

Committee on Ways and Means, Oversight Subcommittee
Witness Written Testimony
Perspective-Director Center for Financial Stability
United Way of Miami-Dade

The whole community benefits when working people can turn their financial tightrope into a stable pathway to success. That's why United Way focuses on lasting solutions that go beyond charity, because financially stable people are more likely to have access to quality healthcare, provide a good education for their children, and contribute to their local economies. A key component of success in building financial stability is ensuring hardworking families secure and keep the tax credits they are eligible for through free, high-quality tax preparation and filing services.

Through the Community Volunteer Income Tax Assistance Program (VITA), volunteers become certified tax preparers and provide qualifying individuals and families with free, reliable assistance in filing federal tax returns. Most taxpayers utilizing VITA earn an annual household income of less than \$54,000 and come from traditionally hard-to-reach and underserved communities, including people with disabilities, the elderly, and Native Americans. Additionally, many programs offer services for taxpayers with English as a second language.

Volunteer preparers undergo training well before tax season begins, and are certified by the Internal Revenue Service (IRS). In an effort to establish and maintain trust from the public, VITA volunteers are required to maintain the highest standards of ethical conduct and service. Volunteers have access to national and local resources that help them complete IRS-required certifications, including an online e-learning system and oftentimes in-person community trainings. All volunteers must agree to adhere to IRS Volunteer Standards of Conduct, and proceed to additional training according to their specific role within VITA. Those preparing tax returns or overseeing sites for example, typically proceed to Basic or Advanced tax law certification as well as specialty courses including one that addresses the tax needs of military service members. Site operations are also managed according to detailed IRS Quality Site Requirements, including such practices as peer-to-peer quality reviews of every prepared return before filing. This certification and disciplined approach has resulted in accuracy ratings among the highest of all tax returns filed.

VITA is a successful public-private partnership, generating a strong return on investment. With a modest federal investment of \$15 million in FY2017, matched in local communities, close to 4,000 VITA sites prepared about 1.3 million returns for taxpayers with an average adjusted gross income of \$25,000 in 2017. Volunteers helped returned \$1.9 billion to VITA clients and communities in all 50 states and Washington, D.C. In Florida, 268 sites prepared 75,000 returns, bringing back \$108 million to Main Street economies throughout the state. In Miami Dade

County specifically, there were \$13 million in returns--\$5 million of which was realized through the Earned Income Tax Credit (EITC).

VITA helps hardworking Americans meet their tax obligations while claiming the full amount of any refunds for which they are eligible. Often clients qualify for the EITC and Child Tax Credit--some of our nation's most effective anti-poverty tools. Only those who work are eligible, and in 2015 these critical pro-work tax credits lifted 9.8 million Americans out of poverty, including 5 million children. 600,000 Floridians were lifted out of poverty by the EITC and CTC, including 311,000 children, each year, on average, during 2011 to 2013. Further, research shows that EITC and CTC recipients use their returns for asset building expenditures like reliable transportation to work, groceries, and quality childcare.

One in five EITC eligible workers don't claim the credit however, and the complex nature of the EITC -- wisely structured to incentivize and reward work - can make it challenging to navigate, resulting in some unintentional error in claims. However, according to a 2016 Treasury Inspector General Report for Tax Administration (TIGTA) report- the VITA program experienced a 94% accuracy rating¹ for prepared returns—including returns with EITC claims. To put that in perspective, in 2014 the IRS National Taxpayer Advocate stated that unenrolled tax preparers were found to have errors in 49% of the EITC returns they filed². We cannot emphasize enough - tax returns filed by VITA volunteers have the highest accuracy rate for EITC filing. VITA is a solution for addressing error rates on EITC, ensuring government resources are accurately delivered to those working and eligible.

Fundamentally, VITA supports those who cannot afford professional tax services and need assistance to accurately complete their taxes. One VITA client may be a 20 year-old single parent working as a full-time cashier at the local fish market, completely new to tax responsibilities and possible credits, and worried about whether or not they will owe taxes on top of tax preparation fees. Another VITA client may be a recently divorced mother of 3, struggling to make sense of her household finances with her 40-year old marriage ending, and anxious because someone told her she would owe the IRS taxes on her alimony this year. Yet another VITA client may be a 50-year old father juggling 3 jobs to provide for his family, using credit cards to help with rising housing, transportation, and health care costs, and no longer able to afford his local tax preparer. These clients frequently leave their VITA sites with tremendous appreciation for the guidance and support they received, often surprised at the level of professionalism and transparency demonstrated by their tax preparers, having a better understanding of their tax returns, and expressing a new level of confidence in their financial next steps -- whether it involves a tax refund or a tax payment.

¹Page 8, Quality Statistical Sample Return Review Accuracy Rate
<https://www.treasury.gov/tigta/auditreports/2016reports/201640045fr.pdf>

² Financial Services and General Government Appropriations Hearing, 2014
<https://archive.org/details/gov.gpo.fdsys.CHRG-113hhr88602>

In diverse communities like Miami-Dade, tax time offers a particularly powerful opportunity to help those with a limited understanding of formal financial structures and systems in the United States, including tax law. Of the more than 10,000 taxpayers served by the Miami-Dade VITA Coalition for example, more than 90% are low income filers and over 70% have limited English proficiency. In addition, there is a high concentration of new citizens and recent immigrants who need support with Individual Taxpayer Identification Numbers, and other matters in order to file their taxes. Given their linguistic, cultural, educational, and financial barriers, these populations are especially vulnerable to predatory services that too often result in significant financial loss, IRS rejections and audits, and fraud or identify theft.

For those who make up Miami's vibrant entrepreneurial economy, there is even an additional layer of complexity and need for VITA services. Starting and growing a microbusiness is the most promising path to financial stability for many low-income households, and they dedicate themselves to their start-up or mom-and-pop business despite an often limited grasp of financial management tools and systems. Each tax season then, many self-employed taxpayers find themselves needing guidance but unable to afford hundreds of dollars in tax preparation fees in order to complete a Schedule C. VITA sites like those in the Miami-Dade VITA Coalition recognize this need and help self-employed taxpayers get organized, file accurately, and even connect to other free small business services in the community.

Beyond tax filing, many programs leverage the touch point with low and moderate-income workers that VITA provides to offer integrated service delivery. When VITA clients have completed the filing process, volunteers and financial stability specialists are on hand to provide counseling and education, and to connect clients with programs that foster proper financial stewardship and grow savings. The Miami-Dade VITA Coalition for example, provides access to financial capability services ranging from financial education and one-on-one financial coaching, to incentivized savings programs and onsite bank account openings in partnership with its local banking access coalition, *Bank On Miami*.

Each year, VITA clients recognize the value and impact of VITA, and they help spread the word in their communities. At some Miami-Dade VITA sites for example, well over 40% of clients have come to VITA through a family or friend referral.

Since its creation, the VITA program has been an incredibly successful public-private partnership throughout the country. The resources the IRS provides through this matching grant program – \$15 million in FY2017 – are only a portion of what organizations use to operate VITA sites. While the tax returns are prepared by volunteers, sponsoring community organizations contribute significant resources to recruit and train the volunteers to IRS standards, supervise the volunteers to ensure accuracy, provide office space and computers for electronic filing, and conduct outreach to community members. Currently, 380 United Ways fund, operate, or support VITA programs—contributing financial resources, personnel, and in-kind donations. As a network, United Way invests \$17.4 million in VITA and other filing assistance programs. Millions more are invested across the country from other nonprofits and

community service agencies, though resources are stretched tight and the reality is that communities often lack the resources to meet demand.

And demand for VITA services only continues to grow. The IRS has determined that while 1.3 million presently access free tax assistance, approximately 19 million would do so if it were readily available. Given the significant return on investment in this successful partnership, we recommend a boost in funding for this program, and for the program to be permanently authorized—as called for in the bipartisan VITA Permanence Act, sponsored by Representatives Curbelo and Davis.