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STATEMENT OF
ALLEN R. VOSS, DIRECTOR
GENERAL GOVERNMENT DIVISION
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES



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[IRS VOLUNTEER PROGRAMS TO ASSIST TAXPAYERS
IN RETURN PREPARATION]

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the results of our review of the Volunteer Income Tax Assistance Program and the Tax Counseling for the Elderly Program.

We concentrated our work in six IRS districts. We selected the Austin, Detroit, Jacksonville, and Los Angeles districts because in 1979 these districts had the largest volunteer programs. We selected the Phoenix district because of the large number of elderly residing in Arizona and the Manhattan district because of the large number of elderly and low-income persons residing in New York City.

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We visited 67 volunteer work sites and reviewed available records. To a large extent, however, our information was obtained through observations during site visits and through discussions with IRS officials, volunteer program officials, volunteers, and taxpayers served under the program.

DATA ON VOLUNTEER PROGRAM
ACTIVITIES IS INCOMPLETE

The first matter I would like to discuss deals with the information IRS collects on its volunteer program. We found that the data which IRS Service Centers accumulate on Federal returns prepared by volunteers was incomplete. In 1979, IRS reported that volunteers prepared 302,000 Federal returns whereas our information indicates that volunteers prepared substantially more than 302,000 returns. According to an official of the National Retired Teachers Association/⁴⁴⁷⁸American ⁴⁴⁷⁹Association of Retired Persons, their volunteers alone assisted in preparing an estimated 300,000 to 350,000 Federal returns in 1979. These associations comprise about 25 percent of the total volunteers for the two programs.

Discrepancies between IRS figures and our information occur because not all volunteer-prepared returns are sent to IRS with the proper code to enable the Service to identify the returns as being prepared by a volunteer. In addition, IRS is not provided information which shows the number of instances in which volunteers provide advice only, without preparing returns.

Also, IRS does not receive information which shows the number of State and local tax returns that volunteers prepare.

Obviously if the IRS and the Congress are going to review the overall benefits obtained from these volunteer programs, a better system is needed to accumulate information on the total workload of the volunteers. IRS recognizes this problem and is presently considering the feasibility of having all sites submit workload data directly to the Service.

ERRORS FOUND ON FEDERAL RETURNS
PREPARED BY VOLUNTEERS

I'd like now to quickly review the error rate found in Federal returns prepared by volunteers. The overall error-free rate of volunteer-prepared Federal returns compares favorably with the error rate for all Federal returns prepared by individuals. For the 302,000 Federal returns prepared in 1979, IRS reported that no errors were detected on 93 percent of the returns.

Of those volunteer-prepared returns with errors, 29 percent applied to the earned income credit for low-income persons. About 2 percent of the errors applied to the credit for the elderly. However, because IRS data is incomplete, drawing conclusions regarding the quality of returns prepared for low-income persons versus returns prepared for the elderly could be misleading.

OBSERVATIONS ON SITE
STAFFING

Let me now discuss our observations on site staffing. Sites targeted for the elderly are generally staffed by retired persons. For the 1979 filing period, over 10,000 of the 13,000 volunteers working at elderly sites were associated with the National Retired Teachers Association/American Association of Retired Persons. Some sites targeted for the elderly, which were not staffed by members of these associations, were staffed by other retirees.

Sites targeted for low-income persons generally rely on employed persons or students. For the 1979 filing period, military personnel assigned to provide tax advice as part of their other duties on military installations accounted for over 30 percent of the 28,000 assistants working at low-income sites. Although we do not have data on the source of the remaining 19,000 assistants, our contacts during site visits were primarily with off-duty IRS employees, college students, and public program employees who are assigned tax work in addition to their normal work duties.

During our visits, we noted that many sites serving low-income clients were sufficiently staffed. However, some sites were either understaffed, were staffed with volunteers who were absent or were closed when they were supposed to be open. IRS officials in five of the six districts visited said a problem

existed in staffing sites serving low-income clients because of an insufficient number of volunteers.

At sites serving the elderly we observed that volunteers were available as scheduled, and in some instances were in excess of the number needed to assist waiting taxpayers.

OBSERVATIONS ON THE TAX COUNSELING
FOR THE ELDERLY PROGRAM

Legislation authorizing tax counseling for the elderly directs IRS to provide training, technical assistance, and expense reimbursement to volunteers assisting individuals 60 years of age or older in preparing their Federal tax returns. The Congress authorized the program in November 1978 and appropriated funds to IRS for implementation during fiscal year 1980. IRS responded by awarding grants for \$750,000 and allocating \$250,000 for its expenses of providing assistance.

On January 30, the National Retired Teachers Association/American Association of Retired Persons received a grant from IRS for \$745,000. However, the grant was awarded after the association had already planned and started their volunteer program for the 1980 filing period. The associations began setting up their program in September; volunteers were recruited in October and November; and training, site selection, and publicity were accomplished in December and January. Most sites opened in February, but some began operations as early as January 2.

During our visits to sites staffed by the associations' volunteers, most volunteers interviewed had been informed of the program, although few knew any details about its implementation.

According to IRS, the novelty of the program, the proposed mechanisms for carrying it out, and the concern for proper distribution and accountability of funds resulted in an unusually long delay in awarding grants to carry out the program during the 1980 filing period.

IRS will not have complete data on the program this year to measure program impact. For example, because volunteers were unaware that they would be reimbursed, it is doubtful that IRS will be able to measure whether the program had the desired impact in assisting the handicapped, shut-ins, and older persons in rural areas who cannot go to community sites.

Following a suggestion in the authorizing legislation to provide preferential access to the IRS taxpayer service representatives by Tax Counseling for the Elderly volunteers, IRS designed a telephone assistance service with an estimated cost of \$118,000. One of the two sites providing this service had received 2,387 calls for assistance as of March 22, of which only 369 were from Tax Counseling for the Elderly program volunteers. Some volunteers at sites we visited were not aware of the telephone service. Others said they had no need for it because when questions arose they referred to IRS publications or contacted IRS personnel

staffing the existing toll-free telephone service in each district. IRS officials attributed the low use of the telephone assistance service to the program's late start.

IRS spent \$50,000 for a film on the availability of tax benefits for older Americans and the role of the Tax Counseling for the Elderly program. IRS intended the film to be used by elderly groups to advise them of these matters. The film was not received by district offices until mid-March-- too late to be useful in the 1980 filing period. District personnel told us they plan to use the film to benefit the 1981 filing period. Based on our viewing of the film, we believe the material will not be outdated.

Training materials costing \$35,000 were not received by districts until after volunteer training was completed for the year. Since the materials explain the 1979 tax law requirements, they will be of little use in future tax periods. Some districts have furnished the materials to volunteers for reference purpose.

ASSISTANCE IN PREPARING
STATE AND LOCAL TAX RETURNS

Finally, Mr. Chairman, I would briefly summarize our findings relating to the preparation of State and local tax returns by volunteers. People served under the volunteer programs need assistance in preparing State and local returns as well as Federal returns.

A National Retired Teachers Association/American Association of Retired Persons official estimates that, of the 750,000 returns volunteers assisted in preparing in 1979, 400,000 to 450,000 were State or local returns. Four of the six States we visited have State income taxes and two cities visited in these States have local income taxes. In discussions with volunteers at 41 sites in these States, all said they prepared some State or local returns, and volunteers at 25 sites said the number of State or local returns prepared either equaled or exceeded the number of Federal returns. Persons whose income is too low to require filing Federal returns may need to file State returns to be eligible for special credits. The most common credits are for local property taxes paid and assistance in paying utility bills which require calculations not made on the Federal return.

State return preparation training is provided to volunteers by either State or IRS personnel in conjunction with Federal return training. Training in State returns at the districts we visited consisted of one day in contrast to 3 to 4 days devoted to Federal returns. Approximately 25 percent of the volunteers we interviewed who attended the training classes felt that the State coverage was inadequate compared to 12 percent who considered Federal return training inadequate. States provide some volunteers at VITA

sites, but only 3 of the 41 sites we visited had State volunteers.

Although State offices offer State tax return preparation help, VITA sites are more convenient to taxpayers. Taxpayers at the sites we visited said that the availability of Federal, State, and local service at the same site is a convenient and energy-saving practice they support.

Mr. Chairman, this concludes our prepared statement. We would be pleased to respond to questions.