

Householder Response to the Earned Income Tax Credit: Path of Sustenance or Road to Asset Building

By

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The views expressed are those of the authors and do not necessarily represent the opinions of the Federal Reserve Bank of New York or the Board of Governors of the Federal Reserve System.

STUDY SEEKS TO ANSWER THE FOLLOWING

- How are refunds used?
- Can the EITC program be used to bring the unbanked into the financial mainstream?
- What factors influence a lower-income taxpayer's decision to open a savings account?

CONCLUDING REMARKS

- Unbanked consumers are more likely to open a savings account
- Opening an account is positively related to tax refund size
- Nonprofit organizations can and do play an important role in helping to:
 - move the unbanked into the financial mainstream
 - facilitate asset-building behavior

FUTURE RESEARCH

2004 TY STUDY UNDERWAY

Follow-up survey — Longer-term implications

Control survey — Baseline comparison

**Enhancements — Tax prep process
and survey questions**