

LITC

LOW INCOME
TAXPAYER CLINICS

Representation • Education • Advocacy

*Assisting Taxpayers Face-to-Face with
An Increasingly Automated Tax System*

Program Report

February 2018

Representation • Education • Advocacy

PROGRAM

The Low Income Taxpayer Clinic (LITC) Program unites a nationwide network of independent organizations under a shared mission to protect taxpayer rights.

OUR MISSION

Low Income Taxpayer Clinics ensure the fairness and integrity of the tax system for taxpayers who are low income or speak English as a second language (ESL) by:

- Providing *pro bono* representation on their behalf in tax disputes with the IRS;
- Educating about taxpayer rights and responsibilities; and
- Identifying and advocating for issues that impact low income taxpayers.

FUNDING

The LITC Program is a matching federal grant program that provides up to \$100,000 per year to organizations that represent low income taxpayers in controversies with the IRS and provide education and outreach to ESL taxpayers.

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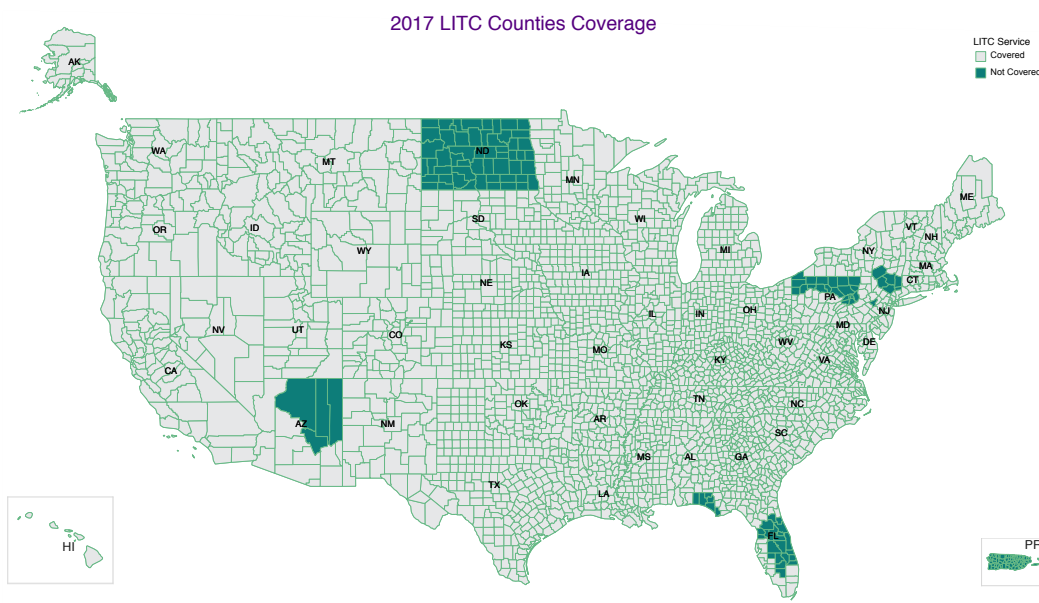
A LETTER FROM THE NATIONAL TAXPAYER ADVOCATE

Dear Readers,

As the National Taxpayer Advocate, it is my honor to oversee the LITC Grant Program. LITC grants use federal dollars and because I am accountable to the public and their representatives, I am issuing this report to provide an update on the Program's progress.

This report provides an overview of the LITC Program and discusses challenges of the people that need assistance from an LITC, and highlights some of the Program's accomplishments over the past year. The successes detailed in this report reflect the combined efforts of independent organizations across the country. Although the grants that support LITCs come from the IRS, each organization operating an LITC is wholly independent of the IRS. The map in Figure 1 shows how widespread availability of LITC assistance is in most of the country.

Figure 1: LITC COVERAGE BY COUNTY



The Office of the Taxpayer Advocate (TAS) has been delegated the authority to administer the LITC grant program, which involves selecting grant recipients, providing training and support, and monitoring the grant recipients to ensure compliance with federal rules and the terms of the grant. Like TAS, LITCs work to protect America's taxpayers by providing representation, education, and advocacy.

Sincerely,

Nina E. Olson
 National Taxpayer Advocate

WHAT DOES AN LITC DO?

BACKGROUND

For a low income individual or family, or for those experiencing financial hardship, the potential monetary impact of a tax controversy can be devastating. For instance, a tax controversy can arise from the IRS denying a claim for an anti-poverty credit, or imposing a penalty for failing to follow the requirements of the Affordable Care Act. LITCs exist to assist taxpayers who may be unable to afford to hire a representative to advocate on their behalf to the IRS, and taxpayers who do not speak English as a first language and may need assistance to understand how to remain tax compliant.

LITCs are required to provide outreach and education about taxpayer rights and responsibilities to English



as a second language (ESL) taxpayers, in addition to representing low income taxpayers in controversies with the IRS. This education informs taxpayers about critical information, such as the Taxpayer

Bill of Rights (TBOR), including their right to retain representation.¹ Empowering taxpayers to exercise their rights begins with helping them to understand those rights. The TBOR informs taxpayers about the types of information a taxpayer has a right to know when interacting with the IRS, and actions the taxpayer has the right to do or refrain from doing regarding those interactions. Providing representation and education offers a safety net for taxpayers who require assistance to protect and preserve their rights under the TBOR.

Achieving a correct outcome in a controversy with the IRS should not depend on the taxpayer's ability to pay for representation. Thus, all LITC services must be provided for no more than a nominal fee.

To provide the most current information available, the LITC Program Report contains both 2016 and 2017 data. Any information pertaining to clinic work, including case work, educational activities, and outreach is from 2016, the most recent year with complete data. Award amounts and related information is current through 2017, because we release that information prior to the start of the calendar year. In 2017, the LITC Program awarded approximately \$11.8 million in grants to 138 organizations across the United States, including seven that received an award for the first time. Our matching grants helped fund LITCs that provide face-to-face assistance to taxpayers seeking to comply with the law and understand their rights and responsibilities as taxpayers. The maximum amount of an LITC grant is \$100,000 per year, and many of our recipients receive much smaller sums. Despite the modest size of the grants, each clinic maintains a staff that includes an attorney, certified public accountant (CPA), or enrolled agent who can represent taxpayers before the IRS. In addition, LITCs must have a staff member or a volunteer available to provide *pro bono* assistance who is admitted to practice before the United States Tax Court to handle litigation matters. Students and recent law graduates working at an LITC may be authorized to represent taxpayers before the IRS. Moreover, LITCs are supported by the work of many volunteers. Over 1,800 volunteers provided 47,480 hours to LITCs in 2016. More than two-thirds of the volunteers were attorneys, CPAs, or enrolled agents.

¹ See IRC § 7803(a)(3)(I) and <https://www.irs.gov/taxpayer-bill-of-rights>.

REPRESENTATION

The combined efforts of clinic staff and volunteers brought over 4,200 taxpayers facing an IRS collection action back into compliance. In each case, a licensed tax professional represented each of them for free or for a nominal fee.

Resolving tax problems can have a meaningful impact in the lives of those assisted. Access



to a representative who understands the complexities of the tax code empowers low income taxpayers to exercise their rights, such as *the right to pay no more than the correct amount of tax*.

For example, during 2016, an LITC represented a single father and helped him to obtain years of tax credits the IRS had improperly denied him. The taxpayer's former wife was deceased, and no one else had claimed any credits for his son, yet the IRS audited his claims for a dependency credit, Child Tax Credit (CTC), and Earned Income Tax Credit (EITC). The taxpayer was not fluent in English, and had difficulty explaining his circumstances to the IRS. During the examination, the taxpayer moved over 1,000 miles

away. He asked the IRS to transfer his case to a closer office. The IRS refused. A relative drove the taxpayer more than 1,000 miles back to speak with the examiner. The relative was more skilled in English and was hoping to help the taxpayer explain the situation to the examiner. Because the taxpayer did not have an appointment, the examiner refused to speak with the taxpayer. The IRS denied the credits, assessed a liability of over \$17,000, and placed a ban on the taxpayer's account that prohibited him from claiming the EITC for an additional two years, finding that the taxpayer had acted with reckless disregard in making his EITC claim. The LITC requested the IRS conduct an audit reconsideration of the taxpayer's case. After 18 months without an IRS response to the request, the LITC requested TAS assistance. TAS assisted the LITC in resolving one year. Because the IRS had by now disallowed dependency exemptions and credits for two subsequent years, the LITC filed a petition with the U.S. Tax Court. Ultimately, the LITC persuaded the IRS to reverse its position, eliminate the liability, refund approximately \$13,000 to the taxpayer, and remove the EITC ban. This taxpayer's perseverance along with the LITC's dedication to obtaining justice ultimately secured *the right to pay no more than the correct amount of tax* for this taxpayer. See IRC § 7803(a)(3)(C).

EDUCATION

Taxpayers living in the United States and for whom English is a second language (ESL) may have a hard time finding reliable tax information about their rights and responsibilities as taxpayers. ESL taxpayers who immigrate to the United States may come from countries where the tax systems operate in a much different fashion, and those arriving from countries with pervasive corruption may bring with them a

In 2016, LITCs held over 2,100 events to educate



low income and ESL taxpayers

mistrust of government institutions. They may be completely unfamiliar with the process of filing a tax return or even maintaining a bank account. When seeking to comply with the tax laws, they are exposed to risks like identity theft from unscrupulous tax

return preparers who may steal or divert refunds and disappear long before their acts are discovered.²

ADVOCACY

The third prong of the LITC mission is to identify and advocate for issues that impact low income and ESL taxpayers. LITCs may achieve this goal through a variety of methods, including but not limited to:

- Participating in advocacy projects with professional organizations;
- Commenting on proposed IRS regulations and guidance;
- Preparing and filing an amicus brief to alert a court about the concerns of low income or ESL taxpayers;
- Authoring articles in scholarly journals or general interest publications;
- Appearing on television or radio to raise awareness about tax issues that affect low income or ESL taxpayers;
- Producing public service announcements; or
- Submitting issues to the Systemic Advocacy Management System (SAMS), available through the IRS website at www.irs.gov/Advocate/Systemic-Advocacy-Management-System-SAMS.

Each year in December, recipients of an LITC award for the upcoming calendar year gather in Washington, D.C., to attend training on advocating for low income and ESL taxpayers. In December 2016, over 150 organizations represented by 252 tax professionals from across the country met for three days in preparation for the 2017 grant year.



Through years of hard work, one LITC successfully resolved tax controversies for more than 30 victims of a mass identity theft scheme that claimed roughly \$4.8 million in false refunds, and this year saw the perpetrator brought to justice.

² For more information about tax-related identity theft, see National Taxpayer Advocate 2011 Annual Report to Congress 48-73 (Most Serious Problem: Tax-Related Identity Theft Continues to Impose Significant Burdens on Taxpayers and the IRS).

REPRESENTATION

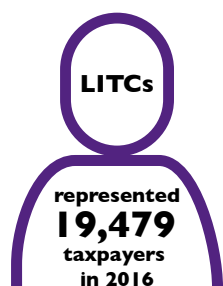
ACCESS TO REPRESENTATION HELPS PROTECT TAXPAYER RIGHTS by assisting low income and ESL taxpayers to:

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

America’s taxpayers have *the right to retain representation*, and studies have found that a represented taxpayer is nearly twice as likely to receive a positive outcome as an unrepresented taxpayer in a dispute with the IRS, both in administrative proceedings³ and in the United States Tax Court.⁴ Despite having the right to hire an attorney, CPA, or enrolled agent for representation and advice, the cost of professional tax services limits access for low income taxpayers. For no more than a nominal fee, LITCs provide assistance to thousands of taxpayers who otherwise could not obtain representation.

In 2016, LITCs represented 19,479 taxpayers dealing with an IRS tax controversy. Depending on the circumstances of each case, some taxpayers are seeking assistance with obtaining a refund, while

others are seeking to resolve a tax liability. Refund cases represented eight percent of the overall caseload worked in 2016, and LITCs succeeded in securing over \$4.3 million dollars in cash refunds for low income taxpayers. Refundable



LITC Assists Victim of Human Trafficking

A social service organization affiliated with an LITC referred a survivor of human trafficking to an LITC for assistance with her tax controversy. The IRS was sending her notices stating that she owed nearly \$4,000 in income and self-employment taxes for underreported wages in 2014. The trafficker had reported to the IRS that she had been paid wages, and that triggered the IRS liability. The LITC called the IRS and explained that the taxpayer had been trafficked as a domestic worker during 2014. She endured physical and emotional abuse, working more than 100 hours per week. The IRS corrected the tax liability and refunded her close to \$950. The taxpayer was elated that she received a refund instead of having to pay tax liabilities.



credits such as the EITC and CTC provide a significant portion of the annual budget for many low income families. Thus, a denial or delay of a refund can create an economic hardship for these taxpayers.

Some taxpayers who owe the IRS may be unable to pay because of economic hardship. Yet other taxpayers who have a tax liability or are facing a potential assessment may not owe the tax at all, or owe less than the IRS says they do. LITCs have the skills and expertise to determine what remedies can help achieve the right result for the taxpayer. One such remedy is Audit Reconsideration. This administrative remedy is used to reopen the results of a prior audit and is available where the taxpayer has new information to present that the IRS did not previously consider. In addition, the IRS needs to have either assessed additional tax that remains unpaid, or a tax

3 See National Taxpayer Advocate 2007 Annual Report to Congress vol. 2 93-116 (Research Studies and Reports: The IRS EIC Audit Process – A Challenge for Taxpayers).
 4 Janene R. Finley & Allan Karnes, *An Empirical Study of the Effectiveness of Counsel in United States Tax Court Cases*, 16 J. AM. ACAD. BUS. 1-10 (Sept. 2010).

LITC Helps Taxpayer Avoid Foreclosure

A taxpayer facing a potential IRS lien foreclosure on her home approached an LITC for help. The taxpayer was retired and living on a fixed income. She carried two mortgages on the property and the amount of her tax liability was nearly triple the amount of equity she had in her home. If the IRS foreclosed on her property, she would lose her home and would still carry the burden of the tax debt remaining unpaid. The LITC advocated successfully for the IRS to release the lien so the taxpayer could sell her home and avoid foreclosure. The LITC persuaded the IRS to accept an offer-in-compromise for \$500 in full satisfaction of her liability. To ensure the taxpayer could get her life on track and remain



compliant with her taxes going forward, the LITC stood by her while she sold her home and moved to her daughter's property where she could receive ongoing care from her family, free of debt she was unable to pay.

credit was disallowed. Audit Reconsideration may result in elimination or reduction of the amount owed.

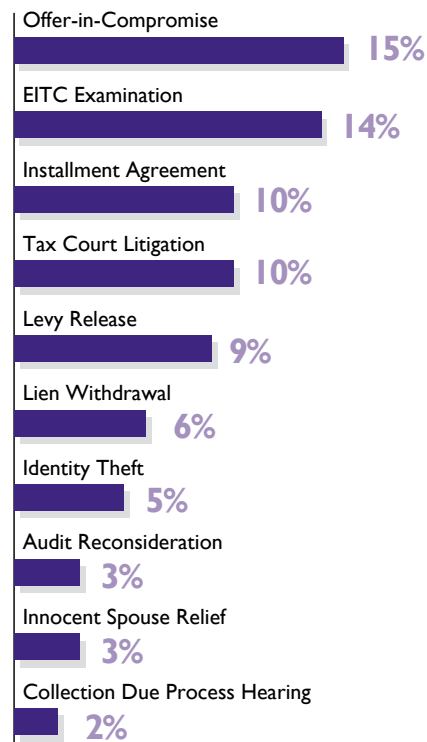
The IRS has a variety of powerful tools at its disposal to collect unpaid liabilities, such as the ability to impose liens and levies. However, taxpayers are afforded important due process protections against IRS collection actions.

Choosing the appropriate avenue for seeking relief and communicating with the IRS can be overwhelming for an unsophisticated taxpayer who cannot pay the amount shown on an IRS notice or may not even be able to understand what the notice says. More than half of the taxpayer cases worked in 2016 involved collection matters. The combined efforts of clinic staff and volunteers provided relief to over 4,200 taxpayers facing an IRS collection action and allowed these taxpayers to become tax compliant.

Economically vulnerable taxpayers are at risk of falling into an economic hardship if the IRS takes a collection action that is more intrusive than necessary. Some taxpayers are not able to communicate effectively with the IRS to negotiate a collection alternative. The IRS does not have the resources to provide every taxpayer with face-to-face assistance; however, some vulnerable groups of taxpayers, for example those suffering from a physical or mental impairment, may require individualized assistance.

Figure 2: LITC ASSISTANCE TO LOW INCOME TAXPAYERS BY ISSUE

Percentage of 2016 cases that involved:



The IRS can temporarily suspend collection efforts against taxpayers experiencing economic hardship by placing such taxpayers in a “Currently Not Collectible” (CNC) status. The IRS will cease collection efforts and follow-up annually when the taxpayer files an income tax return.⁵ LITC representatives provide

⁵ Internal Revenue Manual (IRM) 5.16.1.6, Currently Not Collectible Procedures (Dec. 8, 2014).

expertise that helps taxpayers make an informed decision about whether seeking CNC status or another collection alternative is right for them.

The IRS offers streamlined installment agreements that are guaranteed for taxpayers who owe under a certain amount of tax and indicate they can pay that tax in installments in six years or less. A taxpayer who enters into an agreement that ultimately is unaffordable and results in a default creates a drain on IRS resources by creating back-end rework. Helping the taxpayer find a solution that fits individual circumstances benefits the IRS by reducing that rework.

For taxpayers with little chance of a change in economic status, resolving their controversy with an offer-in-compromise (OIC) provides a better long-term solution for all parties. The IRS saves resources that would be wasted on attempting collection against someone unable to pay, and vulnerable taxpayers are provided an opportunity to resolve past debts. It encourages the taxpayer to become compliant and remain compliant by requiring the taxpayer to file and pay tax obligations timely for five years after the OIC is accepted.

More than 200 of the cases LITCs worked in 2016 involved a taxpayer who was compensated as an independent contractor, but should have been paid as an employee, or vice versa. In terms of the amount of tax, that distinction can potentially make a big difference. Independent contractors may be responsible for a larger portion of tax than an employer would otherwise have to pay. The IRS has procedures for reviewing the nature of the employment relationship if taxpayers believe they have been misclassified. The factual and legal issues can be complex and the process can take several months. It's easy to imagine the systemic impact of employers misclassifying groups of employees as independent contractors to avoid paying the additional expenses of treating them as employees.

LITC Gives Retired Taxpayer Relief from 30-Year-Old Tax Debt

After losing his home to an IRS seizure, a taxpayer agreed to extend the collection period on a debt from tax year 1981. The loss of the home had a devastating effect on the taxpayer's family. Each year that followed, the IRS applied his tax refund to the debt, but the amount continued to grow, and by the time he came to the LITC for assistance, penalties and interest had caused the 1981 tax debt to grow to more than ten times the amount it was when he agreed to extend the collection period. It was unlikely the retired taxpayer suffering from multiple health issues could afford to pay off the debt. The LITC submitted an OIC of \$300 to resolve the debt, which the IRS accepted.



LITC Helps Taxpayer Victimized by Employer

An auto shop worker who worked on a schedule set by the employer, using the employer's tools, was wrongly classified by the employer as an independent contractor. The taxpayer and his wife had medical issues, and he made roughly \$15,000 a year, which represented the entire household income aside from his wife's disability payments. The taxpayer was unaware that his independent contractor status triggered a filing requirement, and approached an LITC for assistance after receiving IRS notices. Not only did the LITC resolve his tax controversy, they were able to prove to the IRS that he was improperly classified as an independent contractor instead of an employee, saving him thousands in liabilities.



PROTECTING THE RIGHT TO BE HEARD AND TO APPEAL THE IRS'S DECISION IN AN INDEPENDENT FORUM

When taxpayers are unable to resolve tax controversies using IRS administrative channels, some cases proceed to litigation in the courts. The United States Tax Court is the only pre-payment forum for taxpayers challenging an IRS examination decision or collection action. LITCs are strongly encouraged to provide representation to unrepresented taxpayers who have petitioned the Tax Court. Nearly 10 percent of all LITC cases in 2016 were in litigation, with the majority before the U.S. Tax Court.

According to a 2015 study, the number of self-represented petitioners filing Tax Court petitions is increasing, accounting for over 70 percent of all

Tax Court petitions.⁶ The Tax Court is committed to ensuring access to justice for all petitioners, and in recent years has given a high level of attention to facilitating the participation of practitioners from LITCs at the Tax Court's "calendar calls." The Tax Court's website contains the following statement: "Tax clinics and Bar sponsored calendar call programs provide important advice and assistance to many low income, self-represented taxpayers who have disputes with the Internal Revenue Service."⁷

For many taxpayers, the day of their Tax Court calendar call will be the first time they speak to an IRS employee face-to-face. Some may want a chance to explain their circumstances, regardless of their understanding of how the law applies to the facts of their case. LITC representatives who attend calendar calls provide expert counsel, independent of IRS interests.

The Tax Court has taken significant steps in providing information to self-represented petitioners via printed information and the Tax Court's website; however, the complexity of the process can overwhelm taxpayers. In addition, the Tax Court's Clinical Program requires participating LITCs to submit a "stuffer notice" to the Tax Court, including information about how taxpayers can contact the LITC. The Tax Court will then include the "stuffer notice" in its mailings to petitioners in an LITC's geographic area who indicated they did not have representation. These "stuffer notices" are a valuable way to get word to taxpayers that assistance from an LITC is available.

Currently, 124 LITCs participate in the Tax Court's Clinic Program. In this program unrepresented taxpayers receive a flyer notifying the taxpayer of the existence and availability of assistance by a LITC to eligible taxpayers. Many participating in the clinic program also attend calendar calls to consult and advise self-represented taxpayers, and, in some cases, enter an appearance before the Tax Court to act as a taxpayer's representative. In 2016, LITCs consulted

LITC Assists Victim of Employee Misclassification

The clinic assisted an ESL taxpayer who owed tax after his employer overreported his income to the IRS. The taxpayer worked for a construction company, and after sustaining an injury on the job, the employer terminated his employment. He filed claims against his former employer for worker's compensation and unpaid wages. At the end of the year, the taxpayer's former employer issued a 1099-Misc which incorrectly classified the taxpayer as an independent contractor instead of an employee. The employer reported triple the amount of the taxpayer's actual compensation. With LITC assistance, he brought his case to the Tax Court and proved that the amount the employer reported on the 1099 was incorrect and that the amount reported on his return was correct. The Tax Court ruled in the taxpayer's favor and eliminated the entire tax liability.

SUCCESS STORY

Entire tax liability eliminated

6 *The United States Tax Court and Calendar Call Programs*, Panuthos, Hon. Peter J., 68 Tax Law 439, 440 (Spring 2015).

7 <http://www.ustaxcourt.gov/clinics.htm>.

The United States Tax Court Calendar Call

The Tax Court operates on a strict schedule, only holding court for a limited number of dates per year in each city, and it may hear many cases in a single day. When the Tax Court grants a taxpayer's petition for a hearing, the Tax Court sends a notice of trial to the IRS and to each of the petitioners scheduled for that day, approximately five months in advance of the scheduled trial. Each court session begins with each party called before the judge to set hearings and trials and schedule the court's calendar. Thus, the proceeding is known as a calendar call.

with more than 600 self-represented taxpayers at Tax Court calendar calls.

Through the Tax Court's Clinical Program, the Tax Court and the LITCs work together to identify taxpayers who may benefit from LITC representation, thereby protecting taxpayers' access to justice and the *right to appeal an IRS decision in an independent forum*.

For LITCs, the lion's share of their litigation work occurs in the United States Tax Court, because it is the only pre-payment forum for taxpayers challenging an IRS examination decision or collection action. However, depending on the circumstances, a taxpayer may need to seek relief by litigating in a different court. LITCs can also represent taxpayers before the United States district courts, Courts of Appeals, Court of Federal Claims, and the United States Supreme Court.

Not every taxpayer is able to obtain his or her desired outcome, but the taxpayer is equipped with information about how the tax law applies to the facts of his or her case before speaking to the judge and is able to exercise the *right to challenge the IRS's position and be heard*.

LITC Prevents Taxpayer from Conceding to a Tax Liability She Did Not Owe

An ESL taxpayer facing an IRS controversy brought her case to Tax Court. The controversy arose from taxes on earnings paid to another person using her social security number. By the time the taxpayer sought LITC assistance, she had already signed decision documents conceding her case in full. She would have owed the IRS taxes, penalties, and interest. She was also subject to a ban that would have prevented her from claiming the EITC for two years. The LITC disputed the legitimacy of the decision documents, then convinced the IRS to eliminate the entire liability.



STUDENT REPRESENTATION

LITCs are operated by a variety of nonprofit organizations, including academic institutions. For instance, a law school may operate a clinic where a professor supervises a group of students who provide representation, education, and advocacy to low income and ESL taxpayers.⁸ Creating an environment where students work directly with taxpayers to resolve disputes with the IRS enables LITCs to assist more taxpayers and allows the students to develop their advocacy skills. Moreover, participating in an LITC fosters a *pro bono* tradition, helping keep taxpayer-funded overhead costs at a minimum.⁹



- 8 The LITC Program Office may grant students and recent law graduates working at an LITC temporary authority to represent taxpayers before the IRS. Delegation Order 25-18 (Rev. 2), IRM 1.2.52.19 (Sept. 9, 2015). For more information, see Publication 3319, *LITC Grant Application Package and Guidelines*.
- 9 Students face challenges during 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).

LITC Volunteer Works Tirelessly to Assist Victim of Preparer Fraud

After an unscrupulous tax return preparer diverted her expected refund of over \$5,000 in 2009, the victim sought TAS assistance. TAS was unable to gather sufficient documentation to persuade the IRS that she was the victim of preparer fraud and to issue her a refund, and referred her to an LITC for further legal assistance. An attorney volunteering at the LITC agreed to represent the taxpayer and spent the next year helping the taxpayer with her case.

The attorney learned that the tax return preparer had been arrested for another crime (unrelated to the tax fraud), and used creative thinking and good research to prove her client's case. Using a FOIA

request, the volunteer attorney obtained copies of several hundred documents seized from the tax return preparer's vehicle pursuant to

the tax return preparer's arrest. The attorney was unable to locate evidence of her client's defrauding among the documents, however she discovered evidence of other tax fraud and used those documents to prove to the IRS that the tax return preparer had defrauded many other clients. Within days of receiving the documents, the IRS conceded the taxpayer's case and less than one month later the taxpayer received a \$5,000 refund plus six years of interest. The volunteer attorney described her experience, stating "I felt like Columbo." Had she been working for a fee, the amount required to compensate her for her services would have exceeded the \$5,000 refund her client received, making it unlikely the taxpayer could have obtained the same kind of assistance outside of a *pro bono* context.



EDUCATION

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

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

Helping a taxpayer to avoid a controversy in the first place through education and outreach is another essential function of LITCs. LITCs educate low income and ESL taxpayers about their rights and responsibilities under the tax code. Over the last 19 years, the taxpayers who received LITC assistance shared a common trait — a desire to comply with their tax responsibilities — yet many of them simply needed help to do that. They may need information about their filing requirements or eligibility for tax credits. The IRS favors online self-help resources and has taken cost-cutting measures that make it harder to receive one-on-one assistance from the IRS.¹⁰ LITCs help to fill the service gap for low income and ESL taxpayers who require personal assistance.

Tailoring education about taxpayer rights and responsibilities to the needs of specific communities and offering the presentations in a taxpayer's native language provide an avenue for reaching taxpayers who may otherwise be unable to overcome communication barriers with the IRS. LITCs provided more than 2,500 free educational activities for

more than 70,000 attendees during the 2016 grant year. LITCs generally direct their education and outreach activities to specific groups of taxpayers, many of whom speak little or no English and are new residents of the United States. These efforts provide information and education to help ESL individuals understand their federal tax responsibilities.

LITCs 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, the Affordable Care Act, worker classification, identity theft, information about the audit and appeals process, and collection alternatives). LITCs prepare and distribute materials in languages appropriate for the ESL communities they assist.

America's taxpayers speak many languages, and while the IRS offers publications and online resources in six languages on its website,¹¹ LITCs go further by offering assistance to taxpayers in a wide variety of languages.¹² To expand their reach, LITCs work with existing community groups and agencies to educate staff about the basics, help staffers identify when clients have tax issues and refer taxpayers who need help to LITCs for assistance.

LITCs provide a valuable community-based resource for taxpayers. LITCs provide an environment where taxpayers can listen and pose questions to a person who can break down complex tax topics, and can address the needs of taxpayers who need information in a language other than English.



¹⁰ See National Taxpayer Advocate 2016 Annual Report to Congress 1-41 (Special Focus: IRS Future State: *The National Taxpayer Advocate's Vision for a Taxpayer-Centric 21st Century Tax Administration*).

¹¹ See IR-2015-94, *IRS Spotlights Year-Round Tax Help in 6 Languages* (July 1, 2015). IRS.gov features online resources in Chinese, Korean, Russian, and Vietnamese, as well as English and Spanish.

¹² For a complete list of LITC names, geographic locations, and languages in which services are available in addition to English, see IRS Publication 4134.

ADVOCACY

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

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

LITCs are uniquely positioned to recognize emerging issues or trends in tax administration. As representatives, counselors, and advocates for low income and ESL taxpayers, clinicians see firsthand how IRS policies and procedures affect their clients. LITCs also network with one another, which permits clinicians to gain a broader perspective on the extent to which taxpayers in other locales experience problems faced by their own clients.

When LITCs identify problems that affect multiple taxpayers, they can work with the IRS and the TAS Office of Systemic Advocacy to find solutions on a systemic level. Clinics are encouraged to utilize the Systemic Advocacy Management System (SAMS) on the TAS website¹³ to report potential systemic issues. TAS analysts follow up on every SAMS submission, conducting research to determine the extent of impact of the reported issue, ascertaining whether there is already a similar or related project underway, and formulating the next steps to take to correct a problem. TAS works with various IRS business units to propose and implement solutions. If TAS and the IRS cannot reach a resolution, the National Taxpayer Advocate can include systemic issues in her Annual Report to Congress and propose administrative and legislative recommendations to resolve those issues.¹⁴

LITC Helps Identify Local Tax Scam and Assists More Than 30 Victims

Through years of hard work, one LITC successfully resolved tax controversies for more than 30 victims of a mass identity theft scheme, and this year saw the perpetrator brought to justice. A local minister swindled his congregants into divulging their social security numbers and other personal information by offering false promises of government stimulus payments. Instead, he filed tax returns using the ill-gotten information, claimed excess refunds, and then diverted the refunds to bank accounts he controlled. The IRS attempted to collect the excess refunds, which led one of the victims to seek assistance from an LITC. After speaking with the victim, a representative at the LITC determined what had occurred, and brought the matter to the attention of the Local Taxpayer Advocate (LTA). The Department of Justice investigated, charged, and convicted the minister for his participation in a scheme that claimed roughly \$4.8 million in false refunds. After more victims were identified, the LITC aided more than 30 people and helped them to resolve the effects of the theft on their tax accounts.



¹³ www.irs.gov/Advocate/Systemic-Advocacy-Management-System-SAMS.

¹⁴ See IRC § 7803(c)(2)(B)(ii).

LITCs have successfully advocated for resolution of systemic issues affecting taxpayers they represent using a variety of avenues ranging from elevating issues through SAMS, to contesting issues administratively within the IRS, and litigating cases in the United States Tax Court, other federal courts, and federal appellate courts.



When public comment is sought on IRS administrative rule making, LITCs often offer feedback. They advocate to ensure IRS rules and procedures are fair and equitable to populations of taxpayers who may not have the resources to advocate for their own interests. Opting to take the additional steps required has a systemic impact and protects other taxpayers' *right to pay no more than the correct amount of tax.*

LITC Protects Deductibility of Graduate Education Expenses

The successful advocacy of one LITC made it easier for a full-time Master of Business Administration (MBA) student to deduct the cost of his graduate education. The taxpayer came to an LITC for assistance after the IRS denied deductions he claimed as unreimbursed employee expenses for obtaining an Executive Master of Business Administration (EMBA) graduate degree. The IRS argued that obtaining the EMBA degree qualified the taxpayer for a new trade or business, and the degree was unrelated to an ongoing trade or business, since his employer terminated his employment while pursuing his degree. The LITC represented the taxpayer and persuaded the Tax Court that he continued to perform essentially the same tasks after obtaining the EMBA, although the knowledge he obtained through his studies allowed him to address more complex issues. The LITC also proved that the EMBA did not qualify him for a new trade or business, and temporary unemployment while pursuing the EMBA did not render the educational expenses nondeductible. See *Kopaigora v. Comm'r*, T.C. Summ. Op. 2016-35.



Obtaining an MBA degree is an expensive and time-consuming process. While the Tax Court's decision in *Kopaigora* is not precedential (see IRC § 7463(b)), nonetheless the facts and analysis relied upon by the Tax Court will be helpful for other taxpayers faced with questions about a deduction for expenses incurred in pursuing an EMBA degree.

SPENDING TRANSPARENCY

The LITC Program Office's history of recruiting efforts coupled with sound judgment in selecting federal grant recipients has fostered the growth of a nationwide network of independent organizations working towards a common purpose in their local communities. The program's success led Congress to appropriate \$12 million for 2017 awards, a six-fold increase from the amount Congress appropriated in 1999.¹⁵

Our average award grew from about \$81,000 in 2016 to more than \$86,000 in 2017, with only the strongest programs receiving the maximum award of \$100,000. The LITC Program requires a dollar-for-dollar match in funding from the recipient,¹⁶ yet many programs provide matching funds in the form of cash or third party in-kind contributions (e.g., time worked by volunteers) far in excess of the minimum. For example, if every award recipient in 2016 provided only the minimum amount of match, the average total program resources (grant award plus match funding) available to each LITC would have been about \$162,000. Yet, in 2016 the average award of about \$81,000 saw an average match valued at over \$112,000. In other words, the additional contributions of our award recipients increased the average total program resources to over \$193,000 in 2016.

The 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 LITCs receive funding from the federal government, clinics, their employees and volunteers are completely independent of the federal government and the IRS.

We must also recognize the maximum award the law allows for an LITC grant has stayed constant since the creation of our program, yet we continue to ask more of our grantees and they have continued to deliver tremendous results. More than two-thirds of the 34 organizations that received an award in the first year of the LITC program are still with the program today.

Figure 3 details how LITCs spent federal and matching funds during grant year 2016.

Figure 3: LITC GRANT FUNDS EXPENDED:
GRANT YEAR 2016 (as of October 6, 2017)

Expenditures	Federal Funds	Matching Funds	Total*
PERSONNEL	\$ 7,977,909	+ \$ 6,496,907	= \$ 14,474,816
FRINGE BENEFITS	\$ 1,581,418	+ \$ 2,249,097	= \$ 3,830,515
TRAVEL	\$ 240,445	+ \$ 252,734	= \$ 493,178
EQUIPMENT	\$ 1,074	+ \$ 16,019	= \$ 17,093
SUPPLIES	\$ 146,518	+ \$ 242,094	= \$ 388,611
CONTRACTUAL	\$ 262,964	+ \$ 766,455	= \$ 1,029,420
OTHER EXPENSES	\$ 191,714	+ \$ 5,490,511 [†]	= \$ 5,682,226
INDIRECT CHARGES	\$ 812,115	+ \$ —	= \$ 812,115
TOTALS*	\$ 11,214,157	+ \$ 15,513,817	= \$ 26,727,975

* Numbers may not total due to rounding.

† LITCs that include the value of volunteer services as part of the required matching funds include the amount in the "Other Expenses" category.

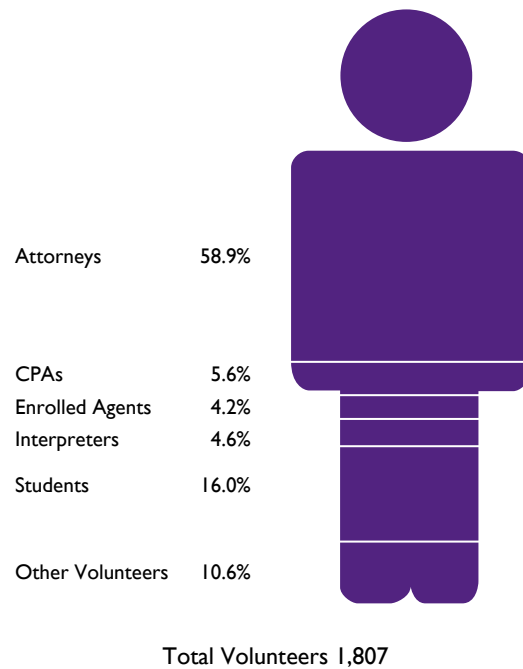
15 IR-1999-63, *IRS Encourages Growth of Low-Income Taxpayer Clinics with \$1.5 Million in Grants* (July 14, 1999). Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, Division E (2016).

16 IRC § 7526(c)(5).

The major expenditures incurred by LITCs are personnel costs and fringe benefits paid to provide direct representation, education, and advocacy services to low income and ESL taxpayers. Personnel costs and fringe benefits total more than \$18.3 million. Grantees are prohibited from using matching funds to pay indirect expenses, including general overhead of the grantee.¹⁷ This ensures more program funds are spent on taxpayer representation, education, and advocacy rather than administrative costs.

LITCs are strongly encouraged to maintain a *pro bono* panel to whom the clinic may refer taxpayers in need of representation. *Pro bono* panel members are volunteers who are qualified to practice before the IRS. In 2016, 59 percent of the over 1,800 volunteers at LITCs were attorneys. Clinics also use volunteers to provide clerical assistance, develop or maintain the clinic’s website, conduct community outreach and education, or provide interpreter and translation services. In total, volunteers contributed over 47,000 hours of service to LITCs in 2016.¹⁸ Figure 4 shows the types of volunteers who provided services in 2016.

Figure 4: TYPES OF VOLUNTEERS IN 2016



¹⁷ IRC § 7526(c)(5).

¹⁸ LITCs that include the value of volunteer services as part of the required matching funds include the amount in the “Other Expenses” category.

PROGRAM OFFICE ACTIVITIES

The LITC Program Office is responsible for managing and administering the LITC grant program in a manner so as to ensure that federal funding is expended and funded programs are implemented in full accordance with U.S. statutory and public policy requirements. The LITC Program Office fulfills its responsibilities by:

- Administering the award and payment of grant funds;
- Providing assistance and guidance to grantees; and
- Monitoring the performance of grantees.

The LITC Program Office is part of TAS. The Director of the LITC Program reports directly to the National Taxpayer Advocate.

The LITC Program Office staff consists of the following:

- Headquarters staff who report to the Director of the LITC Program, including a Deputy Director, two managers (Clinic Advocacy and Grant Operations), and program analysts;
- Grant Operations staff who report to the Grant Operations Manager and are responsible for processing grant applications, awards, payments, and reports; and
- Advocacy staff who report to the Advocacy Manager and are responsible for reviewing and analyzing budgets and reports, conducting site assistance visits, and serving as the primary liaison between grantees and the LITC Program Office.

ADMINISTRATION

The LITC Program Office administers the grant by:

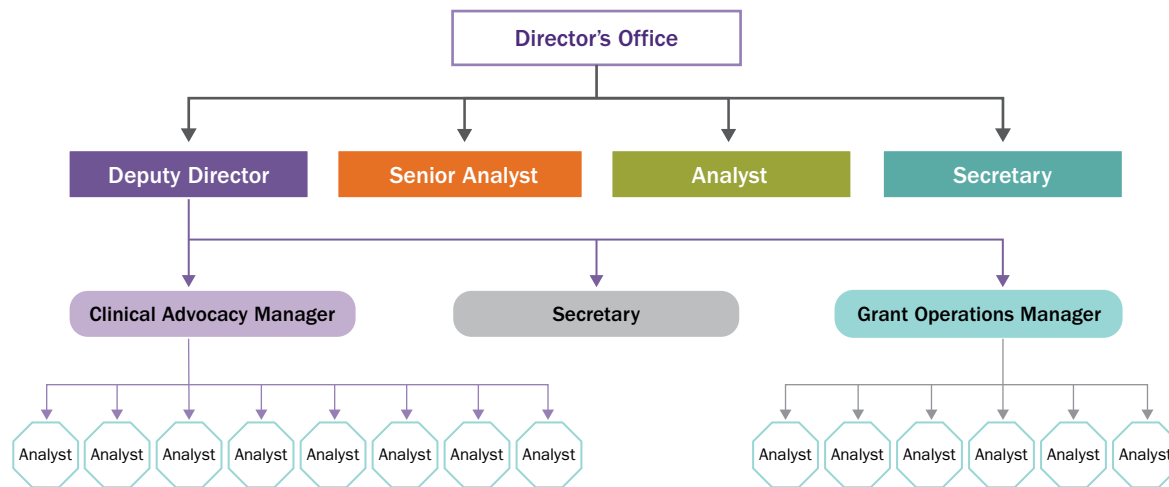
- Processing LITC grant applications and making awards to successful applicants;
- Revising and issuing annually Publication 3319, *LITC Grant Application Package and Guidelines*;
- Maintaining the LITC Toolkit, a website used to disseminate program guidance to grantees and provide resources to clinics assisting low income and ESL taxpayers;
- Maintaining Publication 4134, *Low Income Taxpayer Clinic List*, a list of all federally funded LITCs, and ensuring that the publication is included in appropriate IRS mailings and referenced in appropriate IRS publications and notices;
- Publishing annually Publication 5066, *LITC Program Report*, which reports the activities of the LITCs to internal and external stakeholders;
- Reviewing and analyzing data from reports submitted by grantees to identify trends and recognize best practices; and
- Submitting grant award information for posting on USASpending.gov.

ASSISTANCE

The LITC Program Office assists grantees and applicants by:

- Providing technical assistance and guidance to grantees and potential applicants, including pairing new LITCs with mentors and LITC networks;
- Informing the public about the availability of LITCs, as appropriate and to the extent permitted by law, including references on the IRS website at www.irs.gov;

Figure 5: LITC PROGRAM OFFICE STAFFING CHART



- Sponsoring and organizing the Annual LITC Grantee Conference that delivers instruction and continuing education to all grantees and provides an opportunity for attendees to meet face-to-face with colleagues from clinics throughout the country to share ideas and strategies to better assist low income and ESL taxpayers;
- Conducting orientation visits to familiarize new grantees with LITC Program requirements and to identify potential areas where the clinic may need to create systems or improve processes;
- Fostering the working relationship between grantees and LTA offices by facilitating annual LTA site assistance visits;
- Issuing special appearance authorizations to LITCs that permit students and law graduates working under the supervision of a practitioner to represent taxpayers before the IRS; and
- Coordinating access for LITCs to e-services products offered by the IRS.

OVERSIGHT

The LITC Program conducts oversight of grantees by:

- Processing Interim and Year-End reports to assess progress in meeting program goals, identify emerging issues, and collect, review, and validate performance data submitted by grantees;
- Reviewing budgets and financial reports submitted by grantees to ensure that federal funds are properly expended and that matching funds are properly sourced, spent, and valued;
- Conducting operational site assistance visits to interview clinic personnel, observe facilities, review procedures and internal controls, corroborate report information, and evaluate operations;
- Coordinating Civil Rights Pre-Award Compliance reviews for all grant applicants with the IRS Office of Equity, Diversity and Inclusion; and
- Coordinating or conducting other required compliance reviews, such as for compliance with federal tax obligations.

LIST OF LITCS

Below is a list of LITCs in each state as of January 2017. 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 is subject to change. Up-to-date contact information is available on the IRS and TAS websites.

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

Alabama

Montgomery Legal Services Alabama LITC

Alaska

Anchorage Alaska Business Development Center

Arizona

Phoenix Community Legal Services LITC
Tucson Taxpayer Clinic of Southern Arizona

Arkansas

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

California

Fresno Central California Legal Services LITC
Los Angeles Bet Tzedek Legal Services Tax Clinic
Los Angeles KYCC Low Income Taxpayer Clinic
Los Angeles Pepperdine University LITC
Northridge Bookstein Low Income Taxpayer Clinic
Orange Chapman University Tax Law Clinic
Riverside Inland Counties Legal Services LITC
San Diego Legal Aid Society of San Diego LITC

San Diego University of San Diego LITC
San Francisco Chinese Newcomers Service Center

San Francisco Justice and Diversity Center of the Bar Association of San Francisco

San Luis Obispo Cal Poly Low Income Taxpayer Clinic

Santa Ana Legal Aid Society of Orange County LITC

Colorado

Denver Colorado Legal Services LITC
Denver University of Denver Graduate Tax Program LITC

Connecticut

Hamden Quinnipiac University School of Law LITC
Hartford University of Connecticut Law School Tax Clinic

Delaware

Wilmington Delaware Community Reinvestment Action Council LITC

District of Columbia

Washington The Catholic University LITC
Washington The Janet R. Spragens Federal Tax Clinic
Washington University of the District of Columbia David A. Clarke School of Law LITC

Florida

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

Georgia

Atlanta	The Philip C. Cook Low-Income Taxpayer Clinic
Hinesville	JCVision and Associates, Inc. LITC

Hawaii

Honolulu	Legal Aid Society of Hawaii LITC
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Idaho

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

Illinois

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

Indiana

Bloomington	Indiana Legal Services LITC
Indianapolis	Neighborhood Christian Legal Clinic
South Bend	Notre Dame Tax Clinic
Valparaiso	Valparaiso University Law Clinic

Iowa

Des Moines	Iowa Legal Aid LITC
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Kansas

Kansas City	Kansas Legal Services, Inc. LITC
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Kentucky

Covington	Center for Great Neighborhoods LITC
Louisville	LITC at the Legal Aid Society, Inc.
Richmond	AppalRed Legal Aid Low Income Tax Clinic

Louisiana

New Orleans	Southeast Louisiana Legal Services LITC
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Maine

Bangor	Pine Tree Legal Assistance LITC
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Maryland

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

Massachusetts

Boston	Greater Boston Legal Services LITC
Jamaica Plain	Legal Services Center of Harvard Law School LITC
Springfield	Springfield Partners LITC
Waltham	Bentley University Low Income Taxpayer Clinic

Michigan

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

Minnesota

Minneapolis	Mid-Minnesota Legal Aid Tax Law Project
Minneapolis	University of Minnesota Ronald M. Mankoff Tax Clinic

Mississippi

Oxford Mississippi Taxpayer Assistance Project

Missouri

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

Montana

Helena Montana Legal Services Association LITC

Nebraska

Omaha Legal Aid of Nebraska LITC

Nevada

Las Vegas Nevada Legal Services LITC

New Hampshire

Concord NH Pro Bono Low-Income Taxpayer Project

New Jersey

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

New Mexico

Albuquerque New Mexico Legal Aid Taxpayer Clinic
 Albuquerque University of New Mexico School of Law LITC

New York

Albany Legal Aid Society of Northeastern New York LITC
 Bronx Legal Services NYC-Bronx LITC
 Brooklyn Brooklyn Legal Services Corp A LITC
 Brooklyn Brooklyn Low-Income Taxpayer Clinic

Buffalo Erie County Bar Association Volunteer Lawyers Project LITC

Central Islip Touro Law Center LITC
 Hempstead Hofstra Law School Federal Tax Clinic

Jamaica Queens Legal Services LITC
 New York Fordham Law School Tax Litigation Clinic

New York The Legal Aid Society LITC

New York MFY Legal Services LITC

Syracuse Syracuse University College of Law LITC

North Carolina

Charlotte Western North Carolina LITC

Durham North Carolina Central University School of Law LITC

Ohio

Akron Community Legal Aid Service LITC

Cincinnati Legal Aid of Greater Cincinnati LITC

Cleveland The Legal Aid Society of Cleveland LITC

Columbus The LITC of the Legal Aid Society of Columbus LITC

Columbus Southeastern Ohio Legal Services LITC

Toledo Legal Aid of Western Ohio LITC

Oklahoma

Oklahoma City Oklahoma Indian Legal Services LITC

Tulsa Legal Aid Services of Oklahoma LITC

Oregon

Gresham El Programa Hispano Catolico LITC

Portland Legal Aid Services of Oregon LITC

Portland Lewis & Clark Low Income Taxpayer Clinic

Pennsylvania

Harrisburg	The LITC of MidPenn Legal Services
Philadelphia	PLA's Pennsylvania Farmworker Project LITC
Pittsburgh	University of Pittsburgh School of Law Taxpayer Clinic
Villanova	Villanova Federal Tax Clinic
Washington	Southwestern Pennsylvania Legal Services LITC

Rhode Island

Providence	Rhode Island Legal Services LITC
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South Carolina

Greenville	South Carolina Legal Services LITC
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South Dakota

Vermillion	University of South Dakota LITC
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Tennessee

Memphis	Memphis Area Legal Services LITC
Oak Ridge	Tennessee Taxpayer Project

Texas

Fort Worth	Legal Aid of Northwest Texas LITC
Fort Worth	Texas A&M University School of Law LITC
Houston	Houston Volunteer Lawyers LITC
Houston	Lone Star Legal Aid LITC
Houston	South Texas College of Law
Lubbock	Texas Tech University School of Law LITC
San Antonio	Texas Taxpayer Assistance Project

Utah

Provo	Centro Hispano LITC
Salt Lake City	University of Utah College of Law LITC
Salt Lake City	Westminster Low Income Taxpayer Clinic

Vermont

Burlington	Vermont Low Income Taxpayer Clinic
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Virginia

Fairfax	Legal Services of Northern Virginia LITC
Lexington	Washington and Lee University School of Law Tax Clinic
Richmond	The Community Tax Law Project

Washington

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

West Virginia

Charleston	Legal Aid of West Virginia LITC
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Wisconsin

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

Wyoming

Cheyenne	Wyoming Low Income Taxpayer Clinic
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www.TaxpayerAdvocate.irs.gov/LITC

