

Current and Future Taxpayer Interaction with the Internal Revenue Service
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I am pleased to be able to share both my experiences and concerns about the current state of the Internal Revenue Service (IRS) and to perhaps help identify some barriers taxpayers might face as the IRS shifts away from telephonic and in-person contact to a web-based service delivery model.

I have worked as an attorney with Iowa Legal Aid for almost twenty years and have been manager of the Iowa Legal Aid's Low-Income Taxpayer Clinic (LITC) for just under 13 years. In addition, to my work with the LITC, I have been a volunteer site coordinator for VITA for twelve years. I have had the opportunity to see the challenges that taxpayers face in interacting with the IRS and with trying to meet their tax filing and payment responsibilities

Challenges Faced by Low-Income Taxpayers

Low-income taxpayers face difficulties complying with their tax obligations for many reasons. First and foremost is a lack of understanding of how key components of the tax system work including the function of the basic components of a tax return such as: what are standard vs. itemized deductions, filing status, how do child-based tax credits and dependency exemptions interact, what is the difference between a refundable and non-refundable credit, and how are social security and Medicare taxes collected and paid.

During the economic downturn, some taxpayers turned to self-employment in order to meet household expenses. Because some turned to self-employment without advance planning, they were often unacquainted with the additional complexity and responsibility for paying self-employment tax. Many taxpayers I encountered did not have a good grasp of what were deductible expenses and how to keep track of those expenses. In other circumstances, a taxpayer might have been re-classified as independent contractor in an attempt to shift responsibility for taxes from the employer to the employee.

Another significant obstacle is access to affordable quality tax preparation. Given the complexity of some tax credits, many taxpayers are ill equipped to self-prepare returns. Credits that are crucial to low-income families such as the earned income tax credit, child tax credit, dependent care credit and educational credits have many different rules to apply despite the introduction of the "unified" definition of a qualifying child in 2005. Even when using good, on-line tax preparation software, accidentally answering one question wrong can either grant the person the credit they do not qualify for or disallow a credit they should have. It may be very difficult for the problem to be discovered.

When utilizing tax preparers, an unsuspecting taxpayer can be tricked into claiming a credit or may not even know that a credit is claimed because they do not understand the forms. Many assume that tax

preparers have to be licensed or accredited because of the complex nature of taxes and the importance of accurate preparation, when in many jurisdictions that is not the case.

Volunteer Income Tax Assistance sites and Tax Counseling for the Elderly sites are excellent resources for low-income and older taxpayers, however, there are not nearly enough volunteers to meet the need. Taxpayers such as the newly self-employed taxpayers are often very low-income, but may not be able to avail themselves of free tax preparation due to the rules surrounding which returns VITA can prepare. Tax volunteers can't help with insolvency exceptions for cancellation of indebtedness income another common issue for currently unemployed or disabled taxpayers.

Interacting with the IRS

Current difficulties

It is well publicized that taxpayers and practitioners spend a great deal of time on hold waiting to speak to an IRS employee. It is my understanding that taxpayers experienced lower wait times during tax season this year. That, however, was not my experience as a practitioner. I personally have spent over an hour on hold on many an occasion. Even after spending a long time on hold, I have then been disconnected or transferred to a different line where my call then goes to the back of the cue. For low-income taxpayers, who may rely upon pay as you go cell phones, the 800 number does not represent a cost savings. As a practitioner, I structure my time so that I have other tasks to complete, but I am unavailable to take calls or to leave the proximity of my desk. This wait time provides a powerful disincentive to interact with the IRS.

Examinations involving family and child-based credits

I have worked with so many taxpayers who have been audited for claiming their children who lived with them. Taxpayers are often stumped when asked to prove that their children lived with them. When the child is not in school, the house is owned by the parents, or there is no written lease, it may be very difficult to find verifiable third party information. The children may or may not have interaction with an agency such as Department of Human Services. The family may have moved since the tax return was filed and no longer have easy access to persons or information that would support their claim. Questions may come a year or two after the return is filed. The IRS wants proof that spans the midpoint of the year. Children might not see the doctor at both the beginning and end. Further a doctor's notes vary in detail and will not necessarily demonstrate who brought a child into see a doctor. The doctor's system may automatically update the records when the client moves so that print-offs no longer show the previous address. Taxpayers who do send in records always seem to get correspondence back from the examiner saying that the information was incomplete. It is rare that the taxpayer gets a call. A call often would help clarify what exactly is needed and save the agent and the family time. For circumstances where the family does not have much in the way of evidence of where the child lived or does not have evidence showing residence spanning the mid-point of the year, the IRS should speak with the taxpayer and assess his or her credibility directly. It is rare that the IRS evaluates or gives credence to verbal information. If the child has not been claimed by someone else, it would seem that some evidence in conjunction with verbal verification from the parents should be sufficient. Sometimes

the parents have submitted sufficient proof but because the evidence is located across several documents from several agencies the IRS has not put it all together. I have resubmitted documents on behalf of a parent only adding a timeline and exhibit list and gotten the decision reversed.

Barriers to accessing Web-based services

There are a number of current web interfaces for taxpayers including paying taxes online and requesting tax transcripts. I have many clients that do not have easy access to the internet or may be uncomfortable with using on-line services. Some taxpayers have to rely upon public terminals for these interactions which could result in compromising the taxpayer's data. For those who are leery of being on-line anyway, the recent IRS data breaches make them even less likely to go on-line.

If the IRS contact and interaction is primarily via the web, there will be any number of issues and, at this point, very little direction or clarification from the IRS. These issues include problems of proof when a taxpayer is accessing the web through a smart-phone, but cannot print-off records of interactions or proof of payment. If the taxpayer saves the data to the phone, there may be issues regarding security of the data or problems if the phone breaks or is lost. The IRS is going paperless but may have issues reacting to taxpayers who are increasingly paperless as well. Recordkeeping in a paperless world may be very different from today and taxpayers will need to know what the IRS considers sufficient records. At present the IRS tax professionals interface has limited functionality with any browser other than Internet Explorer 8. Transcripts will not print properly with Mozilla and Chrome.

Web interaction may also prove to be a significant barrier to people with limited English proficiency or taxpayers with limited literacy. Persons with limited literacy will have a difficult time navigating on-line resources with little ability to communicate orally with an IRS employee. For the second most common language in the U.S., Spanish, taxpayers do not have the option to select Spanish as their preferred language for IRS communication. The on-line resources in Spanish are still very limited despite the language's prevalence and the difficulty in dealing with complicated tax issues in a second language.

The IRS has a great deal of power to impact the lives of taxpayers. As such taxpayers need to have confidence that the Internal Revenue Service is fair, accessible to all taxpayers, and taxpayers have a clear sense of their rights and responsibilities. I have talked with many dedicated and conscientious IRS staff who work to serve the public. My most successful interactions with the IRS have been personal interactions with staff where a dialogue helps to clarify and resolve a situation quickly. My least effective interactions have been with inefficient systems where mail is lost or not properly logged or directed, long times are spent on hold to then be supplied incorrect or incomplete information from poorly trained or poorly informed staff. My greatest concerns are for those that do not have the wherewithal to navigate the system on their own or who cannot access a trained professional to help them do so.