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Current and Future State of the Internal Revenue Service

Current State

Tax Compliance / Tax Prep

Lack of Awareness in Spanish Speaking Communities about Electronic Tax Prep Options

Today's software has made e-filing easy. But tax compliance is still an issue for many individuals. Within the Spanish-speaking community, I've noticed a lack of awareness about e-file options (especially the free-file options). IRS.GOV has a Spanish splash page that explains free-file options. But once you click on the link, all of the info given for e-file options are in English.

Link: <https://www.irs.gov/spanish/free-file-presente-su-declaracion-federal-de-impuestos-gratuitamente>

Additionally, many of the popular services aren't too user-friendly for Spanish speakers.

Paid e-File Software Service Examples

- a. **TurboTax** - In my experience, Spanish speakers just don't use it. I've explored the site a bit and have yet to find a Spanish-language option. Maybe it exist, but I couldn't find it. Just a Spanish splash page. As soon as you click to start the free trial, it goes straight to English. There is no option to keep your TurboTax online experience in Spanish from what I have seen. Even English speaking taxpayers have a hard time using TurboTax because they just aren't tech savvy.
- b. **H&R Block** - Has an online version that's completely in Spanish. But awareness is still an issue. People won't use a product if they don't know it exists. Also, in my experience Spanish speakers, just don't like to use online resources for tax prep.

Audits

IRS Agents Sometimes Lack Empathy for Cooperative Taxpayers

Many of the Spanish speaking taxpayers I represent really didn't need an attorney to help them. This is true for taxpayers who've engaged me in private practice or the Pepperdine Low Income Tax Clinic. However, when these taxpayers attempted to submit records by themselves, these

records were not accepted. This occurs even when the records satisfy the requirements for substantiation. With no other options, the taxpayer turns to an attorney representative for help.

The language barrier can sometimes lead to unfortunate results. For example, in one instance we represented a taxpayer that did marketing for an attorney. The taxpayer's business was to target Spanish speaking taxpayers for personal injury cases. The taxpayer put on his taxes that he was an office manager and had a Schedule C. During the audit he tried to explain that he did marketing and even came in with his tax preparer. The taxpayer and the tax preparer tried to explain to the examiner this nuance, but the IRS examiner refused to accept any of the taxpayer's substantiation or their explanation.

1. Office Manager \neq Marketing and/or Advertiser
2. Deductions reasonable in one case, not in the other

The facts the tax preparer submitted to the auditor were not consistent with an office manager position. The facts suggested that he was more of a marketer that worked in an office and out in the field. After the taxpayer hired us, I called the IRS examiner right away and asked him why he rejected the taxpayer's substantiation. He said he denied the deductions because office managers do not engage in the scope of marketing the taxpayer's described. I told the auditor the taxpayer wasn't an office manager, but that he worked for that office doing marketing for the attorney. He responded by saying the taxpayer never said that. This had gone on for months. But after we got involved, offered the same exact documents previously submitted, the auditor allowed the deductions.

This was an exam that did not need a lawyer; it just needed some clarity. About 2 weeks or so into the case, the agent sent the taxpayer a Statutory Notice of Deficiency (also known as a 90-day notice) for one of the years under examination. For those familiar with a Statutory Notice of Deficiency, it gives the taxpayer 90 days to try to fix an issue with the IRS examination or to file a petition with the tax court. So now one of the years is in tax court to protect the taxpayer's interest. All of this was very unnecessary.

Future State

Remedy

The IRS representatives need to ask the right follow up questions when the taxpayer provides information that is inconsistent with the content listed on the returns. We're not asking the IRS to give taxpayers the benefit of the doubt. We're merely asking it to help the taxpayer clear up inconsistencies by asking the right follow up questions. It is not strictly an issue that arises when there's a language barrier. Taxpayers who can't properly articulate their circumstances sometimes lose valuable tax benefits they are entitled to receive. The IRS doesn't allow taxpayers to select what language they would prefer when the IRS is in the process of assessing or collecting additional money. The Internal Revenue Manual and the Internal Revenue Code can seem like a foreign language even to native English speakers. When IRS

representatives don't take steps to clear up inconsistent items, taxpayers are left surprised and confused when the government suddenly moves to take their property. This doesn't sit well with many people.

To make things worse, the IRS's budget has been cut by over 17% since 2010. The agency has responded by instituting hiring freezes, which leaves fewer staff members available to service taxpayers. When calling IRS Collections or the Practitioner Priority Service, it typically takes over 30 minutes to get someone on the phone. Call wait times for mail correspondence exams are even worse, with hold times sometimes lasting over 2 hours. Some of the IRS offices no longer allow walk-ins or have cut their staff making appointments dates that do not match the urgency of the taxpayers needing tax assistance.

The dwindling number of agents create a very challenging future state for the non-English speaking taxpayers that benefit from the face to face interactions. These individuals are willing taxpayers that want to resolve their tax issues. My fear is that the Spanish speaking taxpayers will be left behind with less resources available to them. I believe the IRS is moving in the right direction by laying out its plan to streamline the taxpayer experience through online resources. There have been many articles written about methods and software that could streamline the tax prep experience given that the IRS has all the wage and income transcripts already in their system. If a taxpayer doesn't have a complicated return, the programs would self-populate based on the taxpayer's information. Now with the future state of the IRS moving towards more automated systems, there is a huge benefit for the taxpayers, with respect to the ease of use and access information. There are huge security risks though, given all the recent hacks and phishing scams.

In my experience the Spanish speaking community and even some first generation Latinos avoid computers at all cost. I have helped hundreds of Spanish speaking taxpayers and I've never met one that is only Spanish speaking and filed their own returns. They always use a preparer, even if the preparer is not certified and use a version meant for self-prepared returns. They do not have familiarity with computers and struggle just to send emails. When I see the IRS moving to more online resources for taxpayers, with fewer dollars going to in-person resources, I'm afraid non-English speaking taxpayers may be short-changed and will be left behind. The future state online resources are very convenient for many, but there will also be people, including an older demographic, that will not be able to keep up with technology. I can envision a mix of face to face with technology. A place where the IRS grows its kiosks stations within their buildings and taxpayers can come and access their information through a secure method and have more kiosks open to them to use to get transcripts and file their returns. I have seen a few in the Los Angeles. I can envision many more kiosks overseen by a few facilitators there to guide the taxpayers. The IRS would need less staff available, but would also have a good mix of technology pointing the taxpayers in the right direction. This would enable non-tech savvy taxpayers to utilize technology with the help of a facilitator and include more taxpayers in the future state.