



Practical Guidance for Establishing or Improving a Volunteer Income Tax Assistance (VITA) Program

By Alan Davis, Keith Harrison, and Laurie Turner

Volunteer Income Tax Assistance (VITA) programs have been around for many years. These programs operate to provide services to low-income taxpayers who often find the tax return preparation process very intimidating. VITA sites also provide great opportunities for CPAs to utilize their skills in service to the community. Given their skills and experience, CPAs are uniquely qualified to coordinate and manage VITA sites.

What's in it for busy CPAs? First, there is the opportunity to help develop young accounting talent. Through VITA, students gain valuable experience providing professional services to clients, honing their technical and people skills and serving their com-

munity. Second, VITA sites are designed to serve taxpayers with simple returns or with low incomes; as such, they do not normally compete with paid preparers. Third, VITA gives CPAs the opportunity to serve their community. Retired CPAs and CPAs in industry may find VITA a fulfilling experience that keeps their knowledge and skills current.

Background

Several excellent articles on VITA programs have noted the importance of VITA programs in helping students develop skills and knowledge. In addition to many useful ideas for operating a

successful VITA site, “The VITA Program: A Catalyst for Improving Accounting Education” (Robert Clovey and Olajide Oladipo, *The CPA Journal*, December 2008) includes a list of other articles that the authors recommend for those interested in VITA. While this list is extensive, one other volume that may be helpful is a 1998 publication by the American Association for Higher Education, *Learning by Doing: Concepts and Models for Service-Learning in Accounting* (D.V. Rama, ed.). This volume has several articles devoted to VITA as implemented on college campuses.

Who operates VITA sites? Many are operated by academic institutions or retiree organizations such as AARP. Some sites are staffed by retired CPAs who want to give something back to their community. These CPAs are well qualified to staff a VITA site because the IRS-required training is easy for them to complete.

The following is intended to provide a road map for establishing new VITA sites and suggestions for improving existing VITA sites. The information below on successful VITA sites comes from two sources: A national survey of academic VITA sites conducted by the authors, and the authors’ personal experiences in coordinating a VITA site.

The authors’ VITA site has been in operation for over 20 years at a state university in a rural community. We serve a wide range of clients, from taxpayers eligible for the earned income credit to retirees to college students to professors from abroad who may have special circumstances due to international tax treaties.

The authors also wanted to know what worked well—and what did not work well—at other sites, and how we could improve our own program. The recipients of the national survey of academic VITA sites were chosen from two sources: tax faculty members from each school listed in James Hasselback’s *Accounting Faculty Directory* and faculty advisors from the Beta Alpha Psi website. Approximately 1,100 e-mails were sent out, with a response rate of about 20%.

Getting Started

Where should the VITA site be established? Those considering setting up a VITA program should consider the following factors: availability of computers and Internet access (for e-filing); a conve-

nient, accessible location for all clients; sufficient work space allowing a confidential environment; and storage space for completed documents and training materials. The location decision is closely connected to the decision regarding the client base discussed below.

How can the IRS help? Most importantly, the IRS can provide the TaxWise software that can be used for return preparation and electronic filing. It can also provide training and advertising materials.

The type of client served will dictate many of the other decisions that must be made relating to the scheduling of appointments and the training of volunteers.

The IRS imposes some conditions for its support. First, it monitors the number of returns that are filed to determine which sites will continue to receive the free TaxWise software. Second, it requires that all VITA sites use IRS-approved intake sheets. Finally, all volunteers must take an online IRS test to become certified and sign a confidentiality agreement. In an effort to evaluate VITA programs, the IRS also has a program of “mystery shoppers”—IRS employees who visit VITA sites pretending to be taxpayers. The authors’ survey found that, on a 5-point Likert-type scale, respondents rated IRS support at an average of 3.9, with 67% finding IRS support either “very often” or “always” helpful.

Should returns be prepared and filed electronically? The survey found that 31% of sites did not e-file but only prepared paper returns, 16% only e-filed, and the

majority (53%) did both. Most VITA sites use the TaxWise software to prepare every return and e-file whenever possible. E-filing is not possible in some situations: First, to e-file, both husband and wife need to be present to sign the permission form. Second, some VITA sites may lack permission to e-file in all states. Third, some VITA clients are nonresidents who must file Form 1040NR, which cannot be e-filed. Finally, a few clients will request that a paper return be filed. In most cases, however, it is better to e-file because the client will get a refund sooner.

The authors have found the TaxWise online and telephone support to be very helpful. The software makes it relatively easy to fix a mistake.

Should state returns be prepared and filed? This is especially problematic with regard to taxpayers who have out-of-state income. At the authors’ site, many student clients worked out of state; hence, in one tax season we prepared returns for 19 different states. TaxWise handles all states that have an income tax and provides a link to state instructions. Because most states piggyback on the federal return (beginning with either federal adjusted gross or taxable income and then making adjustments), much of the work in preparing a state return is already done through preparing the federal return. Thus, most sites should plan to do state returns.

Clients

Who will the clients be? Some VITA sites target specific groups, such as the elderly, farmers, low-income taxpayers, students, or non-English-speaking taxpayers. The type of client served will dictate many of the other decisions that must be made relating to the scheduling of appointments and the training of volunteers.

Each client base presents its own unique problems. For example, for non-English-speaking taxpayers, a site needs to have either volunteers who speak the language or translators. TaxWise has the ability to do a tax return in Spanish. According to the survey, approximately 25% of VITA sites serve only students. Student clients raise two unique problems. First, students who are subject to the “kiddie tax” may not know their parents’ marginal tax rate, so the tax cannot be computed. Second, for international students, tax treaty provisions often provide special tax benefits. IRS

Publication 901, "U.S. Tax Treaties," is a helpful resource for this problem.

What returns should not be done? One consideration is that VITA sites should not be in competition with paid preparers. The IRS recommends an annual gross income cutoff of \$40,000. Other issues that should be considered in conjunction with return complexity are itemized deductions, farm income, depreciation, rental income, passive loss rules, and multiple capital gain transactions. A VITA site should have a clear set of guidelines about which returns will not be prepared based upon the site's mission.

How can a VITA site be promoted? The IRS provides posters in both English and Spanish to promote VITA sites. The survey asked how respondents promoted their VITA sites: 15% used some form of paid advertising, 28% relied on word-of-mouth promotion; 27% used IRS provided posters and fliers; 21% utilized free media write-ups, and 9% used other means. Other promotional techniques used by respondents included other civic organizations and IRS referrals. Local media outlets are often eager to do human interest stories about VITA, and the VITA coordinator should be proactive in contacting them.

What materials do clients need to bring? Clients need to bring the following information to the VITA site: source documents for all income items, Social Security cards for themselves and their dependents, last year's tax return if available, and any other information necessary to prepare the tax return. In addition, both husband and wife must be present to file a joint return electronically.

Volunteers

How do you recruit volunteers? The survey asked how volunteer preparers were recruited. Respondents cited: appeals to conscience (32%), required service to a student group (27%), or some form of academic credit (24%). Some other motivations included gaining practical experience, a desire to give something back to the community, and contact with former clients.

How do you train volunteers? This is probably the most important decision that a VITA site's coordinators will have to make. When asked who led the training of volunteers, the responses were as follows:

- 30%—faculty-led training program
- 24%—self-study program

- 20%—part of normal academic course

- 13%—IRS materials
- 5%—peer training
- 8%—other.

The survey also asked respondents to indicate the percentage of volunteers who had taken an introductory tax course. The overwhelming majority of academic sites indicated that more than 75% of their students had taken at least one tax course. This is in sharp contrast to the authors' VITA site, where only 30% of students have completed a tax course; as result, we structure our training program as follows:

- Step 1: For only for those participants without a tax background—topics such as the basic tax model, dependents, and filing status are covered.

- Step 2: For all participants—an update covers tax law, common credits, issues related to international students, and state tax issues.

- Step 3: Groups of 15 to 20 are shown how to prepare three tax returns, step by step, to demonstrate the software.

- Step 4: Participants complete sample tax returns and take the IRS online test to demonstrate hands-on practice and complete their IRS certification.

This particular training program works well for our site, but other sites will need to tailor training to their specific needs.

How are volunteers qualified with the IRS? The IRS requires that all individuals working at a VITA site must take an online test to be certified. There are five levels of certification: basic, intermediate, advanced, military, and international. All volunteers must complete the training and certification necessary for the complexity of the returns prepared (i.e., if a site serves military personnel or is located abroad, volunteers need the appropriate additional certification). More information is available at www.irs.gov/app/vita/index.jsp.

Which materials can be used for training? The survey found that 75% of academic VITA sites used IRS-prepared materials, 20% used locally created training materials, and the remainder used commercially prepared materials. The choice of training materials appropriate for a particular site will depend on the following factors: the volunteers' background, the training schedule, the client base, and the level of quality control.

Operations

When should the site be open? The survey found that 16% of respondents began their VITA services in January, 51% during the first 10 days of February, 16% starting in mid-February, and 14% beginning later in February. Respondents ended their programs in early March (10%), late March (15%), before April 10 (36%), and up to April 15 (39%).

What should be the hours of operation? The survey revealed an almost even split between morning, afternoon, and evening hours. Relatively few respondents operated on Sundays, with a roughly equal number split between weekday and Saturday sessions. The authors' site operates on Saturdays when campus facilities and parking are readily available. These hours are compatible with a second VITA site in the community that operates on weekdays. The two sites coordinate advertising and referrals.

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Should you take appointments? The survey found that 74% of respondents never or seldom took appointments, while 18% very often or always took appointments. The authors do not take appointments for two reasons: First, there is no one available to answer the phone to schedule appointments. Second, because volunteers have varying levels of experience, it is difficult to predict how long a particular return will take. By contrast, the other

VITA site in the community does take appointments. It is operated by the United Way and staffed by a CPA with 10 years of VITA experience. Hence, she needs to plan her time and can accurately estimate the amount of time that a given tax return will take. Under such circumstances, appointments may be appropriate.

Should you have greeters? The survey found that 57% of sites used greeters very often or always, while 28% never or sel-

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dom used them. At the authors' site, we have found that a greeter is helpful to assist clients, to screen documentation, and to determine which returns should be rejected because of complexity. By having the greeter scan the information, taxpayers can be quickly notified if their tax return is not eligible to be prepared.

Which intake sheet should be used?

The IRS requires that sites either use the IRS intake sheet or an intake sheet approved by the local IRS district office. The authors use the IRS intake sheet for non-students and an IRS-approved intake sheet for students. When clients arrive, the greeter asks if they are students and gives them the appropriate intake sheet. The student intake sheet asks if they are in the United States on a student visa. We have found that this is a more sensitive way

to determine if they are a resident or non-resident rather than having the greeter ask the question directly, or, even worse, assuming whether a student is a resident by their appearance.

What quality controls are needed?

The answer to this question depends on the circumstances of the VITA site. Obviously, a one-person site does not present an opportunity for peer review. At a very minimum, sites should use the standard review checklist provided by the IRS. The survey asked several questions related to the review process. It found that at 65% of sites, either faculty or graduate students are involved in the review process; in 46%, peers are involved in the review process; and in 19%, outsiders are used for the quality reviews.

At the authors' site, when a volunteer completes the return, it is reviewed by an experienced and specially trained volunteer. We have developed our own review checklist based on common mistakes found in the past. After the return has been reviewed and corrected as needed, it will be printed and assembled for the client by another specially trained volunteer. Thus, internal controls are enhanced through segregation of duties since each return is processed by four people: the greeter, the preparer, the reviewer, and the assembler.

How are returns e-filed? At the authors' site, tax returns are prepared on Saturday and e-filed on Monday morning, within the IRS's 72-hour submission window. To facilitate collecting the end-of-season data required by the IRS and to provide one final review of the tax return, one volunteer opens each tax return in TaxWise and reads the information to another volunteer who enters it into a spreadsheet and verifies that the Social Security and employer IDs agree with the source documents. After this final check, all returns are sent to the TaxWise facility, where they are e-filed with the taxing authorities.

What happens if a return is rejected by the taxing authorities? Once returns are submitted, it takes one to two days for them to be accepted or rejected. If a return is rejected, a rejection code is provided and TaxWise highlights the problem on the computer screen.

Nationally, the most common reason for rejection is an input error regarding the taxpayer name, Social Security number, or employer ID number; a good quality con-

trol process should catch these errors. The most common reason for rejection the authors have seen is that a Social Security number has been used on another tax return. For example, a student may say that she is not claimed as a dependent on another's tax return, but has in fact been claimed on her parents' return. In this case, the preparer contacts the client and usually the client, after checking with a parent, will learn that she has been claimed as a dependent; the corrected tax return is then simply refiled. Occasionally, a client will insist that she is not a dependent; the only alternative in such a case is to give her a paper return with mailing instructions. A second common rejection occurs with taxpayers whose marital status has changed. A current name is used on the W-2, but a former name is recorded with the Social Security Administration. This can be easily resolved with a trip to the local Social Security office; when the taxpayer produces the appropriate legal documentation, the government records are updated immediately, enabling the return to be refiled.

Can other services be offered? Many sites provide other kinds of financial advice to clients, including helping taxpayers establish bank accounts, providing credit counseling, and offering other community services.

Get Started

The discussion above is meant to provide a framework for the decision process necessary when establishing a VITA site. The framework includes deciding on a location, identifying the appropriate client base, promoting the service to potential clients, recruiting and training volunteers, determining operational details, and creating an appropriate quality control process. Most sites find that close coordination with the IRS and other VITA sites is helpful and beneficial. Participants in VITA programs can derive personal satisfaction through sharing their talents and giving back to their community. □

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