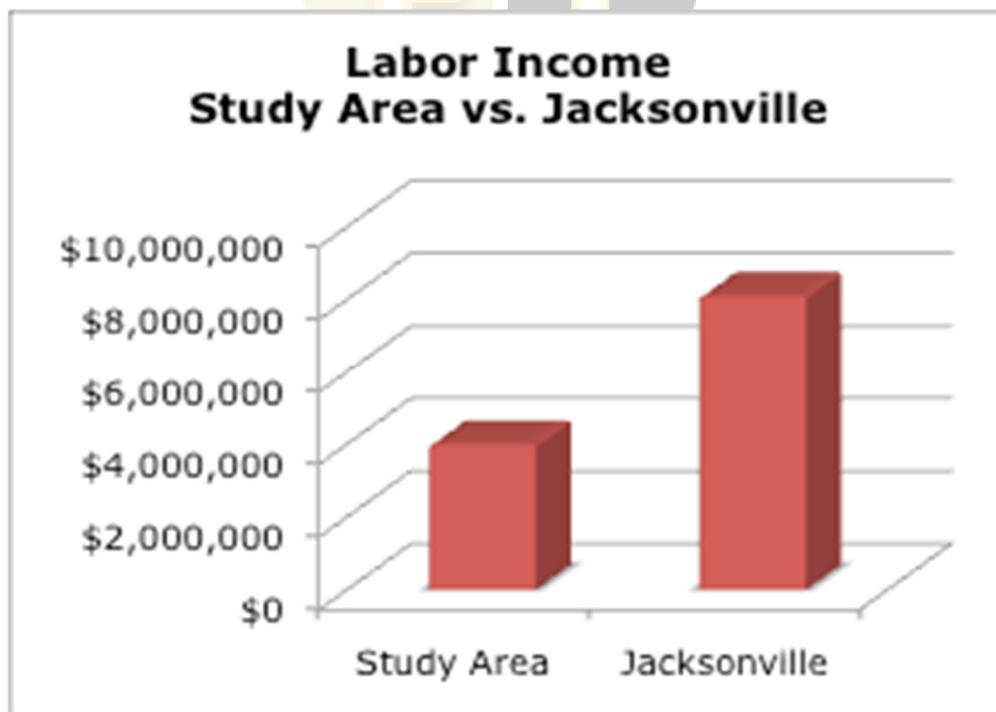


Figure 8

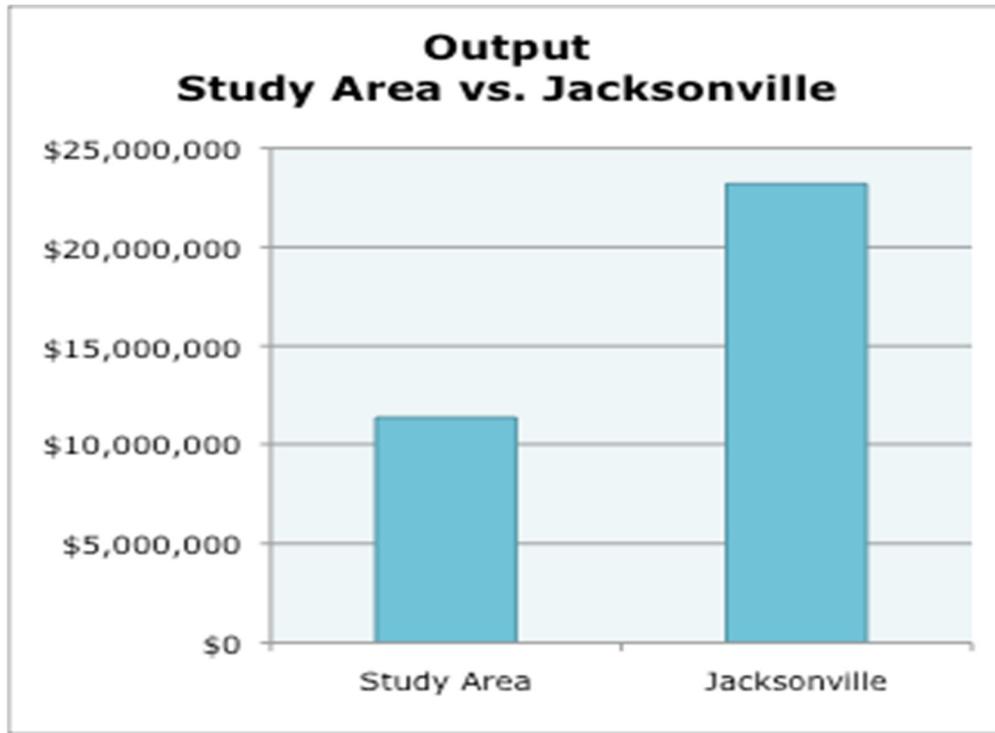


Figure 9

Table 9 - Multipliers

Study area	Total output	\$11,344,188	= 1.59
	Direct output	\$7,124,801	
Jacksonville	Total output	\$23,197,252	= 1.59
	Direct output	\$14,565,405	

REFERENCES

- IMPLAN Social Accounting & Impact Analysis Software User's Guide, Version 3.0, Minnesota IMPLAN Group, Inc., Stillwater, MN, March, 2010
- "Using IMPLAN V3", The IMPLAN V3 Modeling System, Minnesota IMPLAN Group, Inc. Stillwater, MN, July, 2010
- "Introduction to IMPLAN V3", Minnesota IMPLAN Group, Inc., Hudson, WI, June, 2011
- U.S. Bureau of Economic Analysis Labor Statistics Consumer Expenditure Survey
- U.S. Census Bureau County Business Patterns
- U.S. Census Bureau, Economic Census [2007]
- Duval County Tax Data, RealSense Prosperity Campaign, United Way of Northeast Florida, April 2011