



Shaping the Future Forum

It is said that without a vision for our future we will always return to our past.

SUMMARY OF INNOVATIONS

Idea Category: Improvements to the Current VITA Program

Brief Writer: Cash Campaign of Maryland

Summary: The VITA program and the VITA Grant both need to be modernized to meet the needs of today's low-income taxpayers and how communities can collaborate and provide services. These modernizations could include changes to scope, allowable expenses, different requirement for single programs versus coalitions, and updated software capabilities. Additionally, the IRS should explore pre-filled, automatic tax returns for basic returns. Special tax payments, changing eligibility for tax credits, and support needed after April 15 have changed the landscape for how VITA is provided across the country.

Idea Category: Regulating Paid Preparers

Brief Writer: Center for Taxpayer Rights

Summary: Congress must grant the Internal Revenue Service the authority to establish minimum competency standards for individuals who prepare income tax returns for a fee and who are not attorneys, certified public accountants, or enrolled agents. Although the IRS can and does require compensated preparers to register (i.e., obtain a Preparer Tax Identification Number (PTIN)), under *Loving v. IRS*, (D.C. Cir. 2014), the IRS is enjoined from establishing an initial testing and annual continuing education regime for these preparers.

Under current law, anyone can prepare a tax return for a fee, regardless of their competency (or lack thereof). This has created an environment in which taxpayers have no easy way to determine who is a legitimate and skilled preparer, knowledgeable about the law. The lack of a regulatory scheme has enabled unscrupulous preparers to prey upon unsophisticated taxpayers and even commit fraud, filing false returns and pocketing taxpayers' refunds. A system in which for-fee unenrolled return preparers are required to pass a one-time exam establishing knowledge of key tax provisions and return reporting, and fulfill an annual requirement to take a certain number of hours of continuing education (including updates re: most common return errors from prior years and new tax legislation), accompanied by a comprehensive outreach and education campaign to taxpayers about selecting a regulated return preparer, will improve the quality of return preparation, help taxpayers distinguish between legitimate and fly-by-night preparers, reduce errors taxpayers must resolve later, and improve trust in the tax system. Under current law, anyone can prepare a tax return for a fee, regardless of their competency (or lack thereof). This has created an environment in which taxpayers have no easy way to determine who is a legitimate and skilled preparer, knowledgeable about the law. The lack of a regulatory scheme has enabled unscrupulous preparers to prey upon unsophisticated taxpayers and even commit fraud, filing false returns and pocketing taxpayers' refunds. A system in which for-fee unenrolled return preparers are required to pass a one-time exam

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Idea Category: Future Government Funded Free Tax Filing Assistance

Brief Writer: Code for America

Summary: This innovation centers on an IRS-built filing tool that does not require most taxpayers to report their own income. The IRS already has income data for the vast majority of households. With the investments under the IRA, the IRS will soon have the capability to both develop its own direct filing tool and not require income reporting for households with simple tax situations.

The difficulty in reporting income data on a tax return stops many low-income families from filing tax returns and claiming thousands of dollars in tax benefits. Millions of more households that are able to claim their tax benefits have to either endure a high administrative burden to access them or pay high fees to private tax preparers. An IRS built direct filing tool could ease this burden for them and narrow the tax benefits gap for the millions that currently can't access their tax benefits at all.

Idea Category: Using Artificial Intelligence to Make Systemic Improvements at the IRS

Brief Writer: Lincoln Network

Summary: Artificial Intelligence (AI) has the potential to transform many areas of American life, not least our experience with the tax system. Recent progress in AI has been driven by the emergence of powerful Large Language Models (LLMs), such as the GPT series of models developed by OpenAI.

This brief provides an overview of how LLMs could transform the US tax system by making tax preparation more accessible for taxpayers, contributing to a more efficient and equitable tax system for all.

Idea Category: Effective Engagement Strategies for Funders and Partners

Brief Writer: SaverLife

Summary: Despite the best efforts of the IRS to issue payments, in 2021, only 54% of Saverlife member households received their advanced Child Tax Credits in full and on time. Families across the country may struggle to receive their refunds and credits in a timely manner, because customer service issues and tax rules – that may have made sense decades ago – have not evolved with the changing structures of our economy or our society. For these reasons, SaverLife recommends advocating for smart, human-centered reforms at the IRS, using data to guide IRS reforms and prioritize household needs, and making a real commitment to equity.

In multiple ways, the tax system places the burdens of problem solving and information gathering directly on the filer. As an agency that delivers public benefits, the IRS must keep pace with the required customer service levels, the changing nature of work, family structures, child and dependent care needs, and more, while also ensuring delivery of benefits in a timely and effective manner. There is a unique and urgent opportunity now, with incoming leadership at the IRS, and recent infusion of funds through the Inflation Reduction Act, to reexamine the priorities of the agency, and to rebuild trust in the institution that has profound impact on economic security and mobility for millions of households.

Trusted partners and organizations can monitor the receipt of refunds and report rapidly on delays or other issues from our direct connection to households, and through the surveys and interviews we conduct regularly. Feedback loops with trusted community partners can play a central role: we can provide vital insights on the design and desired outcomes of tax policies — ones that are intended for economic mobility but do not always reach households. Feedback loops also can build trust with BIPOC communities and those of low-to-moderate income, by forging relationships and understanding their needs directly from their feedback and ideas.

Idea Category: Increased Access to Assisted Free Self-Filing (FSA)

Brief Writer: United Way Worldwide

Summary: VITA/TCE services provide critical supports to millions of Americans, but just 3% of eligible people access these services. 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 these services. 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. Only 5 percent of VITA filers currently complete their own returns using online software with the support of VITA specialists via a method the IRS calls Facilitated Self Assistance (FSA) VITA. This brief will discuss FSA VITA best practices and advocacy items VITA funders, practitioners, and other stakeholders can implement to help double the impact of VITA/TCE by serving 2+ million more low- and moderate-income Americans.