#55   INCREASE THE INDIVIDUAL LOW INCOME TAXPAYER CLINIC GRANT CAP AND INDEX IT FOR INFLATION

Present Law

Internal Revenue Code (IRC) § 7526 authorizes the Secretary, subject to the availability of appropriated funds, to make grants to provide matching funds for the development, expansion, or continuation of Low Income Taxpayer Clinics (LITCs). The LITC program was authorized as part of the IRS Restructuring and Reform Act of 1998 (RRA 98) to provide representation to low-income taxpayers involved in controversies with the IRS, including audits, appeals, collection matters, and tax litigation, and to provide education about taxpayer rights and responsibilities in multiple languages for taxpayers who speak English as a second language.[226] If a clinic charges a fee, it must not charge more than a nominal amount for services.

IRC § 7526(c)(1) imposes an annual aggregate limitation of $6 million for LITC grants "[u]nless otherwise provided by specific appropriation."

IRC § 7526(c)(2) imposes an annual limitation on grants to a single clinic of $100,000.

IRC § 1(f) prescribes rules for the annual indexing of tax brackets based on the Consumer Price Index for all-urban consumers (CPI) and the Chained Consumer Price Index for All Urban Consumers (C-CPI-U).

Reasons for Change

The LITC program has proven to be an effective and low-cost means to provide assistance to low-income taxpayers. During grant year 2019, the LITC Program Office awarded grants to 131 organizations in 46 states and the District of Columbia.[227] Many clinics recruit attorneys and certified public accountants to accept cases on a *pro bono* basis. By using their grants to coordinate and leverage the volunteer contributions of tax professionals in this way, these clinics often provide services worth far more than the dollar value of the grants they receive. In 2019, volunteers provided over 56,000 hours of service to LITCs.[228]

As a result, the LITC program has attracted broad bipartisan support since its inception, and Congress increased the annual funding level by specific appropriation since 1998. In fiscal year 2019, the funding level was set at $12 million — double the amount specified in IRC § 7526(c)(1).[229]

However, the annual limitation of $100,000 on grants to individual clinics has never been increased. Since RRA 98 was enacted in July 1998, inflation has increased by about 58 percent.[230] Therefore, despite the increase in aggregate program funding, clinics are effectively operating with substantially less grant money today than they were in 1998. Some clinics, such as clinics that are responsible for large geographic areas or sizeable taxpayer populations, could make productive use of additional funds.

In relative terms, the doubling of aggregate program funding without any increase in the amounts that may be provided to individual clinics is undermining Congress's original intent and preventing the efficient allocation of grant dollars. To ensure congressional intent is met now and in the future, the National Taxpayer Advocate

---

226 Pub. L. No. 105-206, § 3601, 112 Stat. 685, 774 (1998).

227 IRS Pub. 5066, Low Income Taxpayer Clinics December 2019 Program Report 5 (Dec. 2019).

228 *Id.*

229 Consolidated Appropriations Act, 2019, Pub. L. No. 116-6, Div. D, Title I, 133 Stat. 13, 144 (2019).

230 *See* Bureau of Labor Statistics, CPI Inflation Calculator, https://data.bls.gov/cgi-bin/cpicalc.pl (last visited Dec. 11, 2019).

recommends Congress increase the per-clinic annual cap from $100,000 to $150,000 and index it for inflation in future years.[231]

Recommendation

- Amend IRC § 7526(c)(2) to increase the annual clinic funding limitation to $150,000 and index the limitation to rise with inflation in future years pursuant to the rules prescribed in IRC § 1(f).

---

231 The recently enacted Taxpayer First Act of 2019 added IRC § 7526A, authorizing a funding program for the Volunteer Income Tax Assistance program. *See* Pub. L. No. 116-25 (2019). The statute is modeled after IRC § 7526 but does not contain an annual limitation on grants to a single program.