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H. R. 341

To facilitate nationwide availability of volunteer income tax assistance for low-income and underserved populations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 2013

Mr. HONDA (for himself and Mr. DANNY K. DAVIS of Illinois) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To facilitate nationwide availability of volunteer income tax assistance for low-income and underserved populations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Volunteer Income Tax Assistance (VITA) Act''.

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) Community Volunteer Income Tax Assistance (VITA) programs offer tax preparation and related financial services, free of charge, to middle-

and low-income individuals and families. The majority of individuals served by VITA programs have annual household earnings below $40,000.

(2) During the 2012 Federal income tax filing season, VITA programs filed 1,600,000 Federal income tax returns and prepared more than 505,000 returns for the earned income tax credit (EITC), helping program recipients claim $2,200,000,000 in Federal tax refunds. One in five taxpayers who were eligible to claim the EITC failed to do so.

(3) VITA programs assist underserved taxpayers, including low-wage workers, persons with disabilities, the elderly, Native Americans, rural populations, and taxpayers with limited English proficiency.

(4) Volunteer tax preparation programs save the Internal Revenue Service an estimated $5,500,000 a year in return processing costs. In 2012, clients of VITA programs electronically filed their tax returns at a much higher rate (95 percent) than the general population (82 percent).

(5) Not only do electronic returns cost the Internal Revenue Service considerably less to process ($0.17 per return) than paper returns ($3.66 per return), but electronic returns also generate a low

error rate of 2.5 percent compared with a 25 percent error rate for paper returns. Low error rates reduce the need for the Internal Revenue Service to correspond with taxpayers and for taxpayers to resubmit paperwork.

(6) The use of technology in meeting the needs of taxpayers with physical, sensory, or cognitive disabilities is essential to the success of the VITA program, as demonstrated through the expanded use of innovative assistive technology and strategies intended to expand free tax preparation for deaf and hearing impaired taxpayers. These innovative uses of assistive technologies should continue to be replicated and tested to expand capacity of VITA programs in successfully meeting the needs of taxpayers with various disabilities.

(7) An Internal Revenue Service survey has shown that very low-income taxpayers are twice as likely as the general population to visit a Taxpayer Assistance Center and half as likely to use the Internal Revenue Service Web site. Volunteer tax preparation programs serve as an accessible and cost-effective alternative to other Internal Revenue Service channels.

(8) Internal Revenue Service estimates from fiscal year 2005 found that the volunteer preparation program cost $12.01 per contact, while Taxpayer Assistance Centers and assisted toll-free calls averaged $28.73 and $19.46 per contact, respectively.

(9) The number of tax returns prepared by the VITA program increased 220 percent between the 2004 (500,000) and 2012 (1,600,000 returns) tax filing seasons.

(10) The demand on this integral community service continues to rise as the nation recovers from the significant economic downturn of recent years and VITA programs are experiencing strained resources and limited capacity.

(11) In fiscal year 2013, 333 organizations applied to the Internal Revenue Service seeking more than $27,900,000 in grant funding—more than double the available resources—through the VITA program, and 206 received grants at a median grant of approximately $38,500.

SEC. 3. DEFINITIONS.

As used in this Act:

(1) QUALIFIED RETURN PREPARATION PROGRAM.—The term ''qualified return preparation program'' means any program—

(A) which provides assistance to individuals, not less than 90 percent of whom are low-income taxpayers, in preparing and filing Federal income tax returns, including schedules reporting sole proprietorship or farm income,

(B) which is administered by a qualified entity,

(C) in which all of the volunteers who assist in the preparation of Federal income tax returns meet the training requirements prescribed by the Secretary, and

(D) which uses a quality review process which reviews 100 percent of all returns.

(2) QUALIFIED ENTITY.—

(A) IN GENERAL.—The term ''qualified entity'' means any entity which—

(i) is described in subparagraph (B),

(ii) is in compliance with Federal tax filing and payment requirements,

(iii) is not debarred or suspended from Federal contracts, grants, or cooperative agreements, and

(iv) agrees to provide documentation to substantiate any matching funds provided under the VITA grant program.

(B) ENTITY DESCRIBED.—An entity is described in this subparagraph if such entity is—

(i) an institution of higher education which is described in section 102 (other than subsection (a)(1)(C) thereof) of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and which has not been disqualified from participating in a program under title IV of such Act,

(ii) an organization described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code,

(iii) a State or local government agency, including—

(I) a county or municipal government agency,

(II) an Indian tribe, as defined in section 4(12) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(12)), including any tribally designated housing entity (as defined in section 4(21) of such Act (25 U.S.C.

4103(21))), tribal subsidiary, subdivision, or other wholly owned tribal entity, and

(III) a State government agency, but only if no other eligible organization is available to assist the targeted population or community,

(iv) local, State, regional, or national coalition (with one lead organization which meets the eligibility requirements of clause (i), (ii), or (iii) acting as the applicant organization), or

(v) a Cooperative Extension Service office, but only if no other eligible organization is available to assist the targeted population or community.

(3) LOW-INCOME TAXPAYERS.—The term ''low-income taxpayer'' means a taxpayer who has an income which does not exceed 250 percent of the poverty level, as determined in accordance with criteria established by the Director of the Office of Management and Budget.

(4) UNDERSERVED POPULATION.—The term ''underserved population'' includes populations of persons with disabilities, persons with limited

English proficiency, Native Americans, individuals living in rural areas, and the elderly.

(5) LEAD NATIONAL ORGANIZATION.—The term ''lead national organization'' means an organization described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code which has demonstrated, to the satisfaction of the Secretary—

(A) capacity in a minimum of 15 States, territories, or tribal areas,

(B) expertise in the provision of tax preparation services to low-income taxpayers and underserved populations,

(C) an ability to train program leadership and staff,

(D) capacity to disseminate information throughout the United States, and

(E) capacity to—

(i) maintain a Web site through which information is disseminated in an easily accessible manner, and

(ii) to provide technical assistance and training through Web-based technologies.

(6) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury or the Secretary's delegate.

SEC. 4. GRANTS TO FACILITATE NATIONWIDE AVAILABILITY OF VOLUNTEER INCOME TAX ASSISTANCE FOR LOW-INCOME AND UNDERSERVED POPULATIONS.

(a) IN GENERAL.—The Secretary, through the Internal Revenue Service, shall establish a Community Volunteer Income Tax Assistance Matching Grant Program (hereinafter in this section referred to as the ''VITA grant program''). Except as otherwise provided in this section, the VITA grant program shall be administered in the same manner as the Community Volunteer Income Tax Assistance matching grants demonstration program established under title I of division D of the Consolidated Appropriations Act, 2008.

(b) MATCHING GRANTS.—

(1) IN GENERAL.—The Secretary shall make available grants under the VITA grant program to provide matching funds for the development, expansion, or continuation of qualified return preparation programs assisting low-income taxpayers and members of underserved populations.

(2) APPLICATION.—In order to be eligible for a grant under this section, a qualified return preparation program shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may reasonably require for each fiscal year.

(3) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to applications—

(A) demonstrating assistance to low-income taxpayers, with emphasis on outreach to and services for persons with an income at or below 250 percent of the Federal poverty level, as determined in accordance with criteria established by the Director of the Office of Management and Budget,

(B) demonstrating taxpayer outreach and education around available income supports and refundable credits such as the earned income tax credit under section 32 of the Internal Revenue Code of 1986, and

(C) demonstrating specific outreach and focus on one or more underserved populations.

(4) USE OF FUNDS.—Qualified return preparation programs receiving a grant under this section may use the grant for—

(A) ordinary and necessary costs associated with program operation in accordance with Cost Principles Circulars as set forth by the Office of Management and Budget,

(B) outreach and educational activities relating to eligibility and availability of income supports available through the Internal Revenue Code of 1986, such as the earned income tax credit, and

(C) services related to financial education and capability, asset development, and the establishment of savings accounts in connection with tax return preparation.

(5) DURATION OF GRANTS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), a grant awarded under this section shall be for a period of 1 year and shall not be renewed other than through an application under paragraph (2).

(B) EXTENDED GRANTS.—The Secretary may award a grant under this section for a pe-

riod of not more than 3 years to any qualified return preparation program which—

(i) received a grant under this section for the preceding year, and

(ii) received a score of 90 percent or better on a technical evaluation.

(c) PROMOTION AND REFERRAL.—

(1) PROMOTION.—The Secretary shall promote the benefits of, and encourage the use of, tax preparation through the Volunteer Income Tax Assistance program through the use of mass communications, referrals, and other means.

(2) INTERNAL REVENUE SERVICE REFERRALS.—The Secretary may refer taxpayers to qualified return preparation programs receiving funding under this section.

(3) VITA GRANTEE REFERRAL.—Qualified return preparation programs receiving a grant under this section are encouraged to refer, as appropriate, to local or regional Low Income Tax Clinics individuals who are eligible to receive services at such clinics.

(d) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—For each of fiscal years 2014, 2015, 2016, 2017, and 2018, there are au-

thorized to be appropriated $30,000,000 to carry out the purposes of this section.

(2) RESERVATION.—From the funds appropriated under paragraph (1) for any fiscal year, the Secretary shall reserve not more than 3 percent for administration of the program.

(3) AVAILABILITY.—Amounts appropriated pursuant to the authority of paragraph (1) shall remain available without fiscal year limitation until expended.

SEC. 5. NATIONAL CENTER TO PROMOTE QUALITY, EXCELLENCE, AND EVALUATION IN VOLUNTEER INCOME TAX ASSISTANCE.

(a) NATIONAL CENTER TO PROMOTE QUALITY, EXCELLENCE, AND EVALUATION IN VOLUNTEER INCOME TAX ASSISTANCE.—

(1) ESTABLISHMENT.—There is hereby established the National Center to Promote Quality, Excellence, and Evaluation in Volunteer Income Tax Assistance (hereinafter in this section referred to as the ''Center'').

(2) PURPOSE.—The Center shall—

(A) promote the adoption of a universally accessible volunteer training platform for the preparation of Federal income tax returns,

(B) provide capacity-building technical assistance to qualified return preparation program managers,

(C) identify and disseminate best practices related to tax site management emerging from States, community-based organizations, nonprofit providers, and local government entities,

(D) support outreach and marketing efforts to encourage the use of qualified return preparation programs receiving funding under section 4, and

(E) provide evaluation of programs and activities funded under this Act, including—

(i) identification, both in aggregate and disaggregate, of gaps in services for low-income taxpayers and underserved populations, and

(ii) independent evaluation of progress toward program objectives, as defined by the Secretary.

(3) ADMINISTRATION.—

(A) IN GENERAL.—The Secretary shall—

(i) designate, through a competitive process, one qualified entity to be the lead national organization, and

(ii) provide an annual grant to the lead national organization designated under clause (i).

(B) DUTIES OF LEAD NATIONAL ORGANIZATION.—The lead national organization shall use funds provided through the grant in subparagraph (A)(ii) to—

(i) carry out the purposes of the Center, and

(ii) make subgrants as provided in subsection (b).

(b) SUBGRANTS.—

(1) IN GENERAL.—The lead national organization shall make available subgrants to eligible organizations to facilitate specialized technical assistance in reaching one or more underserved populations.

(2) ELIGIBLE ORGANIZATION.—For purposes of this subsection, the term ''eligible organization'' means any organization which—

(A) is described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code,

(B) has, to the satisfaction of the lead national organization, demonstrated expertise and evidenced-based practices in specialized out-

reach to, and service of, one or more underserved populations, and

(C) has, to the satisfaction of the lead national organization, demonstrated expertise in the provision of specialized technical assistance relating to qualified return preparation programs for one or more targeted underserved populations.

(3) APPLICATION.—In order to be eligible for a subgrant under this subsection, an eligible organization shall submit an application to the lead national organization at such time, in such manner, and containing such information as the lead national organization may reasonably require for each fiscal year.

(4) USE OF FUNDS.—An eligible organization which receives a subgrant under this subsection shall assist the Center by—

(A) providing technical assistance to qualified return preparation programs with targeted outreach and assistance to one or more underserved populations, and

(B) including strategies for the provision of technical assistance targeting individuals and families with annual household earnings at or

below 250 percent of the poverty line within the underserved populations served by the subgrant.

(5) SUBGRANT AMOUNT.—

(A) IN GENERAL.—Each year, the lead national organization shall make available subgrants which, in the aggregate, do not exceed 40 percent of the grant received under subsection (a).

(B) UNDERSERVED POPULATIONS.—Of the amount of subgrants provided under subparagraph (A)—

(i) not less than 25 percent shall be dedicated to specialized technical assistance in serving taxpayers with disabilities,

(ii) not less than 25 percent shall be dedicated to specialized technical assistance in serving limited English speaking taxpayers, and

(iii) not less than 25 percent shall be dedicated to specialized technical assistance in serving Native American taxpayers.

(6) DURATION OF SUBGRANTS.—A subgrant awarded under this subsection shall be for a period of 1 year and shall not be renewed other than through an application under paragraph (3).

(c) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—For each of fiscal years 2014, 2015, 2016, 2017, and 2018, there are authorized to be appropriated $5,000,000 to carry out the purposes of this section.

(2) AVAILABILITY.—Amounts appropriated pursuant to the authority of paragraph (1) shall remain available without fiscal year limitation until expended.

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