

Hearing Before the United States House of Representatives Committee on Ways and Means
Subcommittee on Oversight

Free Tax Preparation Services During the Pandemic

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Chairman Pascrell, Ranking Member Kelly, and Members of the Subcommittee, thank you for the opportunity to testify before you on Free Tax Preparation Services During the Pandemic. It is a privilege and an honor to speak with you about how the Volunteer Income Tax Assistance (VITA) program continues to meet the free tax preparation needs in communities across America, even during the pandemic.

For over half a century, the IRS has enlisted the support of community partners leveraging the strength, skill, and goodwill of tens of thousands of volunteers to provide free tax preparation and filing for low-income Americans during the annual tax filing season. VITA volunteers come from all walks of life and endure a rigorous training and certification process to help low-income, elderly, disabled, and limited English-speaking tax filers fulfill their civic obligation by filing an accurate tax return, claim federal, state, and local tax credits for which they are eligible, and access other financial capability building services to strengthen their family's household financial well-being at tax time.

In December 2007, Congress first appropriated funds to the IRS to establish and administer a one-year matching grant program in consultation with the Taxpayer Advocate Service. Federal VITA grant funding has grown from \$8 million in 2007, to \$12 million in 2012, to \$15 million in 2015, to now \$30 million in 2021. Thank you for your ongoing support of the VITA program, including the passage of the VITA Permanence Act in 2019 as a part of the Taxpayer First Act, codifying the VITA program, and setting the maximum federal funding level at \$30 million.

Over the last four plus years, in my role at Prosperity Now, I have led a national network of community tax preparation stakeholders that has grown from 1,200 to now over 7,000 members. Our members include VITA volunteer program managers, site coordinators, volunteers, community, corporate and philanthropic partners, and others. Our Network serves as a convening body for VITA practitioners and stakeholders, providing channels for them to connect with one another, developing and distributing tools, resources, information and providing technical assistance to strengthen VITA programs, ensure quality return preparation, and help to extend the program's reach to more low-income Americans.

Up until this year, for the previous 10 years, I spent nearly every Saturday, and many a weekday from January through April in a VITA site. I have always enjoyed working in VITA sites, either through my prior professional roles as a VITA Program Manager, when I was there to ensure that things ran smoothly, or more recently as a VITA volunteer, using a unique skill set that I have acquired through VITA training and certification, to help hard-working, everyday Americans confidently cross "filing their tax return" off their to-do list.

As a volunteer Site Coordinator and quality reviewer with the Northern Virginia CASH Campaign, I enjoy the opportunity to serve in partnership with about ten to twelve other volunteers at my site, over 1,200 volunteers in Virginia, and 55,000 volunteers nationwide, to help low-income, hard-working Americans meet their civic obligation by filing a tax return. This year, like many of the physical VITA site locations across the country, our site is closed due to the pandemic. While our site is a relatively small VITA site, just open on Saturdays and only serving around 300 households each year, there are now 300 families in my community who will now have to seek alternative options, maybe even pay someone, to file their taxes this year.

I. VITA Overview

Over the last several years, there have been on average just over 3,700 VITA sites open in communities across the country to help 1.3 million households by preparing and filing their tax return for free, with accuracy rates consistently above 90%, which is unparalleled by the paid preparer community. In addition to preparing and filing tax returns, many VITA sites encourage clients to save a part of their refund, and connect families to public benefits, financial education, and other financial capability services, such as financial coaching and credit building. During the 2018 and 2019 filing seasons, VITA programs served over 1.3 million

households each year. On average, VITA clients earn close to \$26,000 annually, which is not a lot, especially for a family living in Northern Virginia. I often wonder how they make it.

Last year, in the midst of the pandemic, just before the mass closures of VITA sites in mid-March, VITA programs had served just over 828,000 clients. Through the closures, as VITA programs quickly worked to identify, plan for, and deploy alternative service delivery models of tax preparation to continue to serve their communities. By the end of October, VITA programs had served just over 1 million clients. A notable achievement, but still falling short of the 1.3 million clients served in the previous filing season.

II. VITA During COVID

As mentioned earlier, the challenges brought on by the spread of the COVID-19 virus throughout the world prompted the closure of the majority of VITA sites across the U.S. At a time when VITA programs were gearing up to serve four to five percent more clients over the previous year, they were forced to suspend operations and seek alternative ways to deliver critical tax assistance services to our nation's most vulnerable populations.

With these challenges, thousands of VITA programs quickly assessed the need to transform their program operations away from their traditional face-to-face services. Alternative service delivery options like Drop-Off Services, Facilitated Self-Access, and Virtual VITA, which had all been explored and piloted to some degree in previous filing seasons, rose to the forefront as solutions for low-income filers. Just as the way in which we carry out daily professional responsibilities has shifted to a predominately virtual environment, so did VITA tax preparation. We saw partners incorporating the use of digital platforms like Zoom, Google Meets, Dropbox, JotForm, e-mail as well as a host of other means to communicate with taxpayers throughout the return preparation process.

In a normal tax season, there are barriers to successfully implementing alternative service delivery options, including securing the appropriate technological resources, training volunteers, conducting adequate marketing and outreach to target populations, maintaining program integrity, and ensuring the security of taxpayer data. These barriers have been exacerbated by the pandemic, requiring almost a complete shift in program operations to continue to deliver services to the most vulnerable in our communities. In addition, the requirements for accessing

the Economic Impact Payments authorized by the CARES Act resulted in a surge in demand for VITA services, due to the need, in the summer and fall of 2020, for non-filers and those in traditionally underserved populations to file a tax return to access the payments.

Many VITA programs also partnered with other local community organizations and state agencies for messaging and outreach and to assist non-filers and the most vulnerable populations, with completing the process to register for the Economic Impact Payment. This process highlighted the difficulty of reaching those in our communities, without email addresses, or bank accounts, or access to the internet, but who are the most vulnerable and could benefit from the Economic Impact Payments and free tax preparation services. Our VITA partners were able to serve an additional 200,000 clients after the early sites closures in 2020, despite the challenges presented by the pandemic. This was only possible because of the creative strategies deployed, by rapidly leveraging technology, through a cadre of dedicated volunteers and with the support of strategic philanthropic investments.

Our field has made significant strides in leveraging technology to reach more of the underserved populations with free tax preparation services. One key partner, Code for America, has developed an online platform, GetYourRefund.org, that connects low-income filers with a 100% virtual VITA service. While the digital platform serves as the point of entry, on the back end, IRS-certified VITA volunteers complete tax returns, still engaging with clients via phone and email throughout the process and maintaining all IRS Quality Site Requirements. There are now over 100 VITA programs who are GetYourRefund participating partners, capitalizing on technology to serve their communities safely this filing season.

While technological advances in the ways in which free tax preparation services are delivered have enabled our VITA partners to reach many in their respective communities, there are still those who are hard to reach. The pandemic has highlighted the prevalence of the broad-sweeping digital divide across America. Our VITA partners have seen first-hand, how the digital divide exists, not only in limited access to internet and digital technology, but also in the skills and necessary tech savviness to access the most critical services through technology. Although our partners work to ensure their services are accessible to vulnerable populations in their communities, still we find that large swaths of the underserved population will be left out this year. These include those in rural communities, those not adept with using smartphone technology, limited English speaking populations, and seniors.

III. VITA this year

The lessons learned from implementing alternative service delivery models during the extended 2020 filing season have proven valuable in easing the transition to broader implementation this year. With the 2021 filing season just officially getting underway within the last week, many of our partners took the opportunity presented by the delayed filing season start to conduct “soft launches” in mid- to late-January. These “soft launches” provided our partners with additional opportunities for testing systems and processes to minimize client confusion, to ensure client satisfaction, as well as the accuracy of returns.

This year, 15-25% of the usual amount of VITA sites will not open their physical locations due to the pandemic. And of those who are opening, a point-in-time survey conducted of our membership shows that most programs are employing a variety of different service delivery options to meet the need in their communities. Of the 100 survey respondents, we learned that most services will be delivered through limited-contact drop-off models, where clients will visit a local office or tax site, complete the IRS required Form 13614-C, Intake, Interview and Quality Review Sheet, provide their state or government-issued ID, Social Security cards for all people on the tax return, source income, and other supporting documents for tax return preparation. From that point, volunteers will either copy, or scan and upload client documents to the tax preparation software. Volunteer tax preparers will securely access the client return information and either safely prepare returns from a designated space at the host location, or from the comfort of their home. In most instances, clients are asked to return the following week for Quality Review, and to sign and pick up a copy of their return.

While the shrinking number of physical locations opening this filing season is compounded by a shrinking traditional volunteer base, it has also created an opportunity for new volunteers who were previously unable to volunteer due to constraints of physical site operating times and space. Shifts to remote preparation and the virtual environment provide much for more flexible volunteer opportunities. Some of our partners are engaging college and university student volunteers in a new way, allowing them to volunteer in a controlled virtual environment, with minimal client interaction, while gaining skills and techniques that will benefit them throughout their adult and professional lives.

The evolution of technology in the tax return preparation space is not without challenges. Security concerns are at an all time high, as programs carefully consider how to balance sharing

the necessary key taxpayer personal information over digital channels, while protecting taxpayer data and ensuring security. It is not a task that our VITA partners take lightly, and there has been much deliberation amongst our members on how to get the information we need to prepare a tax return safely and securely. This year the IRS has required all VITA sites to submit Form 15272, VITA/TCE Security Plan, affirming their review and adherence to IRS Publication 4299, Privacy, Confidentiality and Civil Rights – A Public Trust, and documenting how each site plans to ensure taxpayer data is adequately protected.

Additionally, the need to integrate financial capability services and access to other community resources to help families improve their household financial situation, or even just to survive during these times, is still relevant, perhaps now, more than ever. Our partners have creatively found ways to use technology to email or text surveys to clients to learn more about their financial needs and to provide resources accordingly.

IV. VITA in the future

Moving forward, we will assess the lessons learned through the 2020 and 2021 filing seasons, and work with our network to identify opportunities and strategies to operationalize and scale the service delivery models that were previously considered “alternative”. As we move through this pandemic, looking towards the future of free tax preparation services, we anticipate a return to the traditional in-person service delivery model when it is safe to do so again, coupled with a wholesale continuation of the various service delivery models implemented during this filing season and an expansion of virtual VITA to more programs to reach more underserved households. Local and state partnerships that blossomed with efforts to reach non-filers to help them register for Economic Impact Payments will continue to flourish to bridge the digital divide. The new virtual volunteer opportunity will grow through strategic relationships for volunteer recruitment – with colleges, universities, as well as with employers. Finally, VITA partners who successfully master the art of integrating financial capability services into virtual service delivery models will share their practices with the field, providing guidance for others to do the same.

V. What's Needed

Thank you again for your support of the VITA program through the passage of the VITA Permanence Act as a part of the Taxpayer First Act of 2019, as well as for the increased funding for the VITA grant program to \$30 million, which is the maximum allowable under the VITA

Permanence Act. Your support for community programs who are providing this invaluable service in local communities is commendable. As we look to the future, the VITA program will need additional federal resources to truly capitalize on the lessons of this moment and to scale shifts in service delivery models to reach even more low-income Americans. In the coming years, we will look to increase the maximum allowable federal funding for the VITA program to accommodate growth, scale, and innovations in technology.

Finally, just as a reminder, taxes are complex, even for those of us who are steeped in tax policy and administration on a regular basis. For millions of hardworking American citizens, the task of completing a tax return can be daunting. VITA volunteers are gifted at translating tax law into layman's terms. They are well worth all the support we can provide as they help their fellow Americans.

Thank you to Chairman Pascrell and Ranking Member Kelly for providing me with the opportunity to share information with the Subcommittee about how the VITA program continues to deliver free tax preparation services during the pandemic. I look forward to answering any questions you or the other members may have about it at this time.