A few months ago, I was sitting at a reasonably casual restaurant in Chicago’s West Loop, waiting for one of my favorite burgers in the city. Two prime beef patties, lightly-toasted bun freshly made from a local bakery, topped with an over easy egg (perfect burger-to-egg-to-bun ratio), $10. I washed it down with one of those fancy microbrews, $9. Including tax and tip, it was almost a $25 weeknight dinner.

Honestly, I don’t budget—especially not for food. I take for granted that the money I spend at restaurants, grocery stores, and Target will not leave me unable to pay my bills. However, occasionally I think about my low-income-taxpayer clients, many of whom live under severe financial constraints. Most of my clients have tax debts they cannot pay because doing so would leave them without money for necessities. Luckily, we live in America, where the Service permits taxpayers basic living expenses before collecting on a tax debt. I wondered, as I was devouring my delicious burger, could I eat under the allowance that the Service provides a single taxpayer for food? I did a quick calculation—if I were to spend $25 on dinner every night, $10 for lunch every day, and skip breakfast (oops), that would be about $1,050 per month. I most certainly did not go out to eat every night, but this rough estimate was almost double the Service allowance amount in the “food, housekeeping, and other items” category. I resolved that I would track my actual expenses for one month and see if I could eat, housekeep, and “other” within the $565 monthly amount provided in the IRS Financial Collection Standards for a single person. The verdict: it’s possible, but tough. Especially for a young working single person with no dependents, living in, arguably, one of the best dining-out cities in the United States.

The IRS Collection Financial Standards

For decades, the Service has acknowledged that there are basic living expenses which should be allowed to taxpayers before they are forced to pay a delinquent tax debt. In recent years, thanks to pressure from the National Taxpayer Advocate and celebrated tax clinicians, there have been several changes to the original guidance to promote a more equitable application to the poor and lower-middle class. These “collection financial standards,” derived from the Bureau of Labor Statistics Consumer Expenditure Survey, provide both national and local standards to guide Service employees in deciding various collections matters, such as whether to accept an Offer in Compromise, how to calculate the monthly payment amount for an installment agreement, whether to place a taxpayer into “currently not collectible” status, or whether to initiate a lien or levy action. Conveniently, the Service has created tables for four main categories of expenses: (1) out-of-pocket healthcare expenses, (2) housing and utilities, (3) transportation, and (4) food, clothing, and other items. The fourth category—the focus of this experiment—covers five things: (1) food, (2) housekeeping supplies, (3) apparel and services, (4) personal care products and services, and (5) the mysterious “miscellaneous” expenses. See http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/National-Standards:-Food,-Clothing-and-Other-Items, which reflects standards as of April 1, 2013 (after this Article was written).

According to the Internal Revenue Manual, this “miscellaneous” allowance is for living expenses not included in the other

<table>
<thead>
<tr>
<th>Expense</th>
<th>One Person</th>
<th>Two Persons</th>
<th>Three Persons</th>
<th>Four Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>$301</td>
<td>$537</td>
<td>$639</td>
<td>$765</td>
</tr>
<tr>
<td>Housekeeping supplies</td>
<td>$30</td>
<td>$66</td>
<td>$65</td>
<td>$74</td>
</tr>
<tr>
<td>Apparel &amp; services</td>
<td>$86</td>
<td>$162</td>
<td>$209</td>
<td>$244</td>
</tr>
<tr>
<td>Personal care products &amp; services</td>
<td>$32</td>
<td>$55</td>
<td>$63</td>
<td>$67</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$116</td>
<td>$209</td>
<td>$251</td>
<td>$300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$565</strong></td>
<td><strong>$1,029</strong></td>
<td><strong>$1,227</strong></td>
<td><strong>$1,450</strong></td>
</tr>
</tbody>
</table>

* ABA Section of Taxation Public Service Fellow, 2012-2014, Center for Economic Progress, Chicago, IL.
categories, or for amounts that exceed the standards. Additionally, no substantiation is needed to claim amounts in the “food, clothing, and other items” category, unless a taxpayer’s particular facts and circumstances indicate that the standard amounts are inadequate to provide for basic needs. For example, a person with celiac disease might spend more on a gluten-free diet and thus would be allowed an amount greater than the standard, if those expenses can be proved. Therefore, aside from special cases, a single person living anywhere in the United States is deemed to have a necessary living expense of $565 for food, clothing, and other items.

“Jane 565”

I kept track of food, drink, grocery, and convenience store purchases for exactly four weeks (one month is actually 4.3 weeks) in a spreadsheet appropriately named “Jane 565”. Week One was the easiest. I was inspired and motivated to make healthy, balanced, yet affordable meals. Instead of stopping by the local coffee shop every morning, I brewed my own coffee at home and brought it to work in a travel mug. I bought the whole spinach and lettuce bundles instead of the pre-washed, pre-chopped ones in neat little packages. I made a hearty casserole and froze individual portions. I even made a pan of Rice Krispy treats for dessert. I did not go out to eat at all.

Week One: $90. I thought about writing a letter to the Service to let them know that their standards are so reasonable.

I am glad I did not write that letter.

Week Two, predictably, was not as easy as Week One. Due to a busy weekend, I did not have time to go out and buy groceries. I went out to dinner twice. Another night we were suffering from below-zero wind chills in Chicago, which required me to have Indian food delivered to my apartment. Week Two: $210.

Now that I was already up to $300 after only two weeks, I had to acknowledge the obvious imperfection in my experiment. I was trying to spend less than $565 on food for the month, but the actual table amount for food is only $301. However, the Service allows the entire $565 for “food, clothing, and other items” without substantiation. Therefore, I reasoned that I could skim on the other expenses for the time being; after all, I already had a full supply of toothpaste and laundry detergent.

Week Three and Week Four were tough. I was still determined to make it under the $565 allowance, but I no longer felt inspired to make healthy meals. Some nights I ate cereal for dinner. I noticed that my meals were increasingly carbohydrate-based, because fresh fruits, vegetables, and meats were more expensive. More importantly, I blame the multitude of amazing restaurants clamoring for my attention; if I went out for dinner one night and spent $30, I needed to spend at most $10 the following day for all three meals to make up for my splurge the previous night. After trudging through several boring meals, I finally made it through Week Four. I had spent $541 on “food, clothing, and other items” in four weeks.

What Have I Learned?

Of course, the natural conclusion is to feel grateful for my work, life, and current financial situation. I can make healthy, colorful, and balanced meals. I can go out and experience the hottest new restaurants in the city. And yes, I am extremely appreciative that I do not need to keep track of my food expenditures in a serious way, that I do not have any tax debt, and that I have the opportunity to help low-income taxpayers resolve their issues.

The main imperfection in my experiment—that, more or less, I spent the entire $565 allowance on food only—also highlights the juggling that low-income, working families must face on a daily basis. For me, I put off my dry-cleaning, did not buy new clothes, and happened to not need any new personal care products. Most of my clients are probably doing the opposite—sacrificing fresh fruits and vegetables so that they can get a shirt dry-cleaned for an interview, or skipping a meal to buy shampoo and toothpaste to teach their children about good hygiene. After all, it was only a four week experiment to me. For many low-income individuals, it is a seemingly unending struggle.

Living in a large metropolitan area tends to cost more than living in a smaller city, in all respects, not just in food costs.

Another interesting observation is that different cities have different costs of living, yet the “food, clothing, and other items” allowance is a national standard, rather than a local one. Living in a large metropolitan area tends to cost more than living in a smaller city, in all respects, not just in food costs. Recognizing this variance, the Service has developed local standards, based on county, for allowable expenditures for housing, utilities, and car operating costs. However, a national standard is still used for the remaining categories, including the allowance for “food, clothing, and other items.” In a more perfect experiment, I would have surveyed my friends in different cities and asked them to track their expenses. As advocated by renowned tax clinician Carlton Smith, perhaps the allocations for “food, clothing, and other items” should also be based on local standards by county; a more perfect calibration may be more tedious, but the Service has already derived local standards for other categories. Therefore, local standards for “food, clothing, and other items” would not be impossible, and would be a more accurate reflection of realistic living expenses.