

LITC LOW INCOME
TAXPAYER CLINICS

PROGRAM REPORT

TAXPAYER
ADVOCATE
SERVICE

YOUR VOICE AT THE IRS

DECEMBER 2014

OFFICE OF THE TAXPAYER ADVOCATE

LOW INCOME TAXPAYER CLINICS

PROGRAM REPORT



YOUR VOICE AT THE IRS

DECEMBER 2014

www.TaxpayerAdvocate.irs.gov/LITC

Internal Revenue Code (IRC) § 7526(a) authorizes the Secretary of the Treasury, subject to the availability of appropriated funds, to make grants of matching funds for the development, expansion, or continuation of qualified low income taxpayer clinics that do not charge more than a nominal fee for services (except for reimbursement of actual costs incurred) and that represent low income taxpayers in controversies with the IRS and operate programs to inform individuals for whom English is a second language (ESL) about their rights and responsibilities as U.S. taxpayers. This report provides an overview and history of the Low Income Taxpayer Clinic (LITC) program, discusses the representation, education, and advocacy work performed by clinics on behalf of low income taxpayers and ESL taxpayers, and explains how this work helps ensure the fairness and integrity of the tax system.

The LITC program is administered by the Taxpayer Advocate Service (TAS).

OVERVIEW

On June 10, 2014, the IRS announced its adoption of a Taxpayer Bill of Rights (TBOR) as proposed by National Taxpayer Advocate Nina E. Olson. The TBOR represents an acknowledgement by the IRS that taxpayers who know, understand, and exercise their rights are more likely to be engaged with the tax system and compliant with their tax filing and payment obligations.

The TBOR presents ten fundamental rights of taxpayers before the IRS:

1. *The Right to Be Informed*
2. *The Right to Quality Service*
3. *The Right to Pay No More Than the Correct Amount of Tax*
4. *The Right to Challenge the IRS's Position and Be Heard*
5. *The Right to Appeal an IRS Decision in an Independent Forum*
6. *The Right to Finality*
7. *The Right to Privacy*
8. *The Right to Confidentiality*
9. *The Right to Retain Representation*
10. *The Right to a Fair and Just Tax System*

Through their mission of representing, educating, and advocating on behalf of taxpayers, LITCs help low income and ESL taxpayers to know, understand, and exercise these ten fundamental rights. For example, although all taxpayers have the *right to retain representation*, many cannot afford to hire a representative. By providing free or low-cost representation, an LITC places a means to exercise this right to representation within reach of low income taxpayers in a dispute with the IRS. In representing a taxpayer undergoing an audit or contesting a proposed levy action, an LITC ensures the taxpayer's *right to challenge the IRS's position and be heard*. By preparing and submitting an amended return or audit reconsideration, an LITC assists the taxpayer to *pay no more than the correct amount of tax*. By filing a protest in response to a proposed deficiency or a petition in the

U.S. Tax Court, an LITC preserves the taxpayer's *right to appeal an IRS decision in an independent forum*.

Similarly, by holding workshops that teach how to avoid unscrupulous tax return preparers or how to properly keep tax records, and conducting education or outreach activities for ESL taxpayers in their local communities, LITCs protect a taxpayer's *right to be informed* about his/her responsibilities under the tax code.

By alerting TAS that low income or ESL taxpayers misunderstand a particular IRS notice and advocating that the IRS revise and clarify the language in the notice, LITCs protect a taxpayer's *right to quality service*. TAS works with the IRS and Congress through the National Taxpayer Advocate to identify potential solutions to ensure every taxpayer's *right to a fair and just tax system*.

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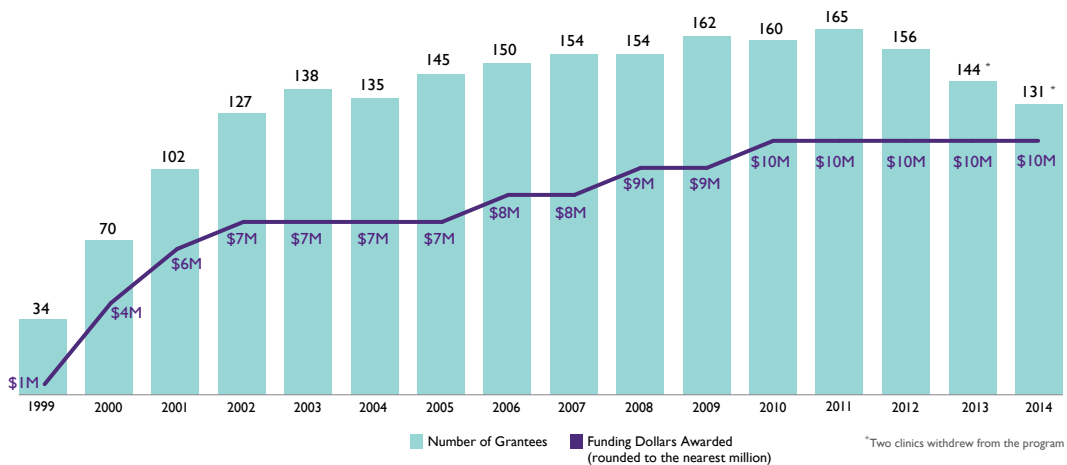


WHAT IS THE LOW INCOME TAXPAYER CLINIC (LITC) PROGRAM?

The LITC program provides matching grants of up to \$100,000 per year to organizations that operate a low income taxpayer clinic. LITCs provide service to low income taxpayers for free or minimal cost.

Grantees are generally legal aid or legal services organizations; clinics at law, business, or accounting schools; and other not-for-profit organizations that provide services to the poor.

LITC Funding and Grantees



HOW DO LITCS HELP LOW INCOME TAXPAYERS?

REPRESENT low income individuals in disputes with the IRS and state tax agencies and help taxpayers:

- Achieve better outcomes in cases
- Access benefits administered through the tax code
- Resolve tax debts, levies, and liens



Taxpayers represented

20,972

Taxpayers provided consultation or advice

25,179

EDUCATE English as a second language speakers about their taxpayer rights and responsibilities and help them:

- Understand the U.S. tax system
- Exercise their rights as taxpayers
- Comply with their tax responsibilities



Education activities

3,640

Attendees at education activities

129,584

ADVOCATE about issues that impact low income taxpayers and help the IRS:

- Identify and fix systemic tax problems
- Ensure the fairness and integrity of the tax system for all taxpayers



Number of volunteers

1,999

Volunteer hours

60,229

CLOSED CASE OUTCOMES

Taxpayers brought into filing compliance

4,324

Taxpayers brought into collection compliance

4,689

Dollars refunded to taxpayers

\$5,204,169

Liabilities decreased or corrected

\$51,251,473

Data from 2013 year-end reports

PURPOSE AND MISSION

The LITC program awards matching grants to qualifying organizations to operate clinics that represent low income¹ taxpayers in disputes with the IRS and educate individuals for whom English is a second language (ESL)² about their rights and responsibilities as U.S. taxpayers.³ LITCs must provide services to taxpayers for free or for no more than a nominal fee.⁴

The mission of the LITC program is to ensure the fairness and integrity of the tax system by:

- Providing *pro bono* representation to taxpayers in tax disputes with the IRS;
- Conducting education and outreach to low income and ESL taxpayers about their rights and responsibilities; and
- Identifying and advocating for issues that impact low income and ESL taxpayers.⁵

Although the employees and volunteers of LITCs take an adversarial position to the IRS when representing taxpayers in disputes, their work nonetheless supports the overall goals of the IRS, ensuring that low income individuals:

- Understand and exercise their rights as taxpayers;
- Comply with their responsibilities to file returns and pay taxes;
- Are treated fairly and with integrity by IRS personnel; and
- Receive top quality service as taxpayers.

As advocates for low income and ESL taxpayers, LITCs play an important role in safeguarding taxpayer rights, both in individual cases and systemically. Thus, LITCs help ensure that the IRS administers the tax system in a fair and just manner for all taxpayers.

The Right to a Fair and Just Tax System

Taxpayers have the right to expect the tax system to consider facts and circumstances that might affect their underlying liabilities, ability to pay, or ability to provide information timely. Taxpayers have the right to receive assistance from the Taxpayer Advocate Service if they are experiencing financial difficulty or if the IRS has not resolved their tax issues properly and timely through its normal channels. Low income taxpayer clinics monitor issues affecting multiple taxpayers and advocate on their behalf to ensure all taxpayers have a voice and to draw attention to taxpayers receiving unfair treatment from the IRS.

¹ IRC § 7526 describes “low income” by referring to those whose income is at or below 250 percent of the poverty level and criteria established by the Office of Management and Budget (OMB); however, to date, OMB has never established any poverty level or criteria. The Department of Health and Human Services issues poverty guidelines each year that are used to determine financial eligibility for certain federal programs, which the LITC program utilizes. The Poverty Guidelines are published in the Federal Register. See, e.g., Dept. of Health and Human Services, Annual Update of the Poverty Guidelines, 78 Fed. Reg. 5182-5183 (Jan. 24, 2013).

² English as a second language taxpayers are those taxpayers whose native language is not English. This includes taxpayers who speak minimal English or no English at all, and taxpayers who communicate using American Sign Language.

³ See IRC § 7526(b)(1)(A)(ii).

⁴ See IRC § 7526(b)(1)(A)(i).

⁵ IRS Publication 3319, 2015 *Grant Application Package and Guidelines I* (May 2014).

HISTORY

Tax clinics began in the mid-1970s when several law schools established clinical programs for students interested in tax practice.⁶ By 1990, tax clinics operated at 18 academic institutions, including the University of Denver; Loyola University (Chicago) School of Law, University of Minnesota School of Law, University of New Mexico School of Law, University of Bridgeport (now Quinnipiac University School of Law), and American University Washington College of Law, all of which continue to participate in the LITC Program.⁷ In 1992, The Community Tax Law Project of Richmond, Virginia became the first independent (*i.e.*, nonacademic) tax clinic in the nation.⁸

Congress held numerous hearings in 1997 and 1998 leading up to the enactment of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98).⁹ During those hearings, Nina E. Olson, head of The Community Tax Law Project, and Janet Spragens, founder of the tax clinic at American University, testified about providing controversy representation to low income taxpayers and how such efforts assisted not only the taxpayers directly represented but also the low income taxpayer community at large, by bringing to light systemic issues affecting many taxpayers and advocating for a fair and just resolution of those issues.¹⁰

Congress adopted several provisions in RRA 98 that favorably impacted low income taxpayers. Most important to the expansion of free or low cost tax assistance was the implementation of IRC § 7526, which authorized matching grants for LITCs of up to \$6 million per year unless otherwise provided by specific appropriation. With annual appropriations

available, qualified organizations could be awarded up to \$100,000 per year to develop, expand, or continue an LITC.¹¹ As a result, many legal aid and legal services programs created clinics and added tax representation, education, and advocacy as part of their poverty law practices. This development, described as “the single most helpful provision” of RRA 98, advanced the movement for holistic legal services, gave a new voice to an entire segment of the taxpaying population, and helped dispel the myth of tax law as “rich people’s law.”

Since 1999, Congress has appropriated funds annually to provide matching grants to organizations that operate LITCs. In the ensuing years, the LITC Program has experienced significant growth in the number of clinics, the amount of funds awarded, and the geographic area of coverage. In its initial year, the IRS awarded grants totaling less than \$1.5 million to 34 entities located in 18 states and the District of Columbia.¹² In 2014, the IRS awarded nearly \$10 million in grants to 133 grantees located in 47 states and the District of Columbia.¹³ Moreover, during the same period, the average grant award rose from slightly more than \$44,000 to nearly \$75,000. Because the LITC grant program requires a dollar-for-dollar match in funding from the recipient, the total program resources (grant plus match) available to each LITC has thus increased from an average of over \$88,000 to nearly \$150,000.

The accompanying chart illustrates the growth of the LITC program from its inception through 2014 in number of grantees and total annual funding dollars available.

6 Keith Fogg, *Taxation with Representation: The Creation and Development of Low-Income Taxpayer Clinics* 67 Tax Law. 1 (Oct. 2013).

7 *Id.* at 20, fn. 65.

8 *Id.* at 23.

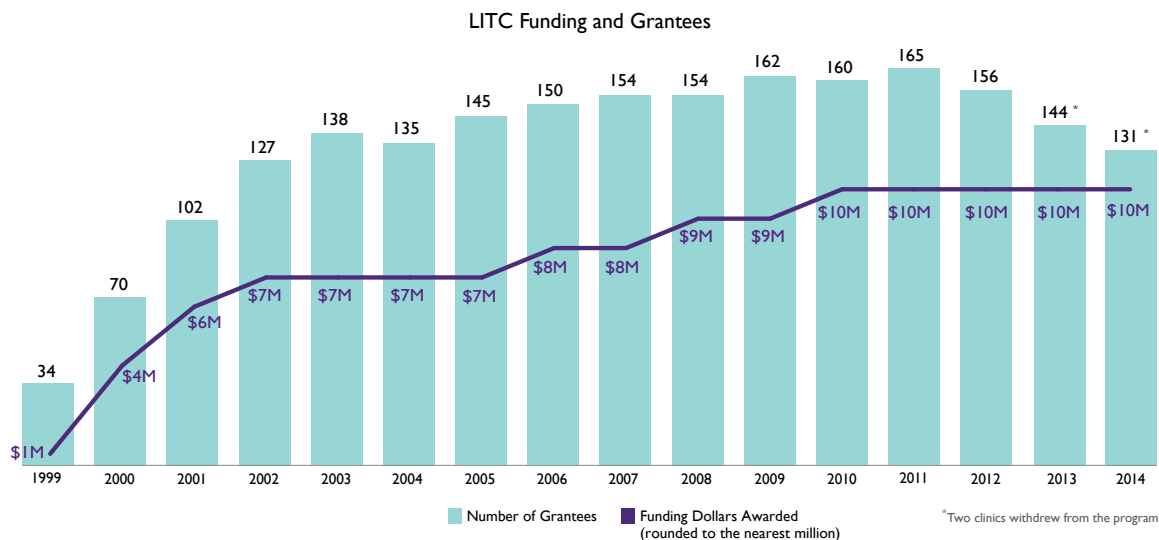
9 Pub. L. No. 105-206, 112 Stat. 685 (July 22, 1998).

10 See, e.g., *Hearing on the Recommendations of the National Committee on Restructuring the IRS on Taxpayer Protections and Rights*, Hearing Before the H. Comm. on Ways and Means, Subcommittee on Oversight, 104th Cong. (Sept. 26, 1997) (statement of Nina E. Olson, Executive Director; The Community Tax Law Project); *IRS Restructuring: Hearing Before the S. Comm. on Finance*, 105th Cong. (Feb. 5, 1998) (statement of Nina E. Olson, Executive Director; The Community Tax Law Project).

11 IRC § 7526(c)(2).

12 Press Release, IR-1999-63, *IRS Encourages Growth of Low-Income Taxpayer Clinics with \$1.5 Million in Grants* (July 14, 1999).

13 The IRS publishes Publication 4134, *Low Income Taxpayer Clinic List*, on an annual basis. It identifies the organizations receiving a grant that year, and contains contact information and details regarding the types of services each clinic provides.



In addition to the program's growth in size, the LITC Program Office has adopted a number of changes in recent years to improve the overall quality of the program, including:

- Creating and integrating performance measures to evaluate program effectiveness;
- Revising grantee reporting forms to gather data that more accurately captures grantee activities on behalf of low income and ESL taxpayers;
- Transitioning to a paperless submission process for all applications, requests for continued funding, and reports; and
- Launching the LITC Toolkit website¹⁴ to post guidance, resources, and information for grantees.

The Right to Retain Representation

Taxpayers have the right to retain an authorized representative of their choice to represent them in their dealings with the IRS. Taxpayers have the right to seek assistance from a low income taxpayer clinic if they cannot afford representation.

Beginning with the 2016 grant year, the LITC Program Office will no longer award discrete funding amounts to grantees to operate separate Controversy and ESL programs. Instead, all LITC grant recipients will be required to operate unified programs that provide direct representation in tax controversies with the IRS on behalf of low income taxpayers and use education and outreach efforts to make representation and consultation services available to ESL taxpayers. The Program Office established this new policy for several reasons:

- A reconsideration of the role of education and outreach as tools to engage eligible low income and ESL taxpayers as clients for direct representation and consultation services;
- An assessment of empirical research studies that show represented taxpayers achieve better outcomes than unrepresented taxpayers in disputes with the IRS, both in administrative proceedings¹⁵ and in the U.S. Tax Court;¹⁶ and
- An understanding that grant funds are limited and should be aimed at providing the greatest benefit for taxpayers.

¹⁵ See National Taxpayer Advocate 2007 Annual Report to Congress Vol. 2, 93-116 (Research Studies and Reports: *IRS Earned Income Audits - A Challenge to Taxpayers*).

¹⁶ Janene R. Finley & Allan Karnes, *An Empirical Study of the Effectiveness of Counsel in U.S. Tax Court Cases*, 16 J. of Am. Acad. of Bus. 1-10 (Sept. 2010).

¹⁴ Available at www.litctoolkit.com (The Toolkit site is password protected and available only to LITC grantees).

WHO ARE LITC CLIENTS?

IRC § 7526(b)(1)(B)(i) requires that at least 90 percent of the taxpayers represented by an LITC have incomes that do not exceed 250 percent of the federal poverty level.¹⁷ The table below shows the LITC income guidelines for grant year 2014.

The number of low income people in the U.S. has grown in recent years. In 2013, nearly 133 million people residing in the U.S. had incomes below 250 percent of the federal poverty level, an increase of nearly 16 million since 2007. The percentage of persons below the 250 percent threshold level similarly rose from 39.2 percent to 42.5 percent over the same period.¹⁸

WHAT DOES IT MEAN TO BE LOW INCOME?

Low income taxpayers work in a variety of professions, in all walks of life. Analysis of data from the 2012 U.S. Census Bureau American Community Survey revealed

that the most common occupations for low income workers (making less than \$48,000/year) include nurses and nursing aides, salespeople and retail clerks, truck drivers, secretaries and office workers, janitors, cooks, middle managers, teachers, cashiers, accountants and bookkeepers, customer service representatives, laborers, housekeepers and maids, and child care providers.¹⁹ Many low income taxpayers are retirees²⁰ or disabled individuals²¹ who live on fixed incomes. Some work in the cash economy and do not receive a Form W-2, *Wage and Tax Statement* or Form 1099-MISC, *Miscellaneous Income* they can use to verify their incomes. Others are immigrants who have never before had to file a U.S. income tax return.

Like the general taxpayer population, low income individuals possess diverse characteristics in ethnicity, family status, living arrangements, and age.²² However, the defining characteristic of this population—scarcity of financial resources—brings with it a myriad of hardships

LITC Income Guidelines (250 percent of Federal Poverty Guidelines)			
Size of Family Unit	48 Contiguous States, D.C., and Puerto Rico	Alaska	Hawaii
1	\$29,175	\$36,450	\$33,550
2	39,325	49,150	45,225
3	49,475	61,850	56,900
4	59,625	74,550	68,575
5	69,775	87,250	80,250
6	79,925	99,950	91,925
7	90,075	112,650	103,600
8	100,225	125,350	115,275
For each additional person, add	10,150	12,700	11,675

¹⁷ The U.S. Department of Health and Human Services publishes poverty guidelines in the Federal Register each year, which the LITC program uses to establish the 250 percent of the federal poverty level for purposes of determining a taxpayer's eligibility for LITC representation. For 2014, see 79 FR 3593 (Jan. 22, 2014).

¹⁸ U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, *Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race, Below 250% of Poverty*, (2013 and 2007 poverty data, available at <http://www.census.gov/hhes/www/poverty/data/incpovhlth/2013/index.html>).

¹⁹ See NPR, *The Most Common Jobs for the Rich, Middle Class and Poor* (available at <http://www.npr.org/blogs/money/2014/10/16/356176018/the-most-popular-jobs-for-the-rich-middle-class-and-poor>) (Oct. 16, 2014).

²⁰ See Thomas B. Edsall, *Who Is Poor?*, N.Y. Times, Mar. 13, 2013.

²¹ See U.S. Census, Current Population Reports, *Americans With Disabilities: 2010*, 12 (July 2012).

²² National Taxpayer Advocate 2011 Annual Report to Congress 273 (*Introduction to Diversity Issues: The IRS Should Do More to Accommodate Changing Taxpayer Demographics*).

that present distinctive challenges for tax administration.²³ Low income taxpayers are more likely to face:

- Limited English proficiency (LEP);
- Low literacy rates;
- Physical or mental disabilities;
- Lower education levels;
- Unstable job prospects;
- Substandard housing situations;
- Lack of affordable child care;
- Unreliable transportation;
- Limited access to banks; or
- Lack of access to competent and affordable tax return preparation services.²⁴

Ironically, resource limitations are some of the biggest challenges for the IRS. Facing heavy demands on staff and limited resources, the IRS continues to pursue its goal of full online tax administration, and has applied a great deal of focus to improving technology.²⁵ Studies have shown that over 80 percent of respondents with a household income over \$50,000 per year access the Internet from some location.²⁶ However, these efforts do little to help lower income Americans who do not access the Internet. Less than 64 percent of those with a household income \$25,000-49,999 access the Internet from any location, and that figure drops to less than 50 percent for those with a household income under \$25,000.²⁷ Furthermore, those individuals who have less than a high school education, or who are elderly are less likely to have Internet access.²⁸ Taking into account the numerous barriers that hinder effective communication,

low income taxpayers are better served by using walk-in locations and face-to-face contacts to resolve their problems.²⁹

Many low income taxpayers speak English as a second language (ESL) or speak no English at all. Without access to services in a language they understand, these taxpayers cannot obtain needed representation and consultation services, understand and exercise important rights, or comply with applicable responsibilities. In order to defend a taxpayer's *right to quality service* and offer assistance in a way that a taxpayer can easily understand, LITCs employ bilingual staff, contracted interpreters, telephone language lines, and community volunteers to provide assistance to LEP and ESL taxpayers. In addition, LITCs translate written program brochures and educational materials into the most frequently encountered languages and distribute this information throughout their communities.

The Right to Quality Service
Taxpayers have the right to receive prompt, courteous, and professional assistance in their dealings with the IRS, to be spoken to in a way they can easily understand, to receive clear and easily understandable communications from the IRS, and to speak to a supervisor about inadequate service. Low income and ESL taxpayers may require the assistance of an authorized representative advocating on their behalf in order to effectively communicate with the IRS.

23 National Taxpayer Advocate 2009 Annual Report to Congress 112-113 (Most Serious Problem: *Beyond EITC: The Needs of Low Income Taxpayers Are Not Being Adequately Met*).

24 *Id.*

25 Internal Revenue Service, *Strategic Plan 2014-2017*, 25.

26 See U.S. Census, *Population Characteristics, Computer and Internet Use in the United States*, 5 (May 2013).

27 *Id.*

28 *Id.*

29 See National Taxpayer Advocate 2012 Annual Report to Congress 302-318 (Most Serious Problem: *The IRS Lacks a Servicewide Strategy that Identifies Effective and Efficient Means of Delivering Face-to-Face Taxpayer Services*).

CONTROVERSY REPRESENTATION

Offering free or affordable direct representation to eligible low income taxpayers in disputes with the IRS is one of the quintessential ways that low income taxpayer clinics defend taxpayer rights. Low income taxpayers are often limited in their ability to exercise their own rights because of a lack of time, resources, or education. By providing a representative who understands the complexities of the tax code and can navigate the controversy process, LITCs increase the likelihood that low income taxpayers will exercise the rights afforded to all taxpayers, including the *right to pay no more than the correct amount of tax*.

The Right to Pay No More Than the Correct Amount of Tax

Taxpayers have the right to pay only the amount of tax legally due, including interest and penalties, and to have the IRS apply all tax payments properly. Low income and ESL taxpayers may have difficulty determining the correct amount due to the complexity of the tax code and difficulty proving eligibility for claimed credits and deductions.

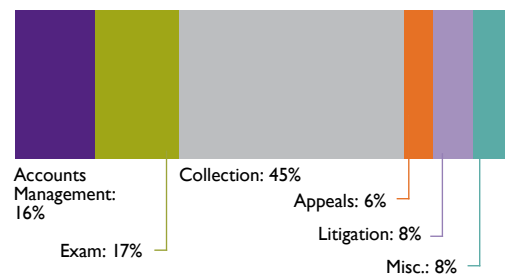
Studies assessing the effect of representation in disputes with the IRS, both in administrative proceedings³⁰ and in the U.S. Tax Court,³¹ found that a represented taxpayer is nearly twice as likely to receive a positive outcome as an unrepresented taxpayer. Furthermore, among those studied that received a favorable outcome, represented

taxpayers received a greater reduction of the disputed taxes than taxpayers appearing *pro se*.³²

To provide representation and protect a taxpayer's *right to challenge the IRS's position and be heard*, clinics employ attorneys, certified public accountants, and enrolled agents authorized to practice before the IRS. Many clinics draw additional resources from *pro bono* volunteers or supervised students authorized to practice before the IRS or an applicable court. During grant year 2013, LITCs provided representation in over 18,000 cases for low income and ESL taxpayers.

About one-sixth of all controversy cases handled by LITCs involve disputes with the IRS's Accounts Management function. These cases typically concern nonfilers, problems with return processing, delays in receiving refunds, requests for injured spouse relief, and relief from backup withholding.

LITC Controversy Cases Worked in 2013



An additional one in six LITC cases involves representation of low income taxpayers undergoing an IRS audit or examination. As the National Taxpayer Advocate has noted, in recent years the IRS's responsibilities have shifted and involve not only collecting tax revenues, but also distributing certain government benefits available to U.S. citizens and

30 See National Taxpayer Advocate 2007 Annual Report to Congress Vol. 2 93-116 (Research Studies and Reports: *IRS Earned Income Audits - A Challenge to Taxpayers*).

31 Janene R. Finley & Allan Karnes, *An Empirical Study of the Effectiveness of Counsel in U.S. Tax Court Cases*, 16 J. of Am. Acad. of Bus. 1-10 (Sept. 2010).

32 See National Taxpayer Advocate 2007 Annual Report to Congress Vol. 2 93-116 (Research Studies and Reports: *IRS Earned Income Audits - A Challenge to Taxpayers*); Janene R. Finley & Allan Karnes, *An Empirical Study of the Effectiveness of Counsel in U.S. Tax Court Cases*, 16 J. of Am. Acad. of Bus. 1-10 (Sept. 2010).

residents through the tax system.³³ These benefits generally take the form of refundable tax credits—such as the Earned Income Tax Credit (EITC) for the working poor,³⁴ Additional Child Tax Credit,³⁵ or American Opportunity Tax Credit.³⁶ The availability of these credits creates an opportunity for some unscrupulous persons to act as tax return preparers and prey upon vulnerable taxpayers. In response, the IRS has increased the use of filters to detect questionable credit claims and stepped up enforcement through examinations.

Today, the majority of IRS examinations are conducted through correspondence,³⁷ rather than in face-to-face office and field audits that used to dominate IRS examination activities. Forty-five percent of correspondence exams involve taxpayers who claimed the EITC.³⁸ Because low income taxpayers may not understand an exam notice or may lack access to the types of documents that the IRS requests to prove eligibility, they may be denied benefits to which they are entitled. A Taxpayer Advocate Service (TAS) survey of taxpayers who were audited over the EITC found that more than 25 percent of them did not understand that the IRS audit notice was telling them they were under audit, and about half did understand what they needed to do in response to the letter.³⁹

If a low income taxpayer receives a notice indicating a balance due, but has little or no resources available to pay the amount owed, the taxpayer may wrongfully assume he has no alternatives and choose to do nothing. All too often, low income taxpayers do not seek assistance until they receive a notice from the IRS

The Right to Challenge the IRS's Position and Be Heard

Taxpayers have the right to raise objections and provide additional documentation in response to formal IRS actions or proposed actions, to expect that the IRS will consider their timely objections and documentation promptly and fairly, and to receive a response if the IRS does not agree with their position. However, in order to challenge the IRS's position, the taxpayer must understand how to exercise administrative or legal challenges—something a low income or ESL taxpayer may not know how to do.

informing them that their bank account,⁴⁰ wages,⁴¹ or federal benefits⁴² are to be levied. In fact, collection actions are the leading issue facing taxpayers that come to an LITC for assistance. Collection cases comprise over 45 percent of all cases handled by clinics.

If an IRS levy creates an economic hardship for the taxpayer, an LITC representative can advocate for the release of the levy⁴³ and pursue a collection alternative. In some collection cases, the LITC may contest the underlying liability by filing an original or amended tax return or by submitting an audit reconsideration request.⁴⁴ Alternatively, the clinic may negotiate an affordable installment agreement payment plan⁴⁵ or defer IRS collection action by securing currently not

33 See National Taxpayer Advocate 2010 Annual Report to Congress 15–27 (Most Serious Problem: *The IRS Mission Statement Does Not Reflect the Agency's Increasing Responsibilities for Administering Social Benefits Programs*).

34 IRC § 32.

35 IRC § 24(d).

36 IRC § 25A(j)(5).

37 See TIGTA 2010-30-024, *Significant Tax Issues Are Often Not Addressed During Correspondence Audits of Sole Proprietors* (Feb 24, 2010) (finding that between years 2004-2008, between 82-84 percent of all IRS audits were completed through correspondence); IRS, *Fiscal Year 2011 Enforcement and Service Results 3* (reporting that 75 percent of IRS audits were conducted through correspondence in 2011).

38 IRS Databook, FY 2013, Table 9a.

39 National Taxpayer Advocate 2007 Annual Report to Congress Vol. 2 99-116 (*The IRS EIC Audit Process—A Challenge for Taxpayers*).

40 IRC § 6331(a).

41 IRC § 6331(e).

42 IRC § 6331(h).

43 IRC § 6343(a)(1)(D).

44 Audit reconsideration is a process the IRS uses to help taxpayers when they disagree with the results of an audit of a tax return they filed, or when taxpayers disagree with a return created by the IRS when they have failed to file their own return. See IRS Publication 3598, *What You Should Know About the Audit Reconsideration Process*. See also IRM 4.13.1, *Audit Reconsideration—Introduction* (Dec. 31, 2009).

45 IRC § 6159.

collectible (CNC) status on the taxpayer's account.⁴⁶ However, placing a taxpayer in CNC status and deferring collection may be a temporary solution that may leave the taxpayer vulnerable to enforcement at a later time. Therefore, LITCs often prefer to pursue long-term solutions such as an offer-in-compromise (OIC).⁴⁷

As part of the Fresh Start initiative, the IRS streamlined the OIC program. The changes to the program were intended to put in place more common-sense guidelines that more closely reflect real-world situations.⁴⁸ For example, the initiative granted IRS officers more flexibility with financial analysis for determining reasonable collection potential for distressed taxpayers.⁴⁹ IRS officers and employees may not reject an offer in compromise based solely on the amount of the offer;⁵⁰ so a low-dollar offer may be the best long-term solution for taxpayers facing an economic hardship. In 2013, LITC grantees handled nearly 3,000 cases involving offers. Even with the IRS's streamlined procedures for processing OICs, it can be challenging for a low income or ESL taxpayer to gather the supporting documents needed to prepare the Form 433-A, *Collection Information Statement* and to negotiate with the IRS employee. That process can be daunting for a trained representative and next to impossible for a low income taxpayer facing economic, health, or family issues. Resolving a taxpayer's controversy through an OIC shields the taxpayer from future IRS efforts to collect the debt and protects the taxpayer's *right to finality*.

For low income taxpayers who cannot reach agreement with the IRS in an examination or collection matter, LITCs offer representation in Appeals and in federal courts. Appeals cases represent about six percent of LITC controversy matters and include collection due process hearings, appeals conferences in examinations cases or docketed U.S. Tax Court cases, or appeals of OIC denials or other IRS determinations.

The Right to Appeal an IRS Decision in an Independent Forum

Taxpayers are entitled to a fair and impartial administrative appeal of most IRS decisions, including many penalties, and have the right to receive a written response regarding the Office of Appeals' decision. Taxpayers generally have the right to take their cases to court. An adverse IRS decision or collection action may place a low income taxpayer in an economic hardship; a successful appeal may hinge on the ability to provide proof of the taxpayer's financial condition.

Litigation cases make up another eight percent of LITC cases and may occur in the U.S. Tax Court, a federal District Court, a U.S. Bankruptcy Court, the Court of Federal Claims, a U.S. Court of Appeals, or even the U.S. Supreme Court. LITCs represented or advised low income taxpayers in about 2,000 cases in federal courts during 2013.

LITCs are encouraged to participate in the U.S. Tax Court clinical and calendar call programs. Currently, 104 of the 109 participants are LITCs.⁵¹ Still, many low income taxpayers eligible for LITC assistance appear in Tax Court without representation. Tax Court judges and IRS counsel have universally supported the work of LITC representatives to assist taxpayers in court. Not only do taxpayers generally fare better when a representative assists them with pre-trial discussions with IRS counsel and the trial process, but the trial process moves along much more efficiently and most cases are settled without a trial.

In some cases, LITCs advocate for low income taxpayers in their dealings with specialized IRS units that investigate and resolve identity theft or worker classification issues, grant innocent spouse relief, and issue individual taxpayer identification numbers. These other assorted matters

46 IRM 5.16.1.1, *Currently Not Collectible Policy and Procedure Overview* (May 22, 2012).

47 IRC § 7122.

48 Press Release, IRS, *IRS Offers New Penalty Relief and Expanded Installment Agreements to Taxpayers under Expanded Fresh Start Initiative* (Mar. 7, 2012).

49 *Id.*

50 IRC § 7122(d)(3)(A).

51 See <http://www.ustaxcourt.gov/clinics.htm>.

represent more than seven percent of all LITC cases.

For taxpayers that do not require representation or who don't meet the eligibility criteria, LITCs offer consultation and advice. A consultation is a discussion with a taxpayer designed to provide advice about a specific tax matter that does not result in

representation of the taxpayer. Clinics conducted direct consultations with more than 25,000 taxpayers in grant year 2013, including over 500 face-to-face consultations at the United States Tax Court. Nearly 45 percent of the consultations conducted over that period were with taxpayers who speak English as a second language.

Clinics also provide technical assistance consultations, which are discussions with a practitioner or other



taxpayer service provider designed to give brief advice about a tax issue. Clinics conducted over 2,600 technical assistance consultations during year 2013.

Representation efforts produce tangible results. During 2013, LITCs working controversy cases brought over 4,300 taxpayers into filing compliance and over 4,600 taxpayers

into collection compliance. Moreover, clinics helped their low income clients to secure more than \$5.2 million in tax refunds and to eliminate more than \$51.3 million in proposed or outstanding tax liabilities, penalties, and interest.

The next section provides a look at the some of the ways LITCs assisted taxpayers in 2013.

The Right to Finality

Taxpayers have the right to know the maximum amount of time they have to challenge the IRS's position as well as the maximum amount of time the IRS has to audit a particular tax year or collect a tax debt. Taxpayers have the right to know when the IRS has finished an audit. Low income taxpayers may not understand how to prove their eligibility for claimed deductions and credits or what collection options are available to them. Low income taxpayer clinics assist taxpayers to find a long-term solution to their tax problems.

HOW CLINICS HELP TAXPAYERS

Low income individuals with tax problems often confront other nontax problems that may be exacerbated by their tax situation. Because most LITCs are located within legal services organizations or academic institutions that also offer nontax legal assistance or clinical programs, they are ideally situated to integrate tax representation as part of holistic legal services on behalf of their low income clients.

The following are examples of cases that illustrate how LITCs helped taxpayers secure their rights and achieve successful outcomes to their tax problems:⁵²

LITC helps homeless taxpayer get back on his feet. In an effort to get his life back on track, a disabled taxpayer living in a homeless shelter filed several past due tax returns. After filing, the taxpayer faced a large tax debt and as a result, the IRS filed a notice of federal tax lien. The LITC obtained an offer in compromise in the amount of \$10 because that reflected the taxpayer's reasonable collection potential. The IRS withdrew the lien. With his tax problems resolved and the lien removed, the taxpayer was able to secure housing and regain his independence.

LITC obtains refund of thousands of dollars for elderly couple and helps them avoid foreclosure of their home. During the federal government shutdown, a taxpayer came to an LITC for help because of an IRS levy on her husband's Social Security benefits. The retired taxpayer had taken a job at a local supermarket to help replace the lost income, but her husband was ill and the levy was causing a financial hardship. During the fact finding process, an LITC representative discovered that the taxpayers were also in danger of losing their

home through foreclosure from past due mortgage payments. When the federal government reopened, an LITC representative contacted the IRS to research the taxpayers' accounts, and discovered that the husband's account had been placed in CNC status several years ago. The IRS had not fulfilled its statutory obligation to release a levy that creates an economic hardship for the taxpayer,⁵³ which resulted in several years of improperly collected levy payments. With the assistance of the local taxpayer advocate, the LITC successfully advocated to have the levy withdrawn, and for the couple to receive thousands in returned levy proceeds, which they were able to use to avoid foreclosure and stay in their home.

LITC assists a taxpayer with mental health issues neglected by those entrusted with his care. A taxpayer with mental health issues was receiving support payments from a limited liability company set up in his name to pay for his daily care. His trustees had neglected their responsibility for filing the

The Right to Confidentiality

Taxpayers have the right to expect that any information they provide to the IRS will not be disclosed unless authorized by the taxpayer or by law. Taxpayers have the right to expect appropriate action will be taken against employees, return preparers, and others who wrongfully use or disclose taxpayer return information. Low income and ESL taxpayers are particularly vulnerable to unscrupulous return preparers who may seek to divert or inflate a taxpayer's legitimate refund claim. The victim may require an authorized representative to unravel the damage caused to the victim's tax account.

52 Due to confidentiality concerns, the LITC Program Office does not review any LITC's taxpayer files. The Program Office does, however, encourage LITCs to provide details of their successes (in redacted form) to highlight the important work they perform for taxpayers throughout the year. LITCs often provide such details in their interim and year-end reports. Out of an abundance of caution, the Program Office has made additional redactions to protect the confidential nature of each LITC's relationship with its clients. The Program Office has not, however, independently verified whether any of the IRS's actions described in these examples actually occurred, or whether the facts of the taxpayers' case are accurate.

53 IRC § 6343(a)(1)(D).

taxpayer's returns and the IRS levied on the taxpayer's bank account. The taxpayer's caretaker contacted the LITC, which filed the necessary returns and had the levy released, allowing the taxpayer's caretaker to pay for his expenses.

LITC proves earned income tax credit eligibility for refugee taxpayer. The IRS denied a taxpayer's EITC claim because his qualifying children did not have birth certificates and did not share the same last name. The taxpayer was a refugee whose home country did not issue birth certificates and had no tradition of using common surnames. The LITC took the case to the U.S. Tax Court. Using the arrival-departure record issued to the taxpayer upon his family's entry into the U.S., the LITC convinced the court the qualifying children were indeed related to the taxpayer and that he was entitled to the EITC claimed on the tax return.

LITC resolves identity theft matter and helps taxpayer receive thousands in improperly offset refunds. A taxpayer came to the LITC for assistance after the IRS levied his wages. The taxpayer had grown frustrated with the tax system because for several years the IRS had applied his tax refunds to an existing tax debt and he did not understand why. Eventually, the taxpayer stopped filing returns, which led to the IRS placing the levy on his wages. After researching his account, an LITC representative determined that an identity thief had worked under his social security number for many years and the improperly reported wages caused the taxpayer's debt and the resulting levy. The LITC and TAS advocated for the IRS to issue the taxpayer thousands in refunds, clear the taxpayer's account, and release the levy.

LITC obtains offer in compromise and restoration of disability benefits for veteran. A veteran double-amputee came to the LITC because he was facing an unpaid tax debt that had grown to over \$100,000. The taxpayer, who was living near poverty, lacked the resources to pay the debt or hire a representative. The IRS was levying the taxpayer's disability benefits and he was desperate for a resolution. The LITC prepared a financial information statement and submitted an OIC to resolve the six-figure debt for \$500. The IRS accepted

the offer, which restored the taxpayer's disability benefits and gave him a fresh start.

LITC eliminates tax deficiency and obtains EITC for taxpayer raising two grandchildren. A single taxpayer raising two grandchildren was facing a tax deficiency she could not pay. After interviewing the taxpayer and reviewing her tax account transcripts, the LITC determined that the taxpayer qualified for but had failed to claim the EITC. The LITC amended the taxpayer's prior returns, which wiped out the deficiency and brought the taxpayer a sizeable refund of several thousand dollars.

The Right to Privacy

Taxpayers have the right to expect that any IRS inquiry, examination, or enforcement action will comply with the law and be no more intrusive than necessary. Taxpayers have the right to expect that the IRS will respect all due process rights, including search and seizure protections, and will provide, where applicable, a collection due process hearing. LITCs assist low income and ESL taxpayers on a systemic level through advocacy by identifying administrative practices and procedures that have a disproportionately negative impact on the low income and ESL populations.

LITC obtains withdrawal of federal tax lien and prevents loss of taxpayer's home. A taxpayer was making payments on an installment agreement. The taxpayer owned a home, but its value began to decline and eventually fell below what he owed the bank on his mortgage, leaving him in danger of losing the home. He came to the LITC after the bank denied his request for a loan modification because the IRS had filed a Notice of Federal Tax Lien (NFTL). The LITC worked with TAS, and within 30 days, the IRS withdrew the lien, thus allowing the taxpayer to obtain the loan modification and stay in his home.

EDUCATIONAL AND OUTREACH ACTIVITIES

LITCs conduct educational and outreach activities to low income and ESL taxpayers. These activities serve multiple purposes: empowering individuals with knowledge about their rights and responsibilities as U.S. taxpayers, enhancing tax compliance, and generating cases for controversy representation and consultations.

Clinics conducted over 3,600 educational activities for nearly 130,000 attendees during the 2013 grant year. LITCs that operate ESL programs generally direct their education and outreach activities to specific groups of taxpayers, many of whom are new residents of the U.S. These efforts provide information and education to help ESL individuals understand their federal tax responsibilities. Clinics address a wide range of substantive tax issues in their educational programs and materials (e.g., filing requirements, tax recordkeeping, family status issues, refundable credits, worker classification, identity theft, information about the audit and appeals process, and collection alternatives). Clinics prepare and distribute materials in languages appropriate for the ESL communities they serve.

The Right to Be Informed
Taxpayers have the right to know what they need to do to comply with the tax laws. Taxpayers have the right to be informed of IRS decisions about their tax accounts and to receive clear explanations of the outcomes. LITCs educate low income and ESL taxpayers about their rights and responsibilities as taxpayers.

LITCs also conducted more than 4,100 outreach activities during the 2013 grant year to provide information to the public about the LITC and its services. These efforts help publicize the availability of

LITC services and generate casework, consultations, and additional opportunities to make educational presentations.

Educational and outreach activities may be conducted directly to ESL and low income taxpayers, or offered indirectly by providing information to other community-based organizations that assist and serve these taxpayers. For example, a clinic may teach caseworkers at an immigrant rights organization about different types of IRS notices so that they can identify their clients' tax problems and refer them to the LITC.

Examples of educational activities conducted by LITCs for ESL taxpayers include:

LITC offers educational workshops about filing responsibilities aimed at migrant workers. By educating migrant workers about their taxpayer rights and responsibilities, the LITC works to bring these taxpayers into the tax system and establish long-term compliance. At one such presentation several years ago, LITC staff was able to refer a particular taxpayer for free tax return preparation services and assistance in applying for an Individual Taxpayer Identification Number (ITIN). More recently, the taxpayer returned to the LITC after receiving a Social Security number, which entitled her to additional credits, including the EITC.⁵⁴ The clinic helped the taxpayer amend her last three years of returns to claim substantial tax refunds.

LITC provides training on tax issues related to victims of domestic violence. At a workshop to educate taxpayers about tax and domestic violence issues, LITC staff met a taxpayer who had left her abusive husband two years prior and was now the sole caretaker of their three children. The woman had filed her tax returns, but not wanting to disclose the details of her relationship to the tax return preparer, she elected married filing separately status, which made her ineligible for the EITC. The clinic educated the taxpayer

⁵⁴ See IRC § 32(c)(1)(E), (m) (requiring a taxpayer to have a Social Security number to claim the EITC).

about her eligibility to file as head of household and she was able to amend her prior year return and receive a substantial refund of EITC.

LITC helps taxpayer avoid unscrupulous return preparer.

During an educational event, a taxpayer approached LITC staff because she was unsure if she had a requirement to file a tax return. The taxpayer was receiving Social Security income and had a small, self-employed business. Although the taxpayer had neglected to keep formal books and records for the business, she recorded each week's income and expenses in a calendar. The LITC helped her to compute her net business income, which was about \$100 short of the filing requirement. The taxpayer explained that a member of her community had advised her to report an inflated income in order to receive a refund. The LITC educated the taxpayer about the consequences of an improper claim and the potential for an audit.

Many of the most successful educational and outreach endeavors conducted by LITCs involve partnerships with other organizations to address the needs of specific taxpayer communities. Some examples include:

LITC brings tax education to agricultural guest workers on the job.

An LITC volunteer worked part-time at a local farm, and heard the guest workers complaining about IRS letters. The guest workers could not read or write English, had almost no formal education, and lacked any understanding of the U.S. tax system. The LITC arranged with the farm to offer tax education and individual consultations on site for the workers during their off hours. Several attendees approached the LITC's staff about issues ranging from

unfiled returns and missing refunds, to ITIN questions. The LITC located a volunteer to prepare the past-due tax returns, and connected the taxpayers with a preparer for ITIN applications and future returns. The LITC provided the workers with a better understanding of their rights and responsibilities, and a means to comply with their filing and payment obligations.

LITC partners with employment training school.

An LITC learned that large numbers of students at a local trade school had fallen victim to unscrupulous return preparers. The LITC worked with the school to offer tax education to the students on rules surrounding dependents, tax credits, and how to choose a reputable tax return preparer. The LITC also referred attendees to local Volunteer Income Tax Assistance (VITA) sites during tax season.

LITC partners with Veterans Administration to provide tax consultations to low income veterans.

An LITC held three all-day outreach sessions at a local veterans' hospital with LITC staff, law students, and two pro bono attorneys taking part. During the events, the LITC offered individual consultations to over 100 taxpayers and opened controversy cases for two taxpayers.

LITC hosts pilot pre-trial settlement initiative for U.S. Tax Court petitioners.

The IRS Office of Chief Counsel partnered with an LITC to host a pilot program aimed at assisting unrepresented taxpayers with upcoming Tax Court trials. LITC staff offered consultations and representation to eligible taxpayers. The goal of the event was to determine the issues in each case, and resolve them in advance of trial if possible. The event was held two months in advance of the Tax Court calendar call, allowing those taxpayers who could not resolve their cases at the event sufficient time to gather necessary documents before the calendar call and enter into representation agreements with the LITC.



SYSTEMIC ADVOCACY

LITCs are located throughout the country and serve both rural and urban communities. In representing and advocating for low income and ESL taxpayers, LITCs are uniquely positioned to recognize emerging issues or trends in tax administration. Clinics also network with each other to gain a broader perspective on the extent to which problems faced by their clients are being observed in other locales. By identifying issues that impact low income and ESL taxpayers and advocating for systemic solutions to problems, clinics provide a benefit to all taxpayers and the IRS. When clinics identify problems that may exist on a systemic level, they can work with the IRS and TAS to find solutions.

The TAS Office of Systemic Advocacy (SA) is an important resource for the clinics in resolving systemic issues affecting the taxpayers they serve. Clinics are encouraged to utilize the Systemic Advocacy Management System (SAMS) on the TAS website⁵⁵ to report potential systemic issues. SA then works with the IRS to make improvements. If SA and the IRS cannot reach a resolution, the National Taxpayer Advocate can include systemic issues in her Annual Report to Congress.⁵⁶ LITCs submitted 108 issues to SAMS in 2013.

Likewise, SA depends on the clinics to serve as its eyes and ears, because clinic employees and volunteers are keenly aware of the ways in which changes in IRS policy or practice affect individual taxpayers. SA analysts conduct research to determine the impact of the reported issue, whether there is already a similar or related project underway, and the next steps to take to correct a problem. Analysts follow up on every SAMS submission, even if no action is ultimately taken. LITC representatives have been trained about how to submit issues on SAMS during the annual LITC Conference and site assistance visits.

One example of LITC advocacy in action is when representatives from several LITCs attended a meeting held by the U.S. Tax Court to discuss ways *pro se* enhance court procedures for the benefit of self-represented taxpayers. Representatives from the Tax Section of the American Bar Association, the IRS Office of Chief Counsel, and the Taxpayer Advocate Service also attended. During the meeting, the LITC representatives presented ideas on how to make the Tax Court calendar call process less burdensome for *pro se* litigants. Based on the discussion at the meeting, the Tax Court made several changes to its court procedures, such as revising a notice that the court sends that informs taxpayers of the availability of LITC services. Other procedural changes include:

- Sending an additional notice to *pro se* petitioners 30 days prior to trial to remind them of LITC assistance;
- Designating a space at selected trial locations for use by LITC representatives to meet privately with taxpayers before trial;
- Providing a change of address form to petitioners with the acknowledgement of petition;
- Simplifying the application for a low income filing fee waiver; and
- Modifying the requirements for participation in the Tax Court Clinical Program.

One SAMS submission came from an LITC representative who observed that IRS Notice CP49, *Overpayment Adjustment Offset*, contained wording some taxpayers could find misleading. Notice CP49 is mailed to taxpayers to inform them that all or a portion of their refund was applied to an outstanding tax debt. The notice also indicates a changed refund amount, or alternatively the amount remaining if the offset refund does not fully satisfy the debt. In cases where there is a balance due after the offset, Notice CP49 describes the amount remaining as “Amount Due Immediately.” The LITC representative pointed out that taxpayers receiving the notice may

⁵⁵ www.irs.gov/Advocate/Systemic-Advocacy-Management-System-SAMS.

⁵⁶ See IRC §7803(c)(2)(B)(ii).

misinterpret the language. The wording of the phrase “Amount Due Immediately” can lead the reader to conclude that full payment is the only acceptable course of action to resolve the debt. The notice uses the same severe wording even for taxpayers whose accounts had been placed in CNC status because of an economic hardship. A notice that fails to provide

a clear explanation creates a potential violation of a taxpayer's *right to be informed*. SA worked with the IRS to modify the notice and remove the misleading language. The change is scheduled to be implemented in January 2016.

HOW LITC FUNDS ARE SPENT

In grant year 2013, the IRS awarded nearly \$10 million in federal funding to 144 grantees. Recipients of LITC grant awards must provide matching funds on a dollar-for-dollar basis for all LITC federal grant monies received.⁵⁷ This matching funds requirement ensures that each LITC grant represents a financial partnership between the grantee and the federal government for the benefit of low income and ESL taxpayers. The commitment of matching funds by the grantee leverages the federal funding investment so that an LITC can assist more taxpayers in need. Although clinics receive partial funding from the federal government, LITCs, their employees, and their volunteers are completely independent of the federal government and the IRS.

The chart below details how LITCs spent federal and matching funds during grant year 2013. Although grantees are required to contribute a dollar-for-dollar match equal to the amount of grant funds awarded, many grantees contribute far more than the minimum required, resulting in more robust, better funded clinics, with more resources to carry out their mission.

As the chart details, the major expenditures incurred by LITCs are personnel costs and benefits paid to provide direct representation, education, and advocacy services to low income and ESL taxpayers. Personnel costs and fringe benefits total over \$16 million. With the additional contribution of volunteer in-kind services, valued at nearly \$3.8 million, the percentage of LITC program expenditures devoted to staffing and service provision accounts for over 85 percent of the federal funds plus required matching funds. Less than 15 percent of program expenditures were used to pay for direct occupancy or operational costs. Grantees are prohibited from using matching funds to pay indirect expenses, including general overhead of the grantee.⁵⁸ This ensures more program funds are spent on taxpayer representation and education, rather than administrative costs.

LITC Grant Funds Expended: Grant Year 2013			
Expenditures	Federal	Match	Total
Personnel	\$ 6,935,073	\$ 5,654,203	\$ 12,589,276
Benefits	1,400,948	2,023,424	3,424,372
Travel	219,885	222,309	442,194
Equipment	14,940	46,592	61,532
Supplies	148,328	173,446	321,774
Contractual (Rent/Utilities)	251,359	671,172	922,531
Other Expenses	202,131	816,858	1,018,989
Volunteer In-Kind Services	---	3,784,434	3,784,434
Indirect Charges	630,796	---	630,796
Totals	\$ 9,803,460	\$ 13,392,438	\$ 23,195,898

Source: 2013 Year-End Grantee Reports

Note: All figures in the table are rounded at the clinic level, and consequently the sum of individual figures can deviate from the presented sum figure.

⁵⁷ IRC § 7526(c)(5).

⁵⁸ *Id.*

A grantee may use the value of third party in-kind contributions of goods or services to meet its matching funds requirement.⁵⁹ Clinics are encouraged to maintain a *pro bono* panel of volunteers who are qualified to practice before the IRS to which the clinic may refer taxpayers in need of representation in controversy matters. Clinics may also use other volunteers who provide clerical assistance, develop or maintain the clinic’s website, conduct community outreach and education, or provide interpreter and translation services. Nearly 2,000 volunteers contributed over 60,000 hours of service to LITCs in 2013. The chart above shows the types of volunteers who provided services.

Another way that LITCs leverage federal dollars is by utilizing law, business, or accounting students to assist in their work. Students associated with an LITC may represent taxpayers before the IRS under the supervision of a clinician by obtaining a special appearance authorization letter for student practice.⁶⁰



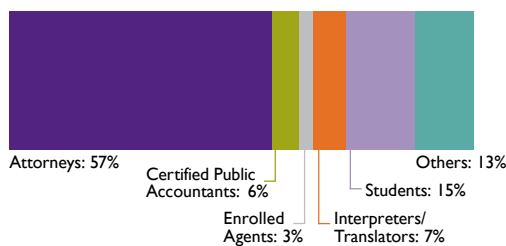
Effective December 2012, the authority to issue a special appearance authorization letter for student practice was delegated to the Director of the LITC Program Office; the IRS Commissioner recently further extended the Director’s authority to issue those letters until October 2019.⁶¹

59 2 C.F.R. § 200.306(b).

60 31 C.F.R. § 10.7(d).

61 See Delegation Order 25-18 (Rev. 1), IRM 1.2.52.19.

Types of volunteers*



*Numbers do not total to 100% due to rounding.

Although LITCs may not include the value of services provided by students who receive academic credit or other compensation as matching funds, the work students perform on behalf of clients assists the clinic in serving more taxpayers. Student representatives also gain valuable professional and advocacy skills and their work fosters a *pro bono* tradition, which in turn helps keep taxpayer-funded overhead costs at a minimum.⁶²

During the spring, summer, and fall semesters of 2013, the LITC Program Office issued 127 special appearance authorization letters to LITCs.⁶³ The letters authorized practice for 1,110 students, although students serving in clinics through multiple semesters are counted once for each semester, so the number of students working at LITCs during 2013 was less than 1,110.

62 Students face challenges in the course of their clinic work, which they can examine, resolve, internalize, and then carry with them in their subsequent professional endeavors. See Christian A. Johnson & Mary Grossman, *The Tax Law Clinic: Loyola Chicago’s Decade of Experience*, 50 *J. Legal Educ.* 376, 390 (Sept. 2000).

63 LITCs that supervise student representatives typically request a new special appearance authorization letter each semester, when the list of students enrolled in the academic institution changes.

PROGRAM OFFICE ACTIVITIES

In addition to its responsibility for making grants to the LITCs, the IRS is required to provide administrative oversight and guidance to grantees. From the program's inception in 1999 through April 2003, the IRS's Wage and Investment Division held this responsibility. In May 2003, the Commissioner transferred this responsibility to the Taxpayer Advocate Service.

The LITC Program Office administers and oversees the LITC grant program. To assist grantees in operating quality programs which provide access to justice for low income taxpayers, the Program Office:

- Processes LITC applications and makes grant awards to successful applicants;
- Provides technical assistance and guidance to grantees and potential applicants;
- Revises and issues annually Publication 3319, *LITC Grant Application Package and Guidelines*;
- Maintains the LITC Toolkit, a website that disseminates program guidance to grantees and provides resources to assist clinics in serving low income and ESL taxpayers;
- Maintains Publication 4134, *Low income Taxpayer Clinic List*, which lists the name and contact information of all federally funded LITCs; and ensures that to the extent permitted by law the publication is included with certain IRS mailings, referenced in appropriate IRS publications, and available to taxpayers on the IRS website;
- Sponsors and coordinates an Annual LITC Grantee Conference that delivers instruction and continuing education to all clinics and provides an opportunity for attendees to share ideas and strategies with colleagues from throughout the country;
- Issues Publication 5066, *LITC Program Report* (this report), which reports the activities of LITCs to internal and external stakeholders;
- Conducts orientation visits to new grantees within the first 120 days of the initial funding year;
- Conducts periodic site assistance visits to all grantees to observe and evaluate each clinic's operations and to discuss with clinic personnel the progress made in achieving program goals and objectives;
- Reviews and analyzes data from reports submitted by LITCs to identify trends and recognize best practices; and
- Issues special appearance authorizations to LITCs that permit students to represent taxpayers before the IRS.

In recent years, the LITC Program Office has embarked on an initiative to modernize the program's technology systems and to incorporate performance measures into its data analysis. Grant Solutions, a comprehensive grants management system, was introduced in FY 2013, allowing for the seamless processing of grant year 2014 applications submitted online. Grantees can also enter information such as Interim and Year-End Reports, continued funding requests, revised budgets and program plans, and other administrative documents directly into the system. The new database in Grant Solutions allows the LITC Program Office to streamline data processing and review, and enhances analysis and oversight of clinic operations by providing tools to compare reported data across grantees and produce program-wide cumulative statistics.

APPENDIX A: LIST OF LITCS

Below is a list of clinics in each geographic area as of December, 2014. The list shows the name of each clinic, its city location, and whether it receives funding to provide controversy services (C), ESL education (E), or both (B).

IRS Publication 4134, *Low Income Taxpayer Clinic List*, which includes contact information and language information for each clinic, is updated annually and is available at www.irs.gov. Contact information for clinics may change, so please check for the most recent information at <http://www.irs.gov/uac/Contact-a-Low-Income-Taxpayer-Clinic>.

For general questions about the LITC Program, contact the LITC Program Office at 202-317-4700 (not a toll-free call) or by e-mail at LITCProgramOffice@irs.gov.

Alabama

Montgomery	Legal Services Alabama LITC	C
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Alaska

Anchorage	Alaska Business Development Center	B
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Arizona

Chinle	DNA People's Legal Services LITC	B
Phoenix	Community Legal Services LITC	C
Tucson	Taxpayer Clinic of Southern Arizona	B

Arkansas

Little Rock	UALR Bowen School of Law LITC	B
Springdale	LITC at Legal Aid of Arkansas	B

California

Fresno	Central California Legal Services LITC	B
Los Angeles	AIDS Project Los Angeles LITC	C
Northridge	The Bookstein Tax Clinic	B
Orange	Chapman University Tax Law Clinic	C
San Diego	Legal Aid Society of San Diego Inc. LITC	C
San Diego	University of San Diego LITC	B
San Francisco	Asian Pacific Islanders LITC	C
San Francisco	Bar Association of San Francisco, Justice and Diversity Center	C
San Francisco	Chinese Newcomers Service Center	B
San Jose	Santa Clara University School of Law LITC	C
San Luis Obispo	Cal Poly Low Income Taxpayer Clinic	B
Santa Ana	Legal Aid Society of Orange County LITC	B

Colorado

Denver	University of Denver Graduate Tax Program LITC	C
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Connecticut

Hamden	Quinnipiac University School of Law LITC	C
Hartford	UConn Law School Tax Clinic	C

Delaware

Wilmington	Delaware Community Reinvestment Action Council LITC	B
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District of Columbia

Washington	CARECEN ESL Outreach LITC	E
Washington	The Janet R. Spragens Federal Tax Clinic	C
Washington	University of the District of Columbia David A. Clarke School of Law LITC	C

Florida

Jacksonville	Three Rivers Legal Services LITC	C
Miami	Legal Services of Greater Miami Community Tax Clinic	B
Miami	Sant La LITC	E
Orlando	Community Legal Services of Mid-Florida LITC	B
Plant City	Bay Area Legal Services Inc. LITC	B
Plantation	Legal Aid Service of Broward & Collier Counties	B
St. Petersburg	Gulfcoast Legal Services LITC	B
Tallahassee	Legal Services of North Florida LITC	B
West Palm Beach	Legal Aid Society of Palm Beach County LITC	B

Georgia

Atlanta	The Philip C. Cook Low-Income Taxpayer Clinic	C
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Hawaii

Honolulu	Legal Aid Society of Hawaii LITC	B
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Idaho

Boise	University of Idaho College of Law LITC	C
Twin Falls	La Posada Tax Clinic	B

Illinois

Chicago	Center for Economic Progress Tax Clinic	B
Chicago	Loyola University Chicago School of Law Federal Income Tax Clinic	C
Elgin	Administer Justice	B
Wheaton	Prairie State Legal Services LITC	C

Indiana

Bloomington	Indiana Legal Services LITC	C
Indianapolis	Neighborhood Christian Legal Clinic	B
Valparaiso	Valparaiso University Law Clinic	C

Iowa

Des Moines	Drake University Low Income Taxpayer Clinic	B
Des Moines	Iowa Legal Aid LITC	B

Kentucky

Erlanger	Northern Kentucky University LITC	B
Louisville	LITC at the Legal Aid Society, Inc.	C
Richmond	Low Income Tax Clinic of AppalRed Legal Aid	C

Louisiana

Baton Rouge	Southern University Law Center LITC	C
New Orleans	Southeast Louisiana Legal Services LITC	C

Maine

Bangor	Pine Tree Legal Assistance LITC	B
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Maryland

Baltimore	Maryland Volunteer Lawyers Service LITC	C
Baltimore	University of Maryland Carey School of Law LITC	C

Massachusetts

Boston	Greater Boston Legal Services LITC	B
Springfield	Springfield Partners LITC	B
Waltham	Bentley University Multi-lingual Tax Information Program	B

Michigan

Ann Arbor	University of Michigan LITC	B
Detroit	Accounting Aid Society LITC	B
East Lansing	Alvin L. Storrs Low-Income Taxpayer Clinic	B

Minnesota

Minneapolis	Mid-Minnesota Legal Aid Tax Law Project	B
Minneapolis	University of Minnesota LITC	B

Mississippi

Oxford	Mississippi Taxpayer Assistance Project	C
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Missouri

Kansas City	Legal Aid of Western Missouri LITC	C
Kansas City	UMKC - Kansas City Tax Clinic	C
St. Louis	Washington University School of Law LITC	C

Montana

Helena	Montana Legal Services Association LITC	C
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Nebraska

Omaha	Legal Aid of Nebraska LITC	B
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Nevada

Las Vegas	Nevada Legal Services LITC	B
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New Hampshire

Concord	Legal Advice & Referral Center LITC	E
Concord	NH Pro Bono Low-Income Taxpayer Project	C

New Jersey

Camden	South Jersey Legal Services LITC	C
Edison	Legal Services of New Jersey Tax Legal Assistance Project	B
Jersey City	Northeast New Jersey Legal Services LITC	B
Newark	Rutgers Federal Tax Law Clinic	C

New Mexico

Albuquerque	University of New Mexico School of Law Business and Tax Clinic	C
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New York

Albany	Legal Aid Society of Northeastern New York LITC	C
Bronx	Legal Services NYC-Bronx LITC	C
Brooklyn	Bedford-Stuyvesant Community Legal Services LITC	C
Brooklyn	Brooklyn Low-Income Taxpayer Clinic	B
Buffalo	Erie County Bar Association Volunteer Lawyers Project LITC	C
Jamaica	Queens Legal Services LITC	B
New York	Fordham Law School Tax Litigation Clinic	C
New York	The Legal Aid Society LITC	C
Syracuse	Syracuse University College of Law LITC	C

North Carolina

Charlotte	Western North Carolina LITC	B
Durham	North Carolina Central University School of Law LITC	C
Durham	Reinvestment Partners ESL Outreach Program	E

Ohio

Akron	Community Legal Aid Service LITC	B
Cleveland	Friendship Foundation LITC	E
Cleveland	The Legal Aid Society of Cleveland LITC	B
Columbus	The LITC of the Legal Aid Society of Columbus	C
Columbus	Southeastern Ohio Legal Services LITC	C
Piketon	Community Action Committee of Pike County LITC	C
Toledo	Advocates for Basic Legal Equality LITC	B
Toledo	Legal Aid of Western Ohio LITC	C

Oklahoma

Oklahoma City	The LITC at Oklahoma Indian Legal Services	B
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Oregon

Gresham	Catholic Charities El Programa Hispano LITC	B
Portland	Legal Aid Services of Oregon LITC	B
Portland	Lewis & Clark Low Income Taxpayer Clinic	C

Pennsylvania

Lancaster	Central Pennsylvania Federal Tax Clinic	B
Philadelphia	PLA's Pennsylvania Farmworker Project LITC	E
Philadelphia	Villanova Federal Tax Clinic	C
Pittsburgh	Jewish Family & Children's Service LITC for ESL Taxpayers	E
Pittsburgh	University of Pittsburgh School of Law Taxpayer Clinic	C

Rhode Island

Providence	Rhode Island Legal Services LITC	B
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South Carolina

Greenville	South Carolina Legal Services LITC	B
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Tennessee

Memphis	Memphis Area Legal Services LITC	B
Oak Ridge	Legal Aid Society of Middle Tennessee and the Cumberlands Tennessee Taxpayer Project	B

Texas

Bryan	Lone Star Legal Aid LITC	B
Fort Worth	Legal Aid of Northwest Texas LITC	B
Houston	Houston Volunteer Lawyers LITC	B
Lubbock	Texas Tech University School of Law LITC	C
San Antonio	St. Mary's University of San Antonio LITC	B
San Antonio	Texas Taxpayer Assistance Project	B

Utah

Provo	LITC - Centro Hispano	B
Sandy	University of Utah LITC	B

Vermont

Burlington	Vermont Low Income Taxpayer Project	C
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Virginia

Arlington	ECDC Enterprise Development Group LITC	E
Lexington	Washington and Lee University School of Law Tax Clinic	C
Richmond	The Community Tax Law Project	B

Washington

Seattle	University of Washington Federal Tax Clinic	B
Spokane	Gonzaga University School of Law Federal Tax Clinic	C

West Virginia

Charleston	Legal Aid of West Virginia, Inc.	C
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Wisconsin

Milwaukee	Legal Action of Wisconsin LITC	C
Milwaukee	The Legal Aid Society of Milwaukee, Inc.	C
Wausau	Wisconsin Judicare Northwoods Tax Project	B

Wyoming

Cheyenne	Wyoming Low Income Taxpayer Clinic	C
Jackson	Teton County Low Income Taxpayer Clinic	E

APPENDIX B: WHAT KINDS OF CONTROVERSY CASES ARE LITCS WORKING?

Collection Status	2012 Year-End Totals	2013 Year-End Totals
Accounts Management		
Return Processing	3,268	2,499
Penalty Adjustment	309	221
Injured Spouse	211	110
Backup Withholding	48	50
Examination		
Correspondence Examination	1,495	1,111
Office or Field Examination	185	146
Automated Underreporter Program	823	674
Automated Substitute for Return	561	543
Audit Reconsideration	775	633
Collection		
Automated Collection System	4,898	5,185
Collection Field Function	321	266
Offer-in-Compromise Unit	1,947	2,164
Lien Unit	632	461
Bankruptcy	193	148
Appeals		
Examination Appeals	259	281
Collection Due Process	539	539
Collection Appeals Program	103	51
Offer-in-Compromise Appeals	117	100
Penalty Abatement Appeals	53	51
Other Appeals	119	109
Litigation		
United States Tax Court	1,175	1,352
Other Federal Courts	40	41
Miscellaneous		
Identity Theft Unit	598	634
Innocent Spouse Unit	413	383
SS-8 Unit	70	107
Individual Taxpayer Identification Number Unit	319	246
Trust Fund Recovery Unit	53	43

Source: 2012 LITC Year-End Reports and 2013 LITC Interim Reports

www.TaxpayerAdvocate.irs.gov/LITC

