



FROM THE CHAIR

The Tax “Life-Preserver” for the Poor: Low-Income Taxpayer Clinics

By Michael Hirschfeld*

Tax issues are perhaps the hardest to deal with for low-income taxpayers who may not know of their rights and think they can only get assistance by having to use some of their scant financial resources to hire an expert. While America has long been the beacon of hope for its opportunities for social mobility, the number of low-income people continues to grow. More than 133 million people had incomes below 250% of the federal poverty level in 2012. The recent global recession increased the number of people in this group, including young people who may not even show up in government statistics since they stopped looking for jobs that did not exist. Others in the group can include bus drivers, auto mechanics, nurses, teachers and others who may not come to mind when one thinks of a low-income person. For the more than 133 million people caught in this financial squeeze for survival, the low-income taxpayer clinic (“LITC”) is a life-preserver that can keep low-income taxpayers afloat when faced with tax issues that could otherwise sink them financially.

The first LITCs started in the 1970s through the efforts of several law schools. While the number of clinics continued to slowly grow, financial help was needed to jump start new programs and maintain old ones. That help came with the enactment of Code section 7526 in 1998, which authorized the IRS to make matching grants for LITCs. The IRS was given the power to award up to \$100,000 per year to establish or operate a LITC. Starting the following year, Congress annually authorized funding for LITCs. In 2013, the IRS’s

LITC Program Office awarded nearly \$10 million in grants to 146 grantees based across the United States and Puerto Rico. LITCs have greatly helped in dispelling the myth of tax law as the domain of only the wealthy.

LITCs help taxpayers primarily in tax controversies with the IRS and state and local tax authorities. Joint and several tax liabilities can be a lingering trap for spouses who flee abusive marriages. A person may have used retirement benefits for a medical emergency, but failed to address the tax impact. Civil law settlements may have been obtained to address a variety of issues such as from medical illness from working conditions. The earned income tax credit (EITC) is a great resource for working people, but it is a highly scrutinized provision that snares many low-income people in tax disputes. Tax controversies are generally not at the forefront of individuals’ minds in these situations, and LITCs have been instrumental in preventing tax issues from sinking unsuspecting taxpayers. Without the technical expertise of the LITC, such persons would have an extremely difficult time defending or even understanding all the nuances of such disputes. Where there are no defenses or insufficient defenses to eliminate the tax liabilities, the ability of LITCs to navigate the offer-in-compromise program has led to a much more efficient use of IRS resources as taxpayers become compliant.

The work of LITCs does not stop at client representation in tax controversies. LITCs conducted more than 3,500 educational activities for over 100,000 attendees in 2012 and that number is

growing. They address filing requirements, tax recordkeeping obligations, family status issues, identity theft, worker classification issues, and other topics that affect low-income people.

LITCs also serve as front line organizations, seeing and raising issues in need of greater attention. In addition to helping fund LITCs, the IRS also provides these clinics with a voice to speak to about these issues through its Taxpayer Advocate Service (“TAS”). The TAS Office of Systematic Advocacy hears concerns of LITCs, and that office can address these issues with the IRS on behalf of the LITCs and their low-income taxpayer clients. TAS has advocated before IRS on numerous issues raised by LITCs, and the IRS has listened and acted. For example, further educational outreach has been made by the IRS relating to filling out the Form 2848 Power of Attorney form and how to obtain an individual taxpayer identification number, among other efforts.

While very successful, LITCs still need more help. Funding is a constant struggle and any sources of new funding, including in-kind donations, are welcome. Volunteers who know the tax law are welcome, too, as LITCs can use pro bono assistance in handling overflow cases. LITCs can also count pro bono hours toward the amount that they must match in order to continue receiving IRS funding. Those seeking more information about LITCs can look on the IRS webpage, <http://www.irs.gov/Advocate/Low-Income-Taxpayer-Clinics/>, reach out to their local LITC, or contact the Tax Section office at tel. 202/662-8670. ■

* Dechert LLP, New York, NY. Statistical information found in this article is from the TAXPAYER ADVOCATE SERVICE, LOW INCOME TAXPAYER CLINICS PROGRAM REPORT (2014).