

# **INCOME TAX SERVICE LEARNING OPPORTUNITIES: A LOOK AT ALTERNATIVE MODELS**

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## **ABSTRACT**

During two recent academic years, the authors explored various aspects of the United States Internal Revenue Service's (IRS) Volunteer Income Tax Assistance (VITA) program. They served as volunteers in three separate VITA programs, each operating under different models. Based on their experiences, VITA programs are an under-utilized source of service learning opportunities for students. The number and diversity of programs, the flexibility in each program, and the availability of quality educational, technological, and mentoring support, make it possible to design a service learning opportunity for any student population. Recent program enhancements make the experience particularly meaningful for accounting students interested in public practice. This paper overviews the VITA program and describes: 1. three program models; 2. the pros and cons of each model as the basis for a service learning opportunity; and 3. the critical need to carefully consider objectives when designing a VITA program-based service learning opportunity. While individual income taxes may not exist in some countries or may be less complex than in the United States, the VITA models presented in this paper may be relevant example models of ways to structure opportunities for other accounting student learning activities.

**Key words:** Service learning, VITA

## INTRODUCTION

The impact on the accounting profession of the increasing numbers of corporate scandals has been tremendous. The increased pressure for accurate financial reporting has increased the demand in both public and corporate arenas for all areas of accounting, including auditing, reporting, tax, and accounting systems. The demand for new accountants appears to exceed the supply being produced by business schools. Exposure to the public accounting profession can serve as a recruitment tool for prospective students. This paper presents the individual income tax area as one service opportunity to acquaint students with accounting work activities.

The body of literature on service learning in the business context is small. Andrews (2007) stated that the number of service learning activities in the accounting discipline is fewer than in some other disciplines such as marketing, management, and information systems. Strupeck and Whitten (2004) provided a review of the service learning literature in accounting and addressed opportunities and experiences arising out of the Volunteer Income Tax Assistance (VITA) program. The existing literature focuses on service learning opportunities related to school or university sponsored VITA sites. Discussion exists regarding the relative advantages and disadvantages of different university sponsored site models. Strupeck and Whitten (2004) compare and contrast the relative practical and pedagogical advantages and disadvantages of two university sponsored site models differing primarily on the following three characteristics: whether the volunteer activity was a non-course credit or three-hour course credit activity; whether the site schedule was a weekday schedule or a Saturday schedule; and whether or not the site offered e-filing. Their work describes the advantages and disadvantages associated with various characteristics of site models, e.g., site location, publicity sources and frequency, and targeted clients. They concluded that, while different models offer both benefits and challenges, the major objective should be to provide a forum for practical application of the classroom theory.

This paper adds to the existing literature on service learning by specifically addressing service learning opportunities, and related issues, arising from student participation in third-party (i.e., non school or university) sponsored VITA programs. Additionally, this paper describes recent VITA program enhancements that can make a VITA program-based service learning experience meaningful for accounting students who may have an interest in public practice, but who have not yet decided whether to pursue a career in public or corporate accounting, and within public accounting, whether to pursue tax or auditing.

The remainder of this paper includes an overview of the VITA program and three different models in which the authors participated. A conclusion is presented following these sections. While individual income taxes may not exist in some countries or be less complex than in the United States, readers may identify other accounting activities that offer opportunities for student learning, through building on the VITA models presented.

## OVERVIEW OF VITA

The VITA program started in the late 1960s as an Internal Revenue Service (IRS) coordinated effort to educate and assist taxpayers with regard to their federal income tax compliance responsibilities. The IRS, which resides organizationally in the Department of the Treasury, is charged with responsibility for carrying out the United States tax laws (Hoffman et al., 2008). While coordinated by the IRS, assistance was, and is, provided through partnering volunteers. Successful from its beginning, the VITA program expanded rapidly through the efforts of volunteers from sponsoring religious, educational, social, non-profit, military, and other organizations – including

the IRS. Statistics indicate that, in a recent year, approximately two million taxpayers were assisted by 40,000 volunteers, operating from approximately 6,000 VITA sites.

The VITA program has evolved responsively to changes in the legal, social, and technological environments. While the VITA program's principal focus has always been low income taxpayers, including those eligible for the earned income credit, programs have evolved targeting taxpayers not fluent in English (the "English as a second language [ESL]" program) and the elderly (the "Tax Counseling for the Elderly [TCE]" program). The ESL and TCE programs merely extend the VITA program's education and compliance missions to the specified groups.

The descriptions of the VITA and TCE programs from the IRS website are presented below. The IRS website also states that the AARP (American Association of Retired Persons) administers a TCE program that is referred to as Tax-Aide.

### **Volunteer Income Tax Assistance Program (VITA)**

The VITA Program offers free tax help to low- to moderate-income (generally, \$40,000 and below) people who cannot prepare their own tax returns. Certified volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations. Most locations also offer free electronic filing.

### **Tax Counseling for the Elderly (TCE)**

The Tax Counseling for the Elderly (TCE) Program provides free tax help to people age 60 and older. Trained volunteers from non-profit organizations provide free tax counseling and basic income tax return preparation for senior citizens. Volunteers who provide tax counseling are often retired individuals associated with non-profit organizations that receive grants from the IRS.

As part of the IRS-sponsored TCE Program, **AARP** offers the Tax-Aide counseling program at more than 7,000 sites nationwide during the filing season. Trained and certified AARP Tax-Aide volunteer counselors help people of low-to-middle income with special attention to those age 60 and older. ([irs.gov](http://irs.gov))

### **The IRS's Role**

As the umbrella sponsor and coordinator of the VITA program, the IRS's role is primarily one of support to the volunteers and the sites. This support generally falls into three categories: education; process; and technology. A strong focus on quality control permeates each of these categories. Additionally, the IRS assists partnering sponsors to publicize their particular program.

*Education.* The IRS initially developed, and has continually improved, specialized materials for use in educating volunteers in assisting participating taxpayers, i.e., VITA clients. Resources provided to volunteer assistants and site coordinators are described in Table 1. In addition to these primary resources, the IRS provides a host of more specialized publications – many providing assistance and tips with regard to a partnering sponsor's marketing of its particular program. For example, Publication 3867, *16 Ways to Attract and Keep Clients*, presents a list of marketing resources available to programs authorized by the IRS as e-file providers.

**Table 1****Resources Provided by Internal Revenue Service for Volunteers****Resources Available for Assistors**

Publication 17, <i>Your Federal Income Tax for Individuals</i>	A booklet approximately 300 pages in length which provides an explanation of the tax law and rules for filing tax returns.
Publication 678, <i>Volunteer Assistor's Guide</i>	A training package for volunteers. The package provides tax procedure information as well as certification tests.
Publication 4012, <i>VITA/TCE Resource Guide</i>	A reference guide which summarizes tax filing rules via flow charts, matrices, decision trees, etc., and provides guides for the IRS software application.
Publication 4491, Student Training Guide: Volunteer Tax Return Preparation Programs	A detailed training program for volunteers. The program consists of 35 lessons, including the related tax rules and procedures for using the IRS software program (TaxWise).

**Resources Available for Site Coordinators**

Publication 1084, <i>Volunteer Coordinator's Handbook</i>	A booklet describing the responsibilities for adherence to IRS rules, and other procedures for tax preparation site coordinators.
Publication 3189, <i>Volunteer e-file Administrator Guide</i>	A publication providing the responsibilities and procedures for the individual who handles e-filing of tax returns.

The IRS's support of volunteer education extends beyond providing training materials to include assisting partnering sponsors to coordinate and tailor appropriate educational programs. However, the IRS is moving away from face-to-face participation in seminars and toward a web based online approach titled *Link & Learn Taxes*. This IRS provided online course can be accessed by searching the keyword "volunteer training" on the IRS web site [www.irs.gov](http://www.irs.gov). The online course covers the same tax law, theory, and application issues historically covered in print publications and seminars, but does so in an interactive course that lets volunteers learn at their own pace. Since access to *Link & Learn Taxes* is free, unlimited, and anonymous, it is a valuable tool. Participants can work at their own pace, on their own schedule, and anonymously.

To ensure that the education process is effective, volunteers are required to demonstrate that they fully possess adequate competence to assist a program's targeted client base by completing a certification exam. There are four certification levels:

Part A – Basic, which covers the general tax laws that apply to all taxpayers.

Part B – Wage Earner, which covers credits and questions for the typical wage earner.

Part C – Pension Earner, which covers credits and questions for the typical pension earner.  
Part D – Military Returns, which covers the unique questions for the typical member of the armed forces.

Currently, the certification tests are offered in both paper and electronic form. A paper test is included with each volunteer's print resource package. The electronic tests are accessed through the IRS.gov web site. In either case, the tests are open book and consist of a series of objective format (multiple choice and/or true-false) questions. Currently, the tests for Parts A – C are twenty questions each, and the test for Part D is forty questions. Paper tests are graded by the volunteer's site coordinator. Electronic tests are graded immediately upon test completion and, assuming a passing score, the volunteer can immediately print Form 13615A, Volunteer Agreement, indicating the tests have been taken and passed.

Since access to the online tests is anonymous (the volunteer completes the identification section of the Form 13615A after it is printed) and the tests may be taken repeatedly until a passing score is obtained, students may be more likely to seek certification electronically than by taking a paper test which must be graded by a site coordinator (who may also be the student's tax instructor). Tax educators can encourage their students to seek certification with respect to Parts A – C, which correspond to materials generally covered in a first course on individual income taxation. Because Part D deals with a highly specialized area, the taxation of military personnel, only those individuals for whom the material is relevant can seek Part D certification. Instructors can encourage students to take and pass the Parts A – C tests by suggesting that students indicate their certification(s) on their resume through an item such as "Certified to prepare basic, wage earner, and pension earner income tax returns under the IRS's volunteer income tax assistance program."

From a service learning perspective, the ultimate objective is for students to learn through participation in the service activity. Because students must be certified to participate as VITA return preparers, education and certification are the natural first steps. Certification will be a "confidence booster" for many students and certified students are likely to follow through by actually assisting in the service activity. However, students will benefit from studying the *Link & Learn Taxes* resources and completing the certification tests, whether or not they further participate as volunteer return preparers. Participation in the education and certification elements of the VITA program serves an important role in the students' service learning experience.

*Process.* The IRS's overarching goal for the VITA program is to provide the targeted taxpayer groups with a quality service that includes the preparation of complete and accurate income tax returns (Department of the Treasury, 2007). The education and certification of volunteers, discussed in the previous sections, are the primary areas in which student volunteers are involved. However, because the same quality control issues related to the VITA program generally confront tax preparers in public practice, the IRS's approach to many issues parallels the approach taken in public practice.

For instance, many of the policies, procedures, guidelines, and checklists adopted by the IRS for the VITA program represent sound practices similar to those employed by commercial tax preparers. Since VITA programs operate very similarly to private tax return practices, a VITA program experience can provide students with a realistic exposure to professional tax compliance practice. Also, the IRS has established numerous policies and procedures governing areas such as confidentiality, reliance on customer representations, records maintenance, hardware and software

safeguards, and communications with taxpayers. Another significant area relates to the preparer's potential liability exposure. As noted by Strupeck and Whitten (2004), in the VITA setting, it appears generally accepted that volunteers assume liability for their own gross negligence. One of the most effective means to minimize this liability exposure is to strictly adhere to all IRS prescribed policies and procedures. VITA site coordinators are ultimately responsible for ensuring compliance with the applicable IRS prescribed policies and procedures. Therefore, the coordinators should be actively involved with the student volunteers to ensure that they are adequately trained, certified, and follow required policies and procedures.

*Technology.* In addition to providing education materials, certification procedures, and a standardized set of policies and procedures governing the provision of volunteer services, the IRS provides volunteers with leading edge tax compliance software, TaxWise. The TaxWise software compares very favorably to software used in professional practice. Similarities include a taxpayer interview driven system (similar to "organizer" driven systems), the capability to automatically upload a taxpayer's prior year information into the current year program, internal edit checks and error reports, printouts of current-year prior-year return comparison, and automatic generation of transmittal letters and other required documentation.

The ease of use of TaxWise gives students greater confidence regarding their abilities to prepare complete and accurate returns and, consequently, should lead to increased student participation in VITA programs. Additionally, use of the program should result in more complete and accurate returns, and therefore reduce any potential volunteer liability exposure. However, volunteers must be properly instructed in the use of the software and cautioned not to override calculated or linked fields, as doing so negates the power of the program's internal error checks. TaxWise training is delivered in a variety of ways, including a self-study tutorial, site sponsored seminars, and printed training materials. Students becoming proficient with TaxWise can experience an abbreviated learning curve when moving to another professional compliance software package. For the reasons described immediately above and also because a major IRS initiative is to encourage e-filing, volunteers will likely prepare few, if any, paper returns.

### **The Partnering Site Sponsor's Role**

Since the VITA program operates principally through volunteers and because individual volunteers generally commit limited time to the program, most VITA services are coordinated through a partnering sponsor – such as a church, school, civic group, or other service minded organization. The partnering sponsor solicits, coordinates, and contributes a critical mass of volunteer effort toward achieving the program goal: assisting targeted clients. The IRS's goals include the continued growth of the VITA program; therefore, it actively encourages program sponsorship. However, the IRS may require that a partnering sponsor serve a minimum number of clients to qualify for continuation in the program.

The VITA site is the physical location where volunteers meet with clients. Strupeck and Whitten (2004) addressed the importance of proper site selection to attracting clients. A well staffed site located at a distance from targeted clients, or open only during the work day, may see little traffic. In most instances, the physical site will be referred to as the site of the partnering sponsor, but may or may not be located at the sponsor's offices. For example, a school sponsored site may be located at a library or a YWCA branch and not at the school. In contrast, a church sponsored site may be located in the church's offices. Again, the primary determinative of site location will likely

be the convenience of the site to targeted clients. The convenience of the site to volunteers also plays a role in site selection. Some organizations may sponsor multiple sites. For example, the AARP sponsors numerous sites across the nation, targeting principally the elderly under the TCE program.

As the umbrella sponsor and coordinator of the VITA program, the IRS provides significant support to partnering sponsors in all aspects of the program, including education, process, and technology. However, the partnering sponsor is ultimately responsible for planning, organizing, supervising, and promoting all aspects of the sponsor's program. These responsibilities include ensuring that the sponsor's volunteers are properly educated and certified, and that they adhere to IRS prescribed policies and procedures.

Sponsors are therefore responsible for ensuring communication of IRS policies and procedures to volunteers and for establishing reasonable practices to ensure volunteer compliance with applicable requirements. Examples include establishing procedures to verify volunteers' certifications: taking reasonable steps to ensure that volunteers request proper identification from each client and for each of a client's dependents; using IRS sanctioned or similar interview sheets (questionnaires); and establishing documentation and privacy guidelines consistent with IRS policy.

In addition to IRS prescribed quality control responsibilities, the sponsor is responsible for all other operational issues arising out of its program. At least one representative of the sponsoring organization must be knowledgeable about the electronic filing procedure, since returns prepared with TaxWise will generally be e-filed at least weekly on a batch basis.

### **VITA PROGRAM MODELS**

During two recent academic years, the authors sought to identify meaningful service learning opportunities for their undergraduate general business and accounting majors. With only limited knowledge of the VITA program, significant effort was devoted to exploring various aspects of the VITA program, as well as other service learning opportunities available through the IRS. In addition to reviewing the IRS's VITA program materials and meeting with local IRS representatives, the authors participated in the preparation of approximately 80 returns through the VITA programs of three separate sponsors: a local law school, a local church outreach ministry (the M-Power Ministry), and the Birmingham chapter of the AARP. Each of these programs represented a different operating model and is discussed in the following paragraphs.

#### **The Law School Program**

Of the three programs, the law school program most resembled the typical university or school sponsored site model, the main difference being that it is not located on the school campus. The law school assigned an administrative dean of students to support this largely student run effort. Additionally, the law school's tax faculty provided technical support. However, primary responsibility for planning, organizing, supervising, and promoting the program rested with the students. The participating students are to be commended for their efforts. As a result of their success in the prior year, the law school site was designated by the law student division of the American Bar Association as a "rookie site of the year."

The students, with the assistance of the supporting dean and input from the IRS, selected a site at a local YWCA based primarily on two factors, perceived convenience to the targeted customers (low income taxpayers) and perceived security for the student volunteers. While most VITA programs operate from the same site year after year, the selection of this new site was driven

by site security concerns arising in the prior year. Site security concerns were heightened by the students' selected hours, which were evening hours.

Having selected a site, the students then determined to operate the site as a "walk in" site. That is, site hours would be set and published in the target community and taxpayers would be assisted on a first-come first-served basis. Appointments would not be taken. Based primarily on their school and work schedules, but also on IRS observations that workday hours would not likely be convenient for the targeted clients, the students then set the site hours: an early weekday evening and a Friday evening from mid-February through April 15. The students also committed to staffing a walk-in table at the main city post office on the evening of the filing deadline.

The students coordinated their own training and certification process. Training consisted of a four hour seminar co-sponsored and led by students and local IRS personnel. Printed volunteer packages were obtained for all volunteering students. Many students studied these materials in groups.

Many of the law student volunteers had significant work experience and at least two were CPAs with tax specific experience. Several of the volunteers were in their second or third year of participation in the program, and constituted core resources for the program, serving as mentors to the first time volunteers. The prior professional and VITA program experiences of the law student volunteers allowed the law students to run the program with less administrative and faculty support than would otherwise have been required.

Undergraduate accounting students may not be available to participate during tax filing season in multiple years because of other commitments during the spring semester. Hence, the volunteer continuity observed in the law school program could not be expected in a business school. Finally, with respect to the law school's walk-in site model, likely typical of university or school sponsored programs, some students volunteered time, but prepared no returns because of lack of client demand during their staffing time. While these students clearly benefited from their participation in the program through the education and certification processes, they missed out on the culmination of their VITA service learning experience: assisting a client with the compliance process.

### **The M-Power Ministry Program**

The M-Power Ministry program, operated out of the ministry's downtown offices and also targeting low income taxpayers, differed from the law school program in several regards. Perhaps most importantly, this site was not operated by students but was sponsored by a third-party organization not affiliated with any school or university. The ministry, an outreach ministry of a local church, had appointed one of its financial officers and full-time employees (a CPA) to coordinate the program. This program coordinator was directly responsible for planning, organizing, supervising, and promoting the program – including recruiting and training volunteers, setting site hours, operating procedures, and policies.

Another major difference from the law school program, which operated on a walk-in basis, was that the ministry site operated on an appointment basis, with the site coordinator communicating appointment requests to her volunteer list and recruiting volunteers based on availability. One major advantage of the appointment approach was that volunteer time was more efficiently utilized. The number of clients not showing up for a scheduled appointment was nominal.

One disadvantage of this approach, as compared to the law school program, is that a single volunteer could be paired up with a client with no backup resource available with which to discuss

issues. Volunteers, even non-student volunteers, appear to work better in teams of at least two. This team approach works particularly well when one member of the team is an experienced volunteer. Under the law school's walk-in site model, several student volunteers generally staffed the site and were available as resources to one another – with more experienced students mentoring first time volunteers. However, there was no formal effort at teaming the students. As described below, a teaming approach that pairs students with existing experienced volunteers is desirable.

Third-party sponsored VITA programs, such as the ministry's program, represent excellent service learning opportunities. First, from a practical perspective, the third-party site sponsor assumes the burdens of site coordination – largely addressing concerns regarding required faculty time commitments. Second, because such sponsors usually have a pool of experienced multi-year volunteers, but are always looking to build their volunteer pool, these sponsors are usually open to the notion of pairing appropriately certified student volunteers with existing experienced volunteers. This teaming approach opens the door for each student to have a significant mentoring and learning experience.

Issues with this approach include the existence of adequate client demand, the ability of students to fit one or more appointments into their schedules, and personal security concerns similar to security concerns arising from operation of a remote (i.e., off-campus) university sponsored site.

### **The AARP Program**

The local AARP sponsored program closely paralleled the M-Power Ministry sponsored program in that it was sponsored by a third party and operated on an appointment basis versus walk-in. However, there were a few notable exceptions.

The AARP program focuses on the elderly (i.e., TCE). TCE volunteers need Part C certification to prepare retiree returns. The returns prepared under the AARP sponsored program are much more like the returns accounting majors will encounter in professional practice. Many AARP program clients itemize deductions, have various sources of retirement and investment income, and are generally involved in a wider variety of transactions than the typical VITA client.

Because the AARP sponsored programs are coordinated at the national, state, and local levels, the training and support offered to volunteers is likely superior to that offered by most single site sponsors. AARP generally provides volunteers with a minimum of three days of pre-filing season training, as well as specialized TaxWise training. Additionally, the AARP has adopted policies and procedures that are, in certain instances, more stringent than those required by the IRS. The end result is that the local AARP sponsored program operates very much like a professionally run private tax compliance practice.

Many of the AARP's volunteers are former high level business executives. Both the local AARP program coordinator and the M-Power Ministry program coordinator expressed a willingness to utilize the same teaming or mentoring approach discussed earlier. The teaming of student volunteers with AARP volunteers offers students the highest probability of a meaningful VITA based service learning experience.

### **CONCLUSION**

There are many reasons why a university or school might elect to sponsor a VITA program. Direct sponsorship may fit the school's service mission. The school may seek the publicity associated with site sponsorship. Tax faculty may desire credit for the service activity or may personally feel the call to serve. Tax faculty may also see the activity as a means of staying in touch

with the day-to-day tax process by interacting with clients face-to-face; students will likely appreciate the faculty's current involvement. Countless other reasons may exist.

University or school program sponsorship probably provides the greatest potential opportunity for student learning. Given adequate time and resources, students from all disciplines could be drawn into the program. For example, marketing students could participate in marketing aspects of the program. Human resources students could deal with staffing issues. Foreign language students could serve as translators for ESL clients. There are potential roles for students from any major.

Unfortunately, resources (perhaps most importantly, faculty time) are in short supply for most business schools and the full service learning potential of a *school* sponsored VITA program is not realizable. However, a resource constrained school can structure a meaningful VITA program-based service learning opportunity by arranging student participation in *third-party* sponsored VITA programs.

Advantages to participation in a third-party sponsored VITA program include minimal faculty time commitment, a third-party sponsor responsible for most administrative requirements, access to third-party educational resources and training, opportunities for faculty to participate in and/or lead third-party training, opportunities for shared program publicity, and third-party mentoring opportunities for students. Given the number and diversity of third-party sponsored VITA programs, any school should be able to structure a VITA program-based service learning opportunity to match the school's resources and objectives.

While individual income taxes may not exist in some countries or may be less complex than in the United States, the VITA models presented in this paper may be relevant example models of ways to structure opportunities for other accounting student learning activities. For example, the number of not-for-profit charitable organizations may be large in some countries. These organizations typically are very open to volunteer assistance in all areas of their operations, including accounting. If these organizations are near universities, accounting students should find it convenient to participate in learning as they serve a worthwhile cause. Assisting in the development of business plans for entrepreneurs is another area that would provide experience for students. Since all countries are likely dealing with issues related to both low-income and elderly individuals, providing financial planning assistance with activities such as paying bills, balancing checkbooks, and budgeting to these population segments would provide accounting-related experience for students and be beneficial to society.

Although it requires effort, accounting faculty have many opportunities to help students see the practical impacts of the accounting profession and to increase students' enthusiasm about accounting careers.

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