

ABSTRACT

Janet Spragens & Nancy Abramowitz,
IRS Modernization and Low-Income Taxpayers

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Abstract by Amber S. O'Malley

In this article, Professors Spragens and Abramowitz discuss the suspected ramifications of the 1998 IRS Restructuring and Reform Act for low-income taxpayers. The Act changes the IRS from its "geography and function" format to a "taxpayer classification" system with the Wage and Investment Division handling most low-income taxpayer issues. The Act now sets forth a definition of low-income taxpayers, and the authors attempt to profile this group. This profile images the low-income taxpayer as predominantly non-English speaking, near minimum wage levels, with limited access to education, and limited understanding of financial matters.

Generally, these taxpayers have limited access to long distance telephone services, computers, email and fax machines, therefore limiting their access to the new modernized, technical, IRS. This group faces increased complexity in their returns due to a rise in tax benefits, and it is unclear if the IRS is able to handle the somewhat unperceived troubles. Complicated issues for low-income taxpayers include earned income credit, dependency exemptions and filing status which can be complicated due to extended family situations.

The authors discuss the needs of these taxpayers in terms of pre-filing and post-filing difficulties. In response to these needs, the IRS created CARE (Communications, Assistance, Research and Education) to oversee VITA and clinics, and provide individual support and educational outreach programs. In addition, changes to the tax controversy procedures including examinations, litigation and collections phases are intended to aid the taxpayer. This includes retooling of the Office of the National Taxpayer Advocate.

The authors find promise in the future of the new IRS in aiding low-income taxpayers, and curbing the administrative and enforcement problems of this group in the past.