

## THE VOLUNTEER INCOME TAX ASSISTANCE (VITA) PROGRAM

### What is VITA?

The Volunteer Income Tax Assistance (VITA) program provides free tax preparation services to low- and moderate-income Americans, those with a disability as well as those with limited English proficiency. To qualify for VITA services, an individual must earn \$55,000 or less.

Established in 1969,<sup>1</sup> VITA now has over 3,700 sites nationwide with approximately 55,000 highly-trained volunteers.<sup>2</sup> It is a public-private partnership, receiving funding from the federal government as well as local, state and private sources. For every \$1 of federal spending, VITA providers are required to secure at least \$1 of support from local nonprofit organizations, cities or volunteers.<sup>3</sup> Several states also provide funding for local programs. In essence, VITA is a community-based program, since VITA locations are set up and managed by local nonprofits, rather than the federal government itself.

In 2018, VITA helped tax filers access \$1.9 billion in tax refunds, including \$646 million from the Earned Income Tax Credit (EITC) and \$97 million in Child Tax Credits, for those with children.<sup>4</sup>

### Providing Free Tax Preparation to Low-Income Americans

A key benefit that VITA provides to low- and moderate-income (LMI) taxpayers is access to the tax code and all its benefits. Due to the increasingly complicated nature of tax policy and programs, it can be difficult for these taxpayers to ensure they are receiving all the credits and deductions they are entitled to, including the EITC—the largest and most effective antipoverty program in the United States today—without resorting to costly paid tax preparation assistance.

By providing free tax preparation services to LMI taxpayers, VITA helps to ensure that the tax time moment is as beneficial as possible to these filers. This is particularly important given that tax refunds can account for three months' pay, or one-fifth of annual income, among low- and moderate-income households.<sup>5</sup>

Moreover, VITA presents a more reliable alternative to paid tax preparation services. Unlike the VITA program and other IRS-approved, or "enrolled," tax agents, such as lawyers and certified public accountants (CPAs), the tax preparation industry is highly unregulated and tends to target vulnerable communities, who also may not be able to afford the expense. In fact, in most of the country, paid tax preparers are not subject to certification, training or consumer protections, making it difficult for tax filers to know if they can expect an accurate tax return at a fair price.<sup>6</sup> On the other hand, all VITA volunteers are certified annually using an IRS-approved curriculum and certification test. VITA-prepared tax returns are 93% accurate, which is one of the highest accuracy rates of any major kind of tax preparation service.<sup>7</sup>

In addition to VITA's core function, VITA sites also often provide financial capability and education services, which can help promote savings among low-income Americans.

### VITA and the 2017 Tax Law

While the Tax Cuts and Jobs Act of 2017 did not address VITA, there remains work to be done to strengthen both the program and the tax preparation field more broadly. When it comes to the VITA program, funding constraints limit its ability to serve more low- and moderate-income Americans in need of free tax preparation services. Moreover, Congress has never formally authorized VITA, despite the program being in operation since 1969 and evidence of the many benefits it provides taxpayers. Finally, in order to ensure that all taxpayers have access to high-quality tax preparation services and that their returns are accurately processed, greater oversight must be placed on paid tax preparers.

### VITA Snapshot

1. VITA is a community-based program that has provided free tax preparation services to lower-income Americans for the past 50 years.
2. In 2018, VITA helped over 1 million taxpayers access \$1.9 billion in tax refunds.
3. To strengthen VITA, policymakers should make the program permanent and increase funding to \$30 million.
4. To bring parity with the VITA program and VITA volunteers—who are required to go through annual IRS training—as well as to prevent fraud and ensure fair pricing, Congress should also regulate paid tax preparers.

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## Ways to Improve VITA

As mentioned above, one step Congress can take to strengthen VITA is to authorize it permanently in statute. During the 115<sup>th</sup> Congress, the House of Representatives passed the VITA Permanence Act (H.R. 2901) with bipartisan support. While the Senate was unable to pass its version of the VITA Permanence Act (S. 797), it gathered bipartisan support as well through the co-sponsorship of Senator Brown (OH) and former Senator Heller (NV).

Permanently authorizing VITA would afford sites more certainty that this program, which has been around for half a century, will continue and potentially gain more support for increased funding in future years. This is especially important as the tax code continues to change and as tax filer assistance and customer service are constrained at the IRS.

With increased funding, VITA programs would be able to hire more staff, add new sites, improve volunteer recruitment and increase outreach to low-income households, thus allowing the program to meet rising demand. Underscoring the need for more funding to meet the growing demand, since 2011, the number of VITA participants rose by almost 50%, from 964,000 to 1.3 million during last year's filing season. While Congress did allocate \$18 million for VITA in 2019, up from \$15 million previously, increasing funding to \$30 million annually would enable existing VITA locations to expand and new ones to open in underserved regions.

Finally, Congress should pass regulations on paid tax preparers to ensure that vulnerable communities are not taken advantage of. Currently, only four states—California, Maryland, New York and Oregon—have passed regulations around paid tax preparers. In the rest of the country, tax filers using these services are vulnerable to fraud, inaccuracy and lack of transparency around fees. Given this, Congress should require, among other things, that paid tax preparers meet basic competency standards, bringing parity in this field with the VITA program, which requires training and licensing by the IRS. Taken together, these changes would allow more low- and moderate-income households to accurately file their taxes, and have greater access to the tax code and its many benefits, all while not being taken advantage of as they seek to fulfill their civic duty.

### Resources:

- "Leveraging Tax Time for Working Families with VITA," Prosperity Now, July 2018, <https://prosperitynow.org/resources/leveraging-tax-time-working-families-vita>

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<sup>1</sup> Treasury Inspector General for Tax Administration, "*Accuracy of Tax Returns, the Quality Assurance Processes, and Security of Taxpayer Information Remain Problems for the Volunteer Program*," (Washington, DC: U.S. Treasury Department, 2011), Page 1.

<sup>2</sup> Joanna Ain, "*After Providing Free Tax Prep for 50 Years, It's Time to Make the VITA Program Permanent*," (Washington, DC: Prosperity Now, 2019).

<sup>3</sup> "VITA Grant FAQs Category: Matching Funds," *Internal Revenue Service*, February, 28, 2019, <https://www.irs.gov/individuals/vita-grant-faqs-category-matching-funds>.

<sup>4</sup> Michael Auslen, "*Leveraging Tax Time for Working Families with VITA*," (Washington, DC: Prosperity Now, 2018), 2.

<sup>5</sup> Ibid, 1.

<sup>6</sup> Ibid, 2.

<sup>7</sup> Ibid.