

112TH CONGRESS
1ST SESSION

S. 816

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

IN THE SENATE OF THE UNITED STATES

APRIL 14, 2011

Mr. BROWN of Ohio introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

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

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Volunteer Income Tax
5 Assistance (VITA) Act of 2011”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) Community Volunteer Income Tax Assist-
9 ance (VITA) programs offer tax preparation and re-
10 lated financial services, free of charge, to middle-

1 and low-income individuals and families. The major-
2 ity of individuals served by VITA programs have an-
3 nual household earnings below \$40,000.

4 (2) During the 2009 Federal income tax filing
5 season, VITA programs filed 1,200,000 Federal in-
6 come tax returns and prepared more than 400,000
7 returns for the earned income tax credit (EITC),
8 helping program recipients claim \$1,600,000,000 in
9 Federal tax refunds. An estimated 25 percent of
10 households eligible for the EITC do not claim the
11 credit.

12 (3) VITA programs assist underserved tax-
13 payers, including low-wage workers, persons with
14 disabilities, the elderly, Native Americans, rural pop-
15 ulations, and taxpayers with limited English pro-
16 ficiency.

17 (4) Volunteer tax preparation programs save
18 the Internal Revenue Service an estimated
19 \$1,800,000 a year in return processing costs. In
20 2009, clients of VITA programs electronically filed
21 their tax returns at a much higher rate (92 percent)
22 than the general population (68 percent).

23 (5) Not only do electronic returns cost the In-
24 ternal Revenue Service considerably less to process
25 (\$0.35 per return) than paper returns (\$2.87 per re-

1 turn), but electronic returns also generate a low
2 error rate of 2.5 percent compared to a 25 percent
3 error rate for paper returns. Low error rates reduce
4 the need for the Internal Revenue Service to cor-
5 respond with taxpayers and for taxpayers to resub-
6 mit paperwork.

7 (6) The use of technology in meeting the needs
8 of taxpayers with physical, sensory, or cognitive dis-
9 abilities is essential to the success of the VITA pro-
10 gram, as demonstrated through the expanded use of
11 innovative assistive technology and strategies in-
12 tended to expand free tax preparation for deaf and
13 hearing impaired taxpayers. These innovative uses of
14 assistive technologies should continue to be rep-
15 licated and tested to expand capacity of VITA pro-
16 grams in successfully meeting the needs of taxpayers
17 with various disabilities.

18 (7) An Internal Revenue Service survey has
19 shown that very low-income taxpayers are twice as
20 likely as the general population to visit a Taxpayer
21 Assistance Center and half as likely to use the Inter-
22 nal Revenue Service Web site. Volunteer tax prepa-
23 ration programs serve as an accessible and cost-ef-
24 fective alternative to other Internal Revenue Service
25 channels.

1 (8) Internal Revenue Service estimates from fis-
2 cal year 2005 found that the volunteer preparation
3 program cost \$12.01 per contact, while Taxpayer
4 Assistance Centers and assisted toll-free calls aver-
5 aged \$28.73 and \$19.46 per contact, respectively.

6 (9) The number of tax returns prepared by the
7 VITA program increased 155 percent between the
8 2004 (500,000) and 2009 (1,200,000 returns) tax
9 filing seasons.

10 (10) The demand on this integral community
11 service continues to rise due to the current economic
12 downturn and VITA programs are experiencing
13 strained resources and limited capacity.

14 (11) During the 2009 tax filing season, tax-
15 payers applied for 9,900,000 refund anticipation
16 loans and spent an estimated \$733,000,000 in fees.
17 Refund anticipation loans are especially prevalent
18 among low- and extremely low-income taxpayers.
19 Free tax preparation programs serve over 3,000,000
20 taxpayers each year, thereby reducing reliance on
21 these other costly alternatives.

22 (12) In fiscal year 2009, 379 organizations ap-
23 plied to the Internal Revenue Service for over
24 \$30,000,000 in grant funding through the VITA

1 program, and 147 received grants at a median grant
2 of \$35,000.

3 **SEC. 3. DEFINITIONS.**

4 As used in this Act:

5 (1) **QUALIFIED RETURN PREPARATION PRO-**
6 **GRAM.**—The term “qualified return preparation pro-
7 gram” means any program—

8 (A) which provides assistance to individ-
9 uals, not less than 90 percent of whom are low-
10 income taxpayers, in preparing and filing Fed-
11 eral income tax returns, including schedules re-
12 porting sole proprietorship or farm income,

13 (B) which is administered by a qualified
14 entity,

15 (C) in which all of the volunteers who as-
16 sist in the preparation of Federal income tax
17 returns meet the training requirements pre-
18 scribed by the Secretary, and

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

21 (2) **QUALIFIED ENTITY.**—

22 (A) **IN GENERAL.**—The term “qualified en-
23 tity” means any entity which—

24 (i) is described in subparagraph (B),

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

3 (iii) is not debarred or suspended
4 from Federal contracts, grants, or coopera-
5 tive agreements, and

6 (iv) agrees to provide documentation
7 to substantiate any matching funds pro-
8 vided under the VITA grant program.

9 (B) ENTITY DESCRIBED.—An entity is de-
10 scribed in this subparagraph if such entity is—

11 (i) an institution of higher education
12 which is described in section 102 (other
13 than subsection (a)(1)(C) thereof) of the
14 Higher Education Act of 1965 (20 U.S.C.
15 1088), as in effect on the date of the en-
16 actment of this section, and which has not
17 been disqualified from participating in a
18 program under title IV of such Act,

19 (ii) an organization described in sec-
20 tion 501(e) of the Internal Revenue Code
21 of 1986 and exempt from tax under sec-
22 tion 501(a) of such Code,

23 (iii) a State or local government agen-
24 cy, including—

- 1 (I) a county or municipal govern-
2 ment agency,
- 3 (II) an Indian tribe, as defined in
4 section 4(12) of the Native American
5 Housing Assistance and Self-Deter-
6 mination Act of 1996 (25 U.S.C.
7 4103(12)), including any tribally des-
8 ignated housing entity (as defined in
9 section 4(21) of such Act (25 U.S.C.
10 4103(21))), tribal subsidiary, subdivi-
11 sion, or other wholly owned tribal en-
12 tity, and
- 13 (III) a State government agency,
14 but only if no other eligible organiza-
15 tion is available to assist the targeted
16 population or community,
- 17 (iv) local, State, regional, or national
18 coalition (with one lead organization which
19 meets the eligibility requirements of clause
20 (i), (ii), or (iii) acting as the applicant or-
21 ganization), or
- 22 (v) a Cooperative Extension Service
23 office, but only if no other eligible organi-
24 zation is available to assist the targeted
25 population or community.

1 (3) LOW-INCOME TAXPAYERS.—The term “low-
2 income taxpayer” means a taxpayer who has an ad-
3 justed gross income which does not exceed 250 per-
4 cent of the poverty level, as determined in accord-
5 ance with criteria established by the Director of the
6 Office of Management and Budget.

7 (4) UNDERSERVED POPULATION.—The term
8 “underserved population” includes populations of
9 persons with disabilities, persons with limited
10 English proficiency, Native Americans, individuals
11 living in rural areas, and the elderly.

12 (5) LEAD NATIONAL ORGANIZATION.—The term
13 “lead national organization” means an organization
14 described in section 501(c) of the Internal Revenue
15 Code of 1986 and exempt from tax under section
16 501(a) of such Code which has demonstrated, to the
17 satisfaction of the Secretary—

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

20 (B) expertise in the provision of tax prepa-
21 ration services to low-income taxpayers and un-
22 derserved populations,

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

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

3 (E) capacity to—

4 (i) maintain a Web site through which
5 information is disseminated in an easily ac-
6 cessible manner, and

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

9 (6) SECRETARY.—The term “Secretary” means
10 the Secretary of the Treasury or the Secretary’s del-
11 egate.

12 **SEC. 4. GRANTS TO FACILITATE NATIONWIDE AVAIL-**
13 **ABILITY OF VOLUNTEER INCOME TAX ASSIST-**
14 **ANCE FOR LOW-INCOME AND UNDERSERVED**
15 **POPULATIONS.**

16 (a) IN GENERAL.—The Secretary, through the Inter-
17 nal Revenue Service, shall establish a Community Volun-
18 teer Income Tax Assistance Matching Grant Program
19 (hereinafter in this section referred to as the “VITA grant
20 program”). Except as otherwise provided in this section,
21 the VITA grant program shall be administered in the
22 same manner as the Community Volunteer Income Tax
23 Assistance matching grants demonstration program estab-
24 lished under title I of division D of the Consolidated Ap-
25 propriations Act, 2008.

1 (b) MATCHING GRANTS.—

2 (1) IN GENERAL.—The Secretary shall make
3 available grants under the VITA grant program to
4 provide matching funds for the development, expan-
5 sion, or continuation of qualified return preparation
6 programs assisting low-income taxpayers and mem-
7 bers of underserved populations.

8 (2) APPLICATION.—In order to be eligible for a
9 grant under this section, a qualified return prepara-
10 tion program shall submit an application to the Sec-
11 retary at such time, in such manner, and containing
12 such information as the Secretary may reasonably
13 require for each fiscal year.

14 (3) PRIORITY.—In awarding grants under this
15 section, the Secretary shall give priority to applica-
16 tions—

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

24 (B) demonstrating taxpayer outreach and
25 education around available income supports and

1 refundable credits such as the earned income
2 tax credit under section 32 of the Internal Rev-
3 enue Code of 1986, and

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

6 (4) USE OF FUNDS.—Qualified return prepara-
7 tion programs receiving a grant under this section
8 may use the grant for—

9 (A) ordinary and necessary costs associ-
10 ated with program operation in accordance with
11 Cost Principles Circulars as set forth by the Of-
12 fice of Management and Budget,

13 (B) outreach and educational activities re-
14 lating to eligibility and availability of income
15 supports available through the Internal Revenue
16 Code of 1986, such as the earned income tax
17 credit, and

18 (C) services related to financial literacy,
19 asset development, and the establishment of
20 savings accounts in connection with tax return
21 preparation.

22 (5) DURATION OF GRANTS.—

23 (A) IN GENERAL.—Except as provided in
24 subparagraph (B), a grant awarded under this
25 section shall be for a period of 1 year and shall

1 not be renewed other than through an applica-
2 tion under paragraph (2).

3 (B) EXTENDED GRANTS.—The Secretary
4 may award a grant under this section for a pe-
5 riod of not more than 3 years to any qualified
6 return preparation program which—

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

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

11 (c) PROMOTION AND REFERRAL.—

12 (1) PROMOTION.—The Secretary shall promote
13 the benefits of, and encourage the use of, tax prepa-
14 ration through the Volunteer Income Tax Assistance
15 program through the use of mass communications,
16 referrals, and other means.

17 (2) INTERNAL REVENUE SERVICE REFER-
18 RALS.—The Secretary may refer taxpayers to quali-
19 fied return preparation programs receiving funding
20 under this section.

21 (3) VITA GRANTEE REFERRAL.—Qualified re-
22 turn preparation programs receiving a grant under
23 this section are encouraged to refer, as appropriate,
24 to local or regional Low Income Tax Clinics individ-

1 uals who are eligible to receive services at such clin-
2 ics.

3 (d) AUTHORIZATION OF APPROPRIATIONS.—

4 (1) IN GENERAL.—For each of fiscal years
5 2012, 2013, 2014, 2015, and 2016, there are au-
6 thorized to be appropriated \$30,000,000 to carry
7 out the purposes of this section.

8 (2) RESERVATION.—From the funds appro-
9 priated under paragraph (1) for any fiscal year, the
10 Secretary shall reserve not more than 3 percent for
11 administration of the program.

12 (3) AVAILABILITY.—Amounts appropriated pur-
13 suant to the authority of paragraph (1) shall remain
14 available without fiscal year limitation until ex-
15 pended.

16 **SEC. 5. NATIONAL CENTER TO PROMOTE QUALITY, EXCEL-**
17 **LENCE, AND EVALUATION IN VOLUNTEER IN-**
18 **COME TAX ASSISTANCE.**

19 (a) NATIONAL CENTER TO PROMOTE QUALITY, EX-
20 CELLENCE, AND EVALUATION IN VOLUNTEER INCOME
21 TAX ASSISTANCE.—

22 (1) ESTABLISHMENT.—There is hereby estab-
23 lished the National Center to Promote Quality, Ex-
24 cellence, and Evaluation in Volunteer Income Tax

1 Assistance (hereinafter in this section referred to as
2 the “Center”).

3 (2) PURPOSE.—The Center shall—

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

7 (B) provide capacity-building technical as-
8 sistance to qualified return preparation pro-
9 gram managers,

10 (C) identify and disseminate best practices
11 related to tax site management emerging from
12 States, community-based organizations, non-
13 profit providers, and local government entities,

14 (D) support outreach and marketing ef-
15 forts to encourage the use of qualified return
16 preparation programs receiving funding under
17 section 4, and

18 (E) provide evaluation of programs and ac-
19 tivities funded under this Act, including—

20 (i) identification, both in aggregate
21 and disaggregate, of gaps in services for
22 low-income taxpayers and underserved pop-
23 ulations, and

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

4 (3) ADMINISTRATION.—

5 (A) IN GENERAL.—The Secretary shall—

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

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

12 (B) DUTIES OF LEAD NATIONAL ORGANI-
13 ZATION.—The lead national organization shall
14 use funds provided through the grant in sub-
15 paragraph (A)(ii) to—

16 (i) carry out the purposes of the Cen-
17 ter, and

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

20 (b) SUBGRANTS.—

21 (1) IN GENERAL.—The lead national organiza-
22 tion shall make available subgrants to eligible orga-
23 nizations to facilitate specialized technical assistance
24 in reaching one or more underserved populations.

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

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

7 (B) has, to the satisfaction of the lead na-
8 tional organization, demonstrated expertise and
9 evidenced-based practices in specialized out-
10 reach to, and service of, one or more under-
11 served populations, and

12 (C) has, to the satisfaction of the lead na-
13 tional organization, demonstrated expertise in
14 the provision of specialized technical assistance
15 relating to qualified return preparation pro-
16 grams for one or more targeted underserved
17 populations.

18 (3) APPLICATION.—In order to be eligible for a
19 subgrant under this subsection, an eligible organiza-
20 tion shall submit an application to the lead national
21 organization at such time, in such manner, and con-
22 taining such information as the lead national organi-
23 zation may reasonably require for each fiscal year.

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

4 (A) providing technical assistance to quali-
5 fied return preparation programs with targeted
6 outreach and assistance to one or more under-
7 served populations, and

8 (B) including strategies for the provision
9 of technical assistance targeting individuals and
10 families with annual household earnings at or
11 below 250 percent of the poverty line within the
12 underserved populations served by the subgrant.

13 (5) SUBGRANT AMOUNT.—

14 (A) IN GENERAL.—Each year, the lead na-
15 tional organization shall make available sub-
16 grants which, in the aggregate, do not exceed
17 40 percent of the grant received under sub-
18 section (a).

19 (B) UNDERSERVED POPULATIONS.—Of the
20 amount of subgrants provided under subpara-
21 graph (A)—

22 (i) not less than 25 percent shall be
23 dedicated to specialized technical assist-
24 ance in serving taxpayers with disabilities,

1 (ii) not less than 25 percent shall be
2 dedicated to specialized technical assist-
3 ance in serving limited English speaking
4 taxpayers, and

5 (iii) not less than 25 percent shall be
6 dedicated to specialized technical assist-
7 ance in serving Native American taxpayers.

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

12 (c) AUTHORIZATION OF APPROPRIATIONS.—

13 (1) IN GENERAL.—For each of fiscal years
14 2012, 2013, 2014, 2015, and 2016, there are au-
15 thorized to be appropriated \$5,000,000 to carry out
16 the purposes of this section.

17 (2) AVAILABILITY.—Amounts appropriated pur-
18 suant to the authority of paragraph (1) shall remain
19 available without fiscal year limitation until ex-
20 pended.

○