

January 5, 2012

Treasury Inspector General for Tax Admin.

Washington, DC 20005

Subject: Language Skill Deficiency of Immigrants/New Americans.

Dear Sir/Madam;

This letter comes to your office because I don't know exactly where to send it. I am a Tax preparer living in the Seattle, Washington area. My clientele is almost exclusively from the immigrant Community and within the last two years, those visiting my office have represented over 78 Countries. I also volunteer assistance with a myriad of other problems. While tax clients may run from 15 to 17 hundred annually, I may help another 500 families with various other problems at no expense. In the last 22 years, I have assisted approximately 12,500 families in one way or another.

Historically, our culture has absorbed new people but the flood of new immigrants over the last 20 years is so great, rather than they acclimate 100%, we will find our culture moving toward them in an attempt to bring the two together creating a gap in our information flow unless something is done to address that move in the flow.

My office has always felt that teaching a client IRS expected compliance is an important part of the process of assimilating into our culture and take our opportunity very seriously, realizing that we have not taught until a client has understood. There must be hundreds of thousands of immigrant/new Americans living in the Puget Sound Area alone and there could be more of them in the United States at this time than there ever has been since the IRS was instituted. It does not appear the numbers will decline in the foreseeable future.

There is a challenge to my office that is pretty consistent among all people groups and I don't feel any agency that I know has addressed it affectively. It is the language skill deficiency. I would like to communicate that deficiency to your office in the hopes that somebody within the IRS might grasp the significance of it and initiate a reevaluation of their current and past efforts. Most agencies seem confident that just making forms and/or instructions available in native language addresses the problem and afterwards, walk away from it assuming they have accomplished the extent of the concern. While it might be an important first step, as in any actual word translation, information is lost as word meanings and grammar is invariably changed, resulting in misunderstanding, producing both lack of information conveyed to the immigrant and/or wrong information as understood by the immigrant.

Typically, Immigrants view opportunities here that was never available where they came from and quickly develop a sense of entrepreneurship which puts them at more risk than others. They quickly take on new ventures with an impressive display of both energy and creativity but generally lack in administrative skills and seldom develop tracking and record visibility yet seem to have no deficiency in hiding information if required.

Just because an immigrant/new American speaks conversational English does not necessarily mean they can understand detailed information. I have had such sitting across from me and at first appraisal, you get the idea that English will not be a problem for him, but when I ask him what type of vehicle does he own, he may respond with "A big one", or "A red one" or even "the one out front" (actual case, Truck Drivers). Recently, in a conversation with a client, the subject of an ethnic food came up and he informed me that he had not been able to locate it in the local groceries. I stated that I thought it was usually located by the ketchup section. He quickly responded, "But I don't want to buy ketchup". (Medical worker). Today, a person from the Country of Myanmar visited my office. (Cab Driver) I ask him 6 times, "What was the amount of your income for this period?" Seems like a simple question. He was trying to tell me everything except answer my question. It took several minutes to get my answer. Just a few incidents, but this is a constant challenge. I often ask a person the same question several different ways

just to be sure they actually understand the question. Often, later, circumstances come up that leads me to realize they had not precisely understood my question after all.

Verbal communication in any native language employs non verbal gimmicks to enhance understanding such as voice tone, facial expressions, eye contact or lack of it, body language and various other subtle cues. Individuals, who have not spent most of their life in the culture of the language including ours, will not recognize and therefore miss many of those cues thereby missing part of the information to be transferred. The printed language on a form does not include these cues either. Accents and lack of English practice affects pronunciations as most families speak only native language at home among themselves and when in groups of friends sometimes taking years to develop a good vocabulary and/or pronunciations.

All foreign languages have their cues as well. Should you ever hear a couple from Russia conversing in their own language, you could easily think they were angry with each other but they will tell you they were simply talking normal.

If a client misses or misunderstands even one word in a sentence, it skews his comprehension of the whole question or statement. It has been said that we take English for granted, but if we explore its paradoxes, we find that quicksand can work slowly, boxing rings are square, and Guinea pigs are neither from Guinea nor is a pig, Writers write but fingers don't fing, Grocers don't groce and hammers don't ham. You can make amends but not make one amend, you can pray to somebody but you can't prey to anyone.....

Additionally; there are often huge differences in what the acceptable norm is here and where the immigrant came from. Many are born and raised in a culture (India and some of the Middle East Countries) where if you don't learn to negotiate and/or cut corners at a young age, you don't survive. When they come here, they don't put learned behavior aside quickly and in the case of older people, never. That can get in the way of our expectations of them as well as a mindset against information comprehension or providing information. It doesn't mean they are bad people, it's just they were raised in a different culture then we know.

African cultures can produce very aggressive folks who push very hard for what-ever they want without considering whether it's right or wrong. When you try to explain it's not legal or morally right, they don't hear you. Also many will not discuss anything directly with a female interviewer.

Immigrants from the former Soviet Union may bring with them a fear of questioning that was impressed on them since birth. You just didn't confide anything with anyone outside immediate family. They can become quickly evasive or pretend to misunderstand, or throw up verbiage designed to lead you away from information you're asking for when questioned about income or expenses. Many struggle with phobias directed toward authorities or authority figures. I've had cases where couples become concerned and leave my office suggesting my questioning sounds like an FBI interview. Because we offer many entitlements to new folks, many develop an entitlement mentality where they expect to receive without cost which can interfere with information request as the perception of that cost increases.

I don't have a lot of suggestions on how this concern might be effectively addressed. I hope there are great minds within the IRS who can understand this concern and collectively, come up with some proposed solutions. Hiring more foreign born employees to field questions with phone contact? Might help, but my wife was born in Russia and of course, speaks Russian fluently but has experienced frustration over having to repeatedly emphasize a point with no satisfaction that the client completely understood. Besides, so many come to me to make phone calls for them as they are uncomfortable with detailed conversations, concerned over comprehension, the logistics of simply making the call, information discussed and intimidation of dealing with the long computer answering devise.

Many of these people come from rural areas or villages in their native Country where they could not access a higher education and/or limited social interaction which might be part of the problem. Most avoided government agency contact out of concern for personal welfare. None was subjected to a personal income tax requiring them to submit any forms or documentation. It's a new experience for them.

The IRS audit process works in our favor. I take a signed POA (Form 2848) from clients just in case I need to breakdown information for them or act as a go between, but I push them to go themselves to the actual audit

interview expecting it to be a learning process for them. Whether they fare well or not with their audit, it spreads through the Community very quickly and tends to enhance compliance. Some afterwards have even shared that they thought it was a positive experience. This process can absorb a good deal of IRS resources should the frequency increase. However; Failure to address this concern will result in lost opportunities but greater challenges with more taxpayer problems and greater effort/expense to the IRS as the breakdown in information creates stress for the taxpayer and cost to the IRS in increased resources to monitor and enforce compliance.

It is hoped that the information presented here might offer insight for future policies and procedures' addressing compliance and/or motivation in initiating bold new ones. I am concerned that both taxpayers and the tax system will suffer without proper address of these issues.

Thank you for your interest in this matter.

Sincerely

Jim Pemberton

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

Thank you so much for writing your letter to TIGTA.

I found it extremely compelling and I have forwarded it to an executive of my acquaintance at the Taxpayer Advocate Service, or TAS. TAS is the internal voice of the taxpayer at the IRS, and its mission is to solve problems taxpayers are having and prevent future problems. Your very well-written letter sounded to me like something that TAS should delve into and in fact may be delving into already, as their charter under the law is to report to Congress annually on the most significant problems and most serious issues confronting American taxpayers. You may visit them at their website, <http://www.irs.gov/advocate>.

Once again, I do wish to thank you for writing to us, and I hope that someone from the Taxpayer Advocate Service will contact you soon to learn more about the problem you have so thoroughly documented and described. Please do not hesitate to contact us again should you wish to ever discuss a matter that involves waste, fraud or abuse concerning any aspect of the federal system of tax administration.

Yours most sincerely,

Karen Kraushaar

Director of Communications
Treasury Inspector General for Tax Administration

[REDACTED]
Washington, D.C. 20005

[REDACTED]
[REDACTED]
[REDACTED]

March 6, 2012

Treasury Inspector General for Tax Admin.

Washington, DC 20005

Reference: E-mail from your office dated January 24, 2012

Dear Ms. Kraushaar;

Thank you for your interest in my previous contact with your office and your response.

There might be another issue that you could have an interest in and may be of help to us. It's more in line with waste, fraud and abuse.

We have so many of our immigrants who are being navigated into opening an S-Corp. The carrot is avoiding self employment taxes which are 13.2% at this time. The avoidance typically runs from 3 to \$15,000 a year per person and can increase revenue for an unscrupulous preparer as well. My feeling is this is pretty widespread but certainly, the immigrant community has found it attractive. I think I know several dozen who have went there and have folks weekly in my office inquiring about doing it. I take considerable time explaining the compliance requirements but the word on the street is "do it", because they know someone who has done it for years and the IRS has not checked them.

Per IRS rules and Regulations; when a person opens an S-Corp, he is no longer the owner, he is, in most cases, the President of the Company and must put himself on the payroll with taxes withheld from each pay check and paid to the IRS quarterly; resulting in a W-2 being issued at the end of the year. This compliance requirement is burdening to them as well as difficult for them to understand. I always tell them that under some circumstances, an S-Corp can work for a business, but given the compliance issues, a good business decision would suggest not going there until or unless there is a compelling reason. "If you decide that there is significant reason, then get a book keeper who will maintain your books, and cut you a periodic check, with hold the required taxes and submit them to the IRS quarterly", but that's usually not what they want to hear. Most rush into doing it as a decision to avoid significant taxes and assurances that the IRS will not bother them.

The way they do it is to open a small business, including Truck drivers, but open it as an S-Corp; continue to operate like a sole proprietor, that is, living on their business revenue throughout the year. At the end of the year, he subtracts all his expense, (as if a sole proprietor) any taxable income left over is passed through to a schedule K-1 and is considered a share rather than income so is taxed only at the income tax rate. No self employment tax (social security or medical tax)

Bottom line; these people are utilizing a loop hole to circumvent payment of taxes and as the idea leaks into the community, it is and will escalate, setting them up for tax problems at some

time. It's also not fair to those who try to be compliant as they see their friends or relatives recognize huge annual tax savings.

I have gotten the understanding that the IRS does not currently have the resources to address this issue, meanwhile, the problem will only increase resulting in additional loss of revenue (taxes) and will require a greater number of resources eventually as it mushrooms and increases frustration to tax preparers who try to maintain client integrity.

I did bring this issue to TIGA a couple years ago and was told at that time that they would pass my comments on over to the IRS, Office of Professional Responsibility (OPR) but I am not aware of any attempt to address it as of yet. I still have up to seven people a week in my office who have been convinced that they can significantly reduce their annual tax burden or who has heard that and want me to do an S-Corp for them.

Thank you for your interest in this matter.

Jim Pemberton

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[REDACTED]

One in five adults don't use the Internet, according to the Pew Internet & American Life Project. Seniors, non-native English speakers, low-income and less-educated households are least likely to have access. Pew also reports that 62 percent of households had access to broadband last year, with minority groups, rural areas and low-income households least likely to have high-speed service.

IRS Announces 43 Small Offices to Close, Others to be Consolidated; Agency Sheds More than One Million Square Feet of Office Space

IR-2012-54, May 22, 2012