

Testimony of Robin McKinney, Director, Maryland CASH Campaign
National Taxpayer Advocate's Public Forum on the IRS Future State Vision
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Thank you for consideration of this testimony. My name is Robin McKinney; I am the Co-Founder and Director of the Maryland CASH Campaign. Maryland CASH Campaign promotes programs, products, and policies that increase the financial security of low-income individuals and families. CASH stands for Creating Assets, Savings, and Hope. Maryland CASH and its partners work to ensure that all eligible Maryland residents know about the EITC, access free tax preparation services, and are connected to opportunities to build a strong financial future. We work with a statewide network of Volunteer Income Tax Assistance (VITA) programs that annually serves over 20,000 taxpayers.

The current IRS *Future State* vision may work for some taxpayers, but it will leave the needs of a significant number of low-income taxpayers unmet. The IRS' comprehensive plan seeks to change the way that many taxpayers have traditionally dealt with the IRS and it will likely provide a difficult, if not impossible, transition for a large segment of taxpayers.

The IRS has consistently faced hefty budget cuts, which clearly necessitates a different business model. However, the *Future State* calls for little to no person to person interaction with the IRS. This fact is quite alarming given the issues facing the low-income population that we serve through the Volunteer Income Tax Assistance Program. The IRS has an increasingly important job as our government implements social policy changes within the Internal Revenue Code. As tax obligations have only become more complex, the IRS needs additional funding in order to continue to provide quality service to all taxpayers through its Taxpayer Assistance Centers and customer services telephone lines.

We cannot argue that technological advances will not prove beneficial to both a great number of taxpayers and the IRS. However, we simply cannot have a system where a significant number of taxpayers are not provided the customer service they need because in-person and telephone services have been reduced or terminated. The IRS cannot be diminished to the point where the bare minimum of operations are standard and only a portion of the taxpaying public is served.

Access

As the comprehensive plan outlines, the direction the IRS seems implicitly focused on moving towards is to provide each taxpayer an online account with little to no person to person interaction. We think this presents a huge problem for the low-income taxpayer population. We have seen that most of the clients we serve through our VITA sites prefer to deal with their tax issues in person. They see the quickest route to information or resolution to a tax problem is by going to the nearest Taxpayer Assistance Center. Local partner Baltimore CASH has locations in Baltimore City that are in close proximity to a TAC office. They report countless instances where clients will say "I'm going to run down to the IRS office right now to get my transcripts." If that is not possible, then discussing their issues with an IRS representative over the phone is their next step. We believe eliminating this kind of accessibility can and will cause additional barriers to tax compliance.

In addition, for millions of taxpayers, online services are simply not a viable method to address their needs. There is still a segment of the population, particularly those that are low-income and elderly, that do not use the internet. This will not change no matter how the IRS chooses to communicate with the taxpayers in the future. Even with tools such as “Where’s My Refund” available, taxpayers still choose to contact our partner sites to get status updates on their refunds.

While many lack the skill or comfortably to interact with the IRS online, access to the internet itself presents a significant barrier. Many of our clients do not have reliable access to the internet and computers at home, especially in rural areas. Many taxpayers will need to use public resources, like libraries, and, given time limitations, may not be able to adequately work through their issues with the IRS online.

Identity Theft and other Security Risks

Because many taxpayers do not have access to reliable internet at home, they are often using public computers in places such as libraries and community centers that lack secure access. Additionally, the IRS has reported massive data breaches in the past. With identity theft on the rise, taxpayers do not trust the IRS to keep their information safe and will not want to communicate with the IRS online.

Complexity of the Tax Code

The increasing complexity of the tax code has left many taxpayers reluctant, and in many cases unable, to deal with their issues online. Taxpayers already struggle with the substance of the tax law and how it may apply to their unique circumstances. Often they cannot articulate the issue they are having. Making a move toward online interaction would add an additional burden.

During the 2015 tax season, taxpayers received notices from the IRS that because they purchased insurance through the health exchange or marketplace, they would need to submit additional documents before their tax returns could be processed and their refunds released. Most did not understand this notice and what the required action was to resolve it. A significant number came to our partner sites, even those with returns prepared by a paid preparer, for assistance with this issue. Sites had to recreate returns to generate the Form 8962 Premium Tax Credit for taxpayers to submit along with their Form 1095-A, Health Insurance Marketplace Statement.

Paid Preparers

If taxpayers cannot readily access an IRS representative, they will need to talk to someone. *Future State* will push many low income taxpayers into the largely unregulated private sector for assistance. There is already a tenuous relationship between the low-income population and the paid tax preparer industry. Some taxpayers will be able to call on the community tax preparation field or receive assistance from Low Income Taxpayer Clinics. Very few will have the luxury to afford services from licensed and regulated CPAs, EAs and attorneys. More taxpayers will seek out commercial tax preparers, many of whom may not necessarily be qualified to give tax advice. This may also increase the likelihood of errors made by paid preparers. At our tax sites, we are constantly fixing mistakes made by paid preparers during

the tax season. With a substantial gap in services created by *Future State*, paid preparers will have another market to engage taxpayers that can lead to incorrect, potentially fraudulent and expensive tax advice.

Language Barriers

Future State is additionally troubling when taking into consideration taxpayers that speak another language. A significant population of the taxpayers our partners serve speak languages other than English. As difficult as it can be to communicate with language barriers person to person, we can only imagine the struggle of online interactions given how technical tax issues can be.

Current Pressure Felt by Our Programs

Whenever there is a reduction in taxpayer services provided by the IRS the community tax preparation field has been called upon to meet increased demand. Programs receive increased phone calls to answer questions for those seeking advice about their tax returns or letters from the IRS as well as preparing prior and current year tax returns. Because VITA is relied upon and trusted in the community, many taxpayers seek refuge in the assistance our partners provide. Unfortunately, our partner sites are operating with limited capacity. In 2014, when Taxpayer Assistance Centers announced they would no longer prepare tax returns onsite, taxpayers were consistently sent to VITA and we saw an overwhelming increase in demand. Appointments were booked by the first week of February and walk-in centers experienced long lines and wait-times due to the influx of additional taxpayers.

Taxpayers that want to work with the IRS to resolve outstanding issues cannot move forward with payment plans and other IRS relief programs without having their tax returns up to date but many simply cannot afford what paid preparers are charging. Recently a taxpayer facing wage garnishment came to our partner needing to file returns for tax years 2012, 2013 and 2014 after a paid preparer wanted to charge \$200 per tax return. Countless others have come to us with similar stories, but we lack the capacity to serve all the taxpayers that fall into these dire situations.

To accommodate the current demand many sites have shifted to operating outside of tax season and even providing year-round services in efforts to provide some relief to this already struggling demographic. However, this puts a strain on already limited resources. We need more funding to increase our capacity to meet the overwhelming demand.

Conclusion

We cannot have an IRS *Future State* vision where significant budget cuts are acceptable and that the only method of customer service for the taxpaying public is through online interaction. There must be other approaches to ensure that every taxpayer is provided quality service as is their right and that the IRS can fulfill their mandate. Given budgetary constraints, we understand that moving to a system that relies on technology is inevitable. And in some situations the advance is welcome, but we still need adequate in person and telephone assistance from the IRS. VITA programs cannot be the only ones to provide additional services and resources as the IRS increasingly scales back its operations. An all or nothing

system in which a significant number of taxpayers are not provided the customer service required to meet their needs cannot be the future state of the IRS.

Our Recommendations:

1. The IRS needs enough funding to ensure they are able to provide quality services for all taxpayers. Person to person assistance is still a necessity. Additionally, there needs to be an overhaul in the way telephone assistance is provided. Providing a telephone number that is never answered cannot be labeled as customer service.
2. The IRS should provide free tax preparation assistance at Tax Assistance Centers in some capacity especially where there are limited VITA/TCE programs in the area.
3. VITA/TCE programs need more funding to maximize their overall resources in order to make free tax preparation available to the millions that could use those services, especially for those programs that provide year-round tax preparation and assistance.
4. Expand VITA/TCE grant scope to allow preparation of certain tax forms.
5. Allow VITA programs to have an increased income limitation for individuals that have lost their jobs and become disabled or otherwise unemployed during the filing season that year.