

Observations of a Volunteer Tax Preparer

By June K. Campbell

From the end of January through mid-April of 2013, I volunteered with the United Way tax program providing free federal income tax preparation. Meeting with low to moderate income taxpayers, and preparing and reviewing hundreds of tax returns over the course of the tax season was a rewarding way to volunteer in my community and provided many insights into the current federal tax code.

The Tax Code Is Needlessly Complicated for People With Low to Moderate Incomes

Over two full days in December 2012 at South Seattle Community College, I achieved an “intermediate” level of tax preparation knowledge, taking a test and getting my IRS certification to be a volunteer tax preparer. Because Congress had not yet finalized tax provisions for 2012 at the time of our training, the materials were based on the tax code as it existed in 2011. On top of the tax complexities were language issues for many volunteers for whom English was not their first language.

Training on the tangled web of rules regarding adjustments to income, refundable credits and non-refundable credits, exemptions, filing status and deductions, as well as multiple issues with the Taxwise software, moved at a fast pace, leaving many questions to look up and consult with other preparers on site. For example, there are at least four separate programs for educational expenses, each with a separate set of rules, and none of which are particularly generous. Another complicated newer program is the Health Savings Account.

Spending hours working through these rules for the benefit of taxpayers during the tax season, it seemed that it would make more sense to just eliminate all of these cumbersome rules and lower the overall tax rate instead. Let taxpayers spend their money as they wish. Why not invest in students directly through the educational institutions and work on the root causes of high health care costs rather than address these issues through the tax code? Why clog the tax code with items for the sole purpose of trying to change people’s behavior?

The Tax Code Is Marriage Centric

The first determination to make in preparing a return is filing status, and the first question on the filing status decision tree is whether the taxpayer was married on the last day of the tax year. Generally, married filing separately is the worst category to be in, with an unfavorable standard deduction and ineligibility for many tax credits. Being married can also result in more taxes than cohabiting, depending on the incomes of the individuals involved.

Same sex marriage? Not in the scope of United Way tax preparation services, as legal marriage in Washington state was not the same thing as marriage under the federal law, at least while the Supreme Court mullied over the constitutionality of the Defense Of Marriage Act (“DOMA”). One can only imagine the complexities for next year’s returns given the Supreme Court’s opinion overturning DOMA, with each state having separate rules for marriage.

Taxpayers Married “in Name Only”

I prepared returns for numerous taxpayers who considered themselves single, as they had separated from their spouses long ago. Although they hadn’t lived with their spouses for years, they remained married, as they had not gone through the legal process of obtaining dissolutions. When I asked taxpayers why they had not obtained dissolution of marriages that were obviously irretrievably broken, most responded they couldn’t afford a lawyer or even the court filing fees. Sometimes they stated religion prevented them from ending their marriage.

Even though some taxpayers insisted they should be allowed to file under the single person category, unless a taxpayer qualifies for the head of household filing status, a married taxpayer must file either jointly with a spouse or as “married filing separately,” typically resulting in a higher tax bill.

There is a huge opportunity to connect taxpayers with pro bono services in family law offered through King County Bar Association (“KCBA”) programs. I gave individuals information about the KCBA “Pro se Plus” program for uncontested dissolutions and encouraged United Way to coordinate with the KCBA in future tax seasons to help get these taxpayers the legal help they need.

Filing With an ITIN

The IRS issues individual tax identification numbers (“ITINs”) to people who want to comply with the federal tax laws but who do not qualify for issuance of Social Security numbers. ITINs are also issued to relatives of individuals in the United States whom taxpayers want to claim as dependents. These are typically parents, siblings and other relatives living in Mexico who receive “remittances” from people working in the United States.

The Taxwise software actually is designed to allow the taxpayer’s ITIN to be matched to and override the fictitious Social Security number on the W-2 — the one given by the employee to the employer. I saw W-2s from a large variety of employers with fictitious Social Security numbers including restaurants, the construction trades and manufacturers. Some of the ITIN workers are young people who express excitement and hope that through the proposed “Dream Act” provisions of an immigration bill they will be able to obtain citizenship and no longer work under the shadow of a fictitious Social Security number. Do the ITIN workers actually pay income taxes? They contribute to Social Security and Medicare even though they don’t qualify for benefits. They directly pay sales taxes and indirectly pay property taxes when they pay rent to their landlords. They don’t qualify for refundable credits such as the earned income credit. The ITIN taxpayers I assisted did not pay much if anything in income taxes, primarily because they didn’t earn much money, but also because they had so many dependents, each of whom counted for an exemption, reducing their taxable income.

In the drop down menu of Taxwise of “how many months” did the dependent live with the taxpayer, after “12” are the options “MX” for Mexico and “CN” for Canada. Under the tax laws, taxpayers providing over half the support of relatives in Mexico or Canada can claim them as dependents as long as the dependents have ITINs, even if they never set foot in the United States. I didn’t assist any taxpayers who claimed Canadian relatives as dependents, but I saw countless ITINs for mothers, fathers, aunts, uncles, siblings, nieces, nephews and other relatives of taxpayers who lived in Mexico. I helped prepare a return for a taxpayer who provided over half the support of his parents in a country in the Middle East. Under the tax laws, he was not entitled to claim them as dependents. Had his parents lived in Mexico, he could have claimed them.

Stories of Survival

The taxpayers I worked with were all very appreciative of the time and effort of the volunteers preparing their returns. I got a few hugs from taxpayers who found out they were getting large refunds, primarily due to qualifying for the earned income credit. This refundable credit is designed to make it more rewarding to work and earn a low income than receive public assistance. In essence, these taxpayers do not make a living wage, but they earn something, and their reward is to get a bonus under the tax code. When your income for a full year is \$20,000, you are supporting three children, and you learn you are going to get a \$5,000 tax refund because of the earned income credit, that means you can catch up on your bills, get your car repaired, buy your children some new shoes and maybe save a little money for next year’s inevitable needs.

I also saw a few tears from taxpayers who didn't have enough money withheld from their paychecks and learned that they owed the IRS money that they didn't have. I saw taxpayers struggling to support their large families; unemployed taxpayers who had exhausted their meager retirement savings; disabled taxpayers who depended on Social Security disability income; and taxpayers in their early 60's, working at multiple manual labor jobs while in pain, just hoping to make it to age 65 when they would qualify for Medicare and be able to finally stop working and get the medical care they needed. Many of these taxpayers don't use email, don't have access to computers other than at their local library, and would not be able to begin to prepare their own tax returns.

My co-volunteers spoke other languages with taxpayers including Russian, Chinese and Spanish. These skills are useful as the Puget Sound region has a large population of workers for whom English is not their first language. The tax code is complicated enough to explain to people in English, let alone a foreign language.

The Need is Great

There are a number of volunteer tax preparation programs. United Way covers King County and had 700 volunteers who prepared 14,900 returns in the spring of 2013. The returns generated \$22 million in refunds, including \$7.7 million in earned income tax credits. Many sites could use more help, and taxpayers sometimes had long waits for help. I enjoyed making a difference in the lives of people that I probably would not have had the occasion to otherwise interact with and I would encourage anyone who can make the time commitment during tax season to consider volunteering with this program. For further information, go to <http://www.uwkc.org/ways-to-volunteer/ongoing-campaigns/free-tax-services/tax-volunteer.html>.



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