Welcome and Introductions

• Melanie Styles, Senior Program Officer for Workforce Development, Abell Foundation

• Ami Nagle, Director, EITC Funders Network
Table Introductions

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**Question:** if you had a magic wand and could change one area of the tax system, what would it be

Shaping the Future Forum
April 19, 2023
Arlington, VA
Focus on the Future

• Erin Currier, Senior Program Officer for Family Economic Security, W. K Kellogg Foundation (Moderator)
• Sam Hammond, Economist, Lincoln Network
• Francesca Jean Baptiste, Director of Tax Partnerships, CASH Campaign of Maryland
• David Newville, Senior Program Director, Code for America
• Nina Olson, Executive Director, Center for Taxpayer Rights
• Leigh Phillips, CEO, SaverLife
• Laura Scherler, Senior Director, Economic Mobility and Corporate Solutions
Modernizing VITA and Tax Filing to Better Serve Taxpayers

Need in-person or customized prep:
- Multiple sources of income
- Small business
- ITINs
- Language or access needs
- Previous year returns

Modernize VITA by:
- Expanding scope
- Updating grant structure
- Replacing physical SS card
- Updating software capabilities

Returns that could pre-filled or automatically filed:
- Single W-2
- Current year returns
- Previous EITC/CTC filers that haven’t filed for any of the previous 3 years

Expand access to credible preparers:
- Federal and state tax preparer testing and licensing
- Allow VITA sites to refer to vetted preparers
Laura Scherler

Senior Director, Economic Mobility and Corporate Solutions

Scaling Access to Free Tax Assistance Through FSA VITA

EITC Funders Network Meeting – Shaping the Future Summit
April 19, 2023
The Free Tax Prep Landscape

- **VITA/TCE** provides critical services but are only able to serve 3 percent of the 100 million eligible filers annually.
  - Traditional VITA is time-intensive and relies on significant volunteer capacity (1hr/return).
  - Covid-19 accelerated a trend of declining production. Since 2015, volunteers declined 37 percent, sites declined 48 percent, and returns declined 42 percent.

- **IRS Free File** reaches just 2 percent of those eligible. Of filers who were eligible to use the IRS Free File program, nearly 40 percent paid to use the software they were eligible to use for free. Of those who used the Free File version, many were charged to file state returns, which creates mistrust as the service is not free.

Scaling VITA by Aligning Services with Filing Behavior

A modern, efficient, and scalable VITA/TCE service model is needed to ensure everyone who wants and is eligible for free tax assistance can access it.

- Nearly half of U.S. households regularly use online software to file their taxes, but this filing style is not widely adopted in VITA/TCE.
- FSA VITA allows filers to prepare their own taxes using online software with assistance provided by VITA volunteers via phone, email, or web chat.
- FSA Remote: filers prepare their own taxes online using their own digital device with on-demand support.
- Co-located/standalone FSA: filers prepare their taxes at designated locations staffed by volunteers, such as computer labs and libraries.
- With suitable investment, FSA VITA can double the impact of VITA/TCE to serve 2+ million more low- and moderate-income Americans.
The Benefits of Scaling VITA Through FSA

- **Accessibility and Convenience**: available on-demand to anyone with access to a digital device and internet connection
- **Eligibility**: expands VITA eligibility to millions of filers currently excluded from Traditional and Virtual VITA, such as LMI filers with self-employment income
- **Efficiency**: uses limited volunteer resources for maximum impact. Volunteer capacity is only expensed when FSA filers need support, and most support interactions require less than 15 minutes of volunteer time. Traditional and Virtual VITA require at least one hour of volunteer time for each return.

- **Time Required to Produce 1 million VITA returns**:
  - With Traditional VITA.....1,000,000 volunteer hours
  - With FSA VITA:.................50,000 volunteer hours

Best Practices for Implementing FSA VITA at Scale

User and practitioner research has identified a set of best practices for implementing FSA VITA at scale. Broad adoption of these recommendations will help grow VITA via FSA.

- **Present Options**: Include both Traditional and FSA VITA in all outreach, promotion, and implementation efforts so filers can choose the service model that is the best fit for them.
- **Redefine the VITA Target Population**: Define the VITA target population to include all VITA-eligible filers, not just filers interested in or reached by higher-touch Traditional VITA.
- **Redefine Success**: Broaden our definition of success to focus on the total number of filers who access free and safe tax filing services through VITA, not just returns produced by volunteers directly.
- **More detailed in the forthcoming VITA Innovations Brief!**
Calls to Action

• Structure VITA grant funding to incentivize FSA VITA initiatives or provide referrals to a partner’s FSA VITA initiatives, so that all VITA practitioners have a role in helping scale VITA through FSA.

• Redefine success metrics to include the total number of filers who use VITA’s free and safe tax filing services, rather than focusing solely on Traditional VITA return production.

• Help VITA practitioners build the digital systems necessary to provide FSA services at scale, such as modern, well-designed websites and case management systems.

• Advocate with governmental partners at all levels to promote FSA VITA services to their constituents, especially on federal, state, county, and city webpages, and in communications sent to public benefit recipients.

• Support the creation of a suite of filer support materials for FSA VITA, including software guides and subject-specific guides, such as with Self-Employment Income, Claiming Education Credits, and more.

Thank you

Please feel free to contact us if you have any questions:
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Bryndan.Stueve@uww.unitedway.org
Nina Olson

Executive Director, Center for Taxpayer Rights

CENTER FOR TAXPAYER RIGHTS

Regulation of Return Preparers

Nina E. Olson, Executive Director
19 April 2023
The current tax preparation environment

- In the United States, anyone can hang up a shingle and prepare a tax return for a fee, regardless of competency or skill.
- The availability of off-the-shelf tax preparation software and the significant dollar amount of refundable credits available to lower income and unsophisticated taxpayers has created a field of opportunity for products like refund anticipation loans (RALs) and also for bad actors to commit fraud and steal refunds.

Evidence of Harm

- 2006 GAO Study of shopping visits, found in 17 of the 19 returns, preparers computed the wrong refund amount, often by thousands of dollars.
- In two cases, taxpayers would have overpaid their tax by more than $1,500.
- In five out of ten cases, preparers did not ask the required questions about the taxpayers’ children and thus prepared returns improperly claiming children and the associated credit.
- Similar results for 2014 GAO study and 2008 TIGTA study.
2002-2003 National Taxpayer Advocate Recommendation

1. Require all individuals who prepare returns for a fee to register with the IRS and obtain a preparer identification number.
2. Require all return preparers who are not attorneys, CPAs, or enrolled agents (i.e., unregulated, non-credentialed preparers) to take an entrance examination designed by the IRS that tests knowledge of fundamental concepts of gross income, adjustments to income, deductions, credits, and taxable income, for individual tax returns, including sole proprietorships. (I also recommended the IRS develop a higher level of exam/certification covering other types of business returns.)
3. Upon passage of the examination, unregulated preparers would be listed as “enrolled preparers” on the IRS website and could advertise themselves as such.
4. To maintain their status, enrolled preparers must complete a certain number of hours of IRS-approved continuing education courses, including mandatory courses covering ethics, the most common errors on the previous year’s returns, and recent tax law changes.
5. The IRS should conduct a comprehensive public information and education campaign to educate the taxpayer public about the types of preparers who have competency to prepare returns, and make available a searchable database of preparers who have obtain preparer tax identification numbers (PTINs) with their current professional designation.

Efforts to Regulate

• 2009 IRS proposed a regime to regulate uncredentialed return preparers.
• 2011 IRS began implement.
• Immediate injunction issued by federal District Court.
• 2014 Court of Appeals for the District of Columbia held the IRS did not have the statutory authority to regulate return preparation; “mere” return preparation is not practice before the IRS.
• Legislation to give IRS authority to regulate is introduced every Congress.
What do we need?

- Advocacy about current legislative efforts (e.g., the Taxpayer Protection and Preparer Proficiency Act)
- IRS update its study on compliance estimates regarding the EITC, to report on the accuracy of EITC by types of preparers.
- Funding for CTR to conduct shopping visits nationwide during 2024 filing season to demonstrate what is really happening out there in the unregulated return preparation field.
Leigh Phillips
CEO, SaverLife
About SaverLife

SaverLife is a national nonprofit fintech and advocacy organization committed to helping Americans living paycheck to paycheck to achieve financial stability, security, and savings for the future.

Opening up pathways to wealth requires both well-designed financial products to support individual action, combined with strategic policy work to reduce systemic barriers.

It is at this intersection — of the individual and the systemic — where SaverLife is achieving powerful change.

Families lacked access to - not awareness of - the CTC

- 24% Expected to receive the full CTC received none. They may not have taken qualifying action to receive the CTC, such as claimed the funds via the CTC portal or filed a tax return, but were not sure if they received the correct amount.
- 8% Expected to receive the full CTC, received some but are not sure if they received the correct amount, or believe they have not received the correct amount.
- 6% Expected to receive the full amount.
- 6% Believe someone else is receiving the CTC payment based on custody.
- 3% Have no idea if they are eligible to claim the CTC.
- 8% Don't believe they are eligible, 1% isn't sure they had to.

Based on a poll of 600 SaverLife members who’ve indicated they have dependent children under the age of 18. Full text was taken from 4/7/2023.
As the economy shifts, the burden on individuals to navigate the tax system increases

% who agree or strongly agree

- 71% I carefully track my small business, self-employment, gig work, or side hustle expenses.
- 54% I write off small business, self-employment, gig work, or side hustle expenses on my tax return.
- 52% Small business owner or sole proprietor
- 46% People pursuing side hustles, gig work, or self-employment

Timely and Informative Content is Critical to Navigating an Increasingly Complex Tax System
Many tax credits are out of reach for families with low-incomes

Our recommendations

- Advocate for smart, human-centered reforms at the IRS
- Use data to guide IRS reforms and prioritize household needs
- Identify appropriate, trusted messengers to deliver messages
- Support advocacy to expand tax credits
- Commit to equity
Thank you

Leigh Phillips, President and CEO
leigh@saverlife.org
about.saverlife.org

David Newville
Senior Program Director, Code for America
We use human-centered technology to help create a government that works well for everyone.

Tax benefits are one of the most effective anti-poverty programs we have at the national level.
It's been 30 years since the tax system was modernized. We want to go from this...

Photo: https://www.washingtonpost.com/opinions/interactive/2022/irs-pipeline-tax-return-delays

...to THIS

Mobile-friendly  Multi-lingual
Filing in 20 min or less  Human-centered
This is a **once in a generation opportunity** to show that simplifying and streamlining tax filing is possible.

A new human-centered system has the potential to:

- reduce administrative burdens and backlogs
- increase efficiency and compliance
- improve **systems integration** with federal and state programs
- advance racial equity and **reduce poverty** across the country

**Our Strategy**

**Phase 1: Pilot & Prototype**
- Pilot new approaches to ID verification and data sharing.
- Prototype ‘best in class’ products to influence and educate the IRS.

**Phase 2: Reinvest & Rebuild**
- Incorporate pilot data and insights into products.
- Create practitioner network, scale experimentation, and data sharing learnings with states.

**Phase 3: Adoption & Automation**
- Government adoption of best practices, tools, and systems.
- Advise on best practices and partnership efforts to support IRS human-centered direct file tool.
Sam Hammond
Economist, Lincoln Network

Large Language Models will democratize tax advice and preparation
Samuel Hammond
April 2023 | Lincoln Network

“A grizzled tax preparer labors over a stack of complicated tax documents from his office atop Mount Everest”
MidJourneyV5
The last 5 years have seen astonishing progress in Artificial Intelligence

2017
Transformer models are discovered

2020
OpenAI unveils GPT-3, a powerful Large Language Model

2022
ChatGPT is the fastest growing consumer technology in history

GPT-4 blows away previous benchmarks
GPT-4 understands both text and images

Large Language Models & Tax prep

**Personalized Tax Advice**
- Query the model with any questions about the tax code.
- Your personal AI "co-pilot."

**Automated Tax Preparation**
- LLM can automatically extract relevant information from taxpayers' financial documents for input into tax forms.
- The model could use its knowledge of the tax code to "pre-populate" returns.

**Real-Time Feedback**
- LLM can flag potential errors or inconsistencies in taxpayers' tax returns in real time, helping to avoid costly mistakes and potential audits.
- LLMs could provide real-time suggestions for maximizing tax deductions and credits.

**Increased Accessibility**
- LLMs democratize access to expert tax advice and preparation services available 24/7 and in every language.
- The economics of LLMs will make these services free or available at an ultra low cost.
Case Study: Claiming refundable tax credits.

- GPT-4 is already good at taxes despite not being specifically trained for them.
- Yet its knowledge cuts-off in 2021, making its outputs potentially unreliable.
- This can be remedied by linking LLMs to knowledge graphs and other plugins to ensure its knowledge is up-to-date.

This technology is just getting started.
Thank you

samuel@joinlincoln.org

Brief Q&A
Two Rounds
15 Minutes Per Round

Discussion:
1) What was intriguing/exciting about this idea
2) What else do we need to know to advance this idea
3) What are the facilitating factors
4) What are the barriers

The Map to the Future

- Deneisha Thompson, Senior Associate, EITC Funders Network
1. What are some **additional strategies** to dramatically improve the system of supports that enable families to access these important tax benefits and achieve economic security.

2. Flip chart
   - What is one idea your table wants to share and why does it matter to low- and moderate-income tax payers?

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**Action Steps and Closing**

- Ami Nagle, Director, EITC Funders Network
The Map to the Future

- Deneisha Thompson, Senior Associate, EITC Funders Network

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• **Ami Nagle**, Director, EITC Funders Network

**Action Steps and Closing**

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**Post-it Notes**

1) Something you want to learn more about.
2) Something you want to work on.
3) Something you are interested in partnering with others to make it happen.
Complete the Meeting Evaluation and Receive a $5 Starbucks Gift Card!

QR Code on the Agenda