



April 15, 2015

The Honorable Mike Crapo, Co-Chair
The Honorable Sherrod Brown, Co-Chair
The U.S. Senate Committee on Finance
Savings & Investment Tax Reform Working Group
Via email Savings@finance.senate.gov
Re: Comments to the Savings & Investment Tax Reform Working Group

Dear Chairman Crapo, Chairman Brown, and Members of the Savings & Investment Tax Reform Working Group:

Thank you for this opportunity to provide comments that may help inform the tax reform process. My organization, the Doorways to Dreams Fund (D2D Fund), is a Boston-based, national non-profit that works to strengthen the financial security and opportunity of financially vulnerable consumers. For almost a decade, we have worked with members of Congress, Senators, and the Administration to secure an accessible and effective savings option on the tax form.¹ As a result of this work, shared by a national coalition called the Savings Bond Working Group², **U.S. Savings Bonds have been purchased over 160,000 times at tax time, with tax filers, many of whom are financially vulnerable, saving more than \$80 million of tax refund dollars directly into U.S. Savings Bonds since 2010. As such, we strongly believe that preserving tax time savings bonds is an essential component to any tax reform package as the tax filing process and tax refunds provide a critical and unique opportunity for Americans to save.**

The Tax Time Savings Bond purchase option is smart and effective public policy that is accomplishing its intended purpose. This policy is helping households save and fostering a habit of saving. In the five years that the policy has been in place:

- **U.S. Savings Bonds have been purchased over 160,000 times through Form 8888, resulting in more than \$80 million in savings for tax filers and their loved ones.**
- **Purchasers have saved an average of nearly \$500 in U.S. Savings Bonds each year.**
- Further, there is evidence that the policy is cultivating a strong savings habit – **the program has consistently seen repeat bond purchasers, most recently evidenced by over 28% of 2013 bond purchasers buying again in 2014.**

¹ Since the 2010 tax season, taxpayers receiving \$50 or more in federal refund can elect to split a portion of that refund into a U.S. Series I Saving Bond using IRS Form 8888. They can save for themselves or in the name of another person. We refer to this option as the “Tax Time Savings Bond” option.

² The Savings Bond Working Group, led by Doorways to Dreams Fund, is a coalition of national non-profit organizations, local non-profit providers, commercial tax preparers, and tax software firms. All share the goal of encouraging saving by all Americans, especially low- and moderate- income families, using U. S. Savings Bonds.

Members of Congress have already voiced support for the continued accessibility of tax time savings bonds through the re-introduction of the SAVINGS Act. Congressman Matt Cartwright and 17 bipartisan cosponsors introduced the SAVINGS Act this session to preserve the tax time bond policy, protecting this safe and accessible savings vehicle for all Americans.

On the heels of this introduction, we encourage this committee to consider our recommendations below which represent common sense, cost-effective considerations for inclusion in the tax-reform effort. They ensure that tax time continues to provide essential tax filing opportunities for Americans to save – particularly for those who can only save at tax-time. The recommendations fit in to a stronger vision for America where families can withstand financial instability by developing regular, annual savings habits through the tax filing process.

- Officially codify tax time savings bonds into the tax filing process. Currently, access to this effective, unique, accessible, and universal savings opportunity is up to the decision of a current Administration. This option should be protected for all Americans for years to come and should not be threatened. Simply stated, it should be built into the tax filing process as a standard option. All tax preparation software and tax preparation companies should be required to offer Form 8888 to tax filers.
- As the Treasury Department, the IRS, and the Bureau of Public Debt continue to modernize their systems, reduce paper, and comply with upcoming tax reform, commit them to developing a long-term plan for paperless tax time savings bonds that includes the following features:
 - “Gifting” – the ability to gift a savings bond with ease using a portion of the tax refund
 - Helping the unbanked – the ability for those without bank accounts to use a portion of their tax refund to save in bonds
 - Simplicity – the ability to use information already on the tax form to order bonds with minimal or, preferably, no additional information needed.

We look forward to working with the Working Group and members of the committee as this critical work progresses and are happy to provide you with any additional information requested. Thank you again for the opportunity to provide feedback during this process.

Sincerely,



Timothy Flacke
Executive Director
Doorways to Dreams (D2D) Fund



Tax Time Savings Bonds

The Connection between Tax Time and the Act of Saving

The moment during the tax preparation process when taxpayers learn of their refund amount has come to be known as a “savable moment.” Some tax filers, especially those eligible for tax credits, can receive tax refunds that amount to as much as 20% of their annual incomes. For many, it is the only time all year that they can save any funds for themselves or their children. The split refunds form (Form 8888) makes it possible for tax filers to capitalize on this opportunity by splitting these refunds, and the ability to save in bonds directly through the tax form makes the purchasing experience simple and convenient.

Tax Time Savings Bonds Success To-Date:

The Tax Time Savings Bond purchase option is good public policy that is accomplishing its intended purpose. This policy is helping households save and fostering a habit of saving. Since the policy began in 2010:

- **U.S. Savings Bonds have been purchased over 160,000 times through Form 8888 resulting in more than \$80 million in savings for tax filers and their loved ones.**
- **Purchasers have saved an average of nearly \$500 in U.S. Savings Bonds each year**
- **Further, there is evidence that the policy is cultivating a strong savings habit – the program has consistently seen repeat bond purchasers, most recently evidenced by over 28% of 2013 bond purchasers buying again in 2014.**

The Need for Increased Savings

In the aftermath of the financial crisis and subsequent Great Recession, it is not hard to appreciate the tremendous toll that inadequate savings has taken on American families, especially those who were already financially vulnerable. The majority of American families are “savings-limited”, meaning they lack the liquid savings to replace even one month of income. The typical household at the bottom of the income ladder has the equivalent of less than two weeks’ worth of income in cash and checking and savings accounts. 43.8 percent of American families do not have a basic savings safety net, and the average savings among the majority of Americans amounts to less than \$3000. The financial fragility of Americans harms our economy and, according to the National Review, is one of our country’s top domestic policy priorities.

We have strayed far from our roots as a thrifty nation, one anticipating – and investing for – a bright, more prosperous future. But Americans still value financial prudence and long for financial security. In fact, Americans ranked the need to save for emergencies as the top reason to save in 2010 (Survey of Consumer Finance, 2010). Not surprisingly, Americans are, now more than ever, preoccupied with their current financial security.

Despite clear need and desire for quality savings products, access to such products remains limited for many Americans. Savings accounts often have staggering barriers to entry, including large initial deposits, high fees, and complex account opening procedures.

There is a critical role for the federal government to play in helping to ensure universal access to savings products. The tax-time savings bond policy provides such an opportunity to every American who receives at least \$50 in tax refunds by allowing them to split the refund and purchase savings bonds directly on the tax form.

Why U.S. Savings Bonds?

We are fortunate in this country to have a universal savings product that, until recently, has been readily accessible to all Americans.³ Generations have given and received bonds as an act of patriotism, thrift, and confidence in America's future. Today, as mainstream financial service firms struggle to serve lower-wealth customers, the savings bond is the one truly universal savings product, available to anyone who wants to invest in the future. Savings bonds offer a safe and easy way for people to begin saving small amounts of money, on a pathway to longer-term financial security.

Series I Savings Bonds offer:

- Accessibility – Bonds have a low minimum to open (\$50),
- Low risk – No fees and competitive interest rate,
- Gifting – Ability to purchase savings for a family member or loved-one (co-ownership),
- Name recognition – Americans have been saving in Savings Bonds for almost 80 years.

Preserving access to the Tax-Time Savings Bond Policy

- Treasury has committed to maintain the tax-time option for the 2016 tax season, but not beyond because the program relies on the paper bond system.
- We understand that in an increasingly digital world, the ongoing transition from paper to electronic bonds is, ultimately, likely to permeate the tax time savings bond (TTSB) policy. However we are aware that Treasury has not fully prepared for the transition of the TTSB policy to an electronic system.
- In order to protect the long-term sustainability of the policy, filers need an alternative electronic bond option – for example, the ability to open a Treasury Direct account during the tax filing process.
- Additionally, this option needs to be codified into the process so it is protected for generations of savers to come.

The Boston-based Doorways to Dreams Fund (D2D), a non-profit founded by former Harvard Business School professor Peter Tufano, has long championed savings bonds as a tool for helping low-and moderate-income savers. D2D's mission is to strengthen the financial security and opportunity of financially vulnerable consumers and the organization views encouraging saving as a critical strategy to advance that important mission. For more information, visit <http://www.d2dfund.org>.

³ As of January 1, 2012, paper U.S. Savings Bonds can no longer be purchased unless through the tax-filing process. Americans can only order bonds using the Treasury Direct online system that requires a bank account and internet for access.