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Volunteer Income Tax Assistance Report

2015 Filing Season (2014 Tax Year)

Overview

The Volunteer Income Tax Assistance (VITA) program is a nation-wide volunteer program sponsored by the IRS. It offers free tax help to people who generally earn less than $53,000 a year, persons with disabilities, the elderly and limited English speaking taxpayers who need assistance in preparing their own tax returns (Free Tax Return Preparation for Qualifying Taxpayers, 2015).

IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals. This year was CCU’s 14th year as the IRS VITA site. We prepared tax returns for students, staff, faculty, and members of the local community, including many senior citizens. We prepared and e-filed returns using TaxWise Online, a software program provided by the IRS.

During the 2015 tax season, we prepared 222 tax returns in total. We also completed 18 multistate returns for residents of such states as Pennsylvania, Massachusetts, Connecticut, New Jersey, North Carolina, Maryland, New York, Virginia, Wisconsin, and Ohio. In addition, our volunteers prepared 28 paper returns that included 14 foreign student tax returns from countries like Iceland, Bulgaria, Germany, Serbia, Canada, Cyprus, Hungary, Australia, Cameroon, and Nigeria. Moreover, the site even completed 2 amended returns and one prior year tax return.

In addition, our student volunteers prepared several complex tax returns that required completion of Schedule A (Itemized Deductions), Schedule B (Interest and Ordinary Dividends), Schedule C (Profit or Loss from Business), and Schedule D (Capital Gains and Losses). Moreover, many student taxpayers qualified for various educational credits such as American Opportunity Credit, Lifetime Learning Credit, and South Carolina Tuition Tax Credit.
Impact of the Affordable Care Act on Individual Income Taxation

The 2015 tax filing season has presented several challenges not only for the taxpayers, but also for the tax preparers. One major change was the tax impact of the new federal government health insurance mandate, the Affordable Care Act (ACA) (Health Care Law: What's New for Individuals and Families, 2015).

The ACA created tax reporting responsibilities as well as tax penalties for failure to comply with the ACA. The ACA also created the Health Insurance Marketplace where taxpayers could purchase qualified health plans and, if eligible, receive premium tax credits to offset all or part of the cost of the health insurance premiums. (Health Care Law: What's New for Individuals and Families, 2015). If the premium tax credit offset is too high the taxpayer must pay more tax when the tax return is filed. If the premium is too low, the taxpayer receives a credit against their tax that is owed. These changes added complexity to even the simplest of returns.

In addition, the ACA includes the individual shared responsibility provision (a tax penalty), which requires individuals to have qualifying health care coverage (minimum essential coverage) for each month of the year, qualify for a coverage exemption, or make a shared responsibility
payment (be penalized) when filing their federal income tax returns (Health Care Law: What's New for Individuals and Families, 2015).

Some taxpayers were exempt from the coverage requirement and did not have to make a shared responsibility payment when filing a federal income tax return. Coverage exemptions are available for individuals specifically described as having a religious, economic, or other justification for not having minimum essential coverage. Taxpayers who qualified for an exemption had to attach a Form 8965, Health Coverage Exemptions, to their federal income tax return to claim that exemption (Health Care Law: What's New for Individuals and Families, 2015).

These changes in health care law required significant knowledge of the ACA and its impact on the taxpayers’ tax reporting obligations. All our student volunteers received training on how to properly address these health care issues and were qualified to complete all the necessary forms on the taxpayers’ returns.

**Process Changes Implemented this Filing Season**

For the 2015 tax filing season, certain changes to our tax preparation process were implemented in an attempt to improve both the learning experience for the students and also as an enhancement to the taxpayer experience.

**Scheduling Changes**

In the prior year, the CCU site was operated on a three-day per week preparation schedule over a period of six weeks. This year, we operated on a two-day per week schedule over a period of six weeks. Tuesday hours remained the same as last year 4:30 pm to 7 pm, but Thursdays the CCU VITA site operated from 2 pm to 7 pm. This change in the Thursday schedule was made to permit graduate students an opportunity to participate in the tax return preparation sessions without scheduling conflicts with their evening graduate classes. This year 4 graduate accounting students participated in VITA. It should be noted that the total amount of hours per week the site operated did not change from the past since Thursday session was extended to compensate.
Overall, our VITA program ran from February 17th to April 2nd with no sessions during the spring break week of March 9th.

Workflow Changes
To minimize movement of the taxpayer between workstations and thus reduce throughput time, we modified the quality review process such that the process revolved around the initial workstation of the volunteer to whom the taxpayer was assigned. The initial tax return preparation by a volunteer, the peer review by another student volunteer, the final quality assessment by one of the certified quality reviewers, and the signing and delivery of the final document to the taxpayer all were completed without the taxpayer having to change workstations. Such modification significantly reduced the taxpayer waiting time and thus consequently reduced throughput time. In addition, this enhanced the learning experience for the student volunteer since with this approach the volunteer became immersed in the entire process rather than in just the initial preparation of the tax return.

Print Station Changes
As a result of the workflow changes discussed above, we were able to separate the review function from the print function. Two computers were dedicated to the printing of necessary documentation. This eliminated a bottleneck we had early in the season when the same computer station was being used for both the quality review and for the printing function. With two dedicated print stations, we doubled our printing capabilities allowing us to simultaneously print two tax returns at once, further reducing the taxpayer waiting time.

Quality Review Changes
Another constraint we encountered early in the season was a shortage of quality reviewers. To correct this we revised the scheduling such that at any given time at least three of the five certified quality reviewers were available at the tax return preparation site. This arrangement relaxed the quality review constraint and improved the effectiveness of the quality review process, as well as provided additional support to student volunteers by increasing the

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1 Tuesday, February 24th VITA session was cancelled due to inclement weather and possibility of snow storm.
availability of the quality reviewers to assist volunteers with various issues and questions for which they needed advice. In addition to reducing throughput time, this change contributed toward reducing tax preparation errors and/or omissions.

In summary, current year modifications significantly enhanced the performance of our VITA site by reducing the taxpayer waiting time, improving the quality review process, enhancing the learning environment for the volunteers, and reducing the number of rejected tax returns.

**Figure 2.** After the initial tax return preparation, student volunteers conducted peer reviews of each other’s work to ensure the quality and accuracy for the taxpayers.

**Student Volunteers**

All our student volunteers had either completed the ACCT 339 (Individual Income Taxation) course or were enrolled in it concurrently with the VITA program. All volunteers, including site coordinators, were required to complete the Volunteer Standards of Conduct Training and had to have successfully passed, at a minimum, the Advanced Level Certification training for VITA volunteers. Several students earning additional qualifications such as Cancellation of Debt,
Health Savings Accounts, and Foreign Student Tax Return Preparation. Site coordinators were also required to successfully complete certification as Volunteer Site Coordinators. Training consisted of three days of classroom instruction in addition to self-paced online training. IRS representative, Beverly Dingle, came on-campus as the instructor for two of the three days of classroom instruction. The third day was taught by the site coordinators. The online training materials and certification tests were available for students on the IRS’s Link & Learn Taxes website, a self-paced eLearning resource specifically designed to assist the VITA program.

Our student volunteers comprised a very knowledgeable and diverse group of people this tax filing season. The tax preparation team included several juniors and seniors, 4 graduate students, and even one alumni. Twelve volunteers were either current or past members of Beta Alpha Psi Honor Society for Accounting Majors (BAP). In total, BAP members earned 9 professional hours for attending 3 VITA training sessions before the start of the program and 168 service hours for the actual tax preparation work.

A total of 17 student volunteers participated in our VITA program:

<table>
<thead>
<tr>
<th>Alina Abramova</th>
<th>Oxana Hendrix</th>
<th>Mercedes Pelayo</th>
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</thead>
<tbody>
<tr>
<td>Jeremy Allison</td>
<td>Shelby Hubbard</td>
<td>Holly Stanley</td>
</tr>
<tr>
<td>Joseph Blanchard</td>
<td>Tatiana Lavrova</td>
<td>Kevin Taylor</td>
</tr>
<tr>
<td>Boris Borisov</td>
<td>Wylee McGreevy</td>
<td>Austin Willmore</td>
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<tr>
<td>Cathryn Cushwa</td>
<td>Kelsey Murr</td>
<td>Mitchell Woodard</td>
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<tr>
<td>Robert Harrington</td>
<td>Brittany Newman</td>
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As a direct result of the knowledge, expertise, and professional demeanor of all our student volunteers, our site received a perfect score from the IRS representatives that visited our VITA site to assess our performance on February 26th. Upon completion of the review process, they concluded that our site was adequately equipped and prepared to facilitate a successful and accurate tax return preparation process.
Leadership

Faculty Site Manager/Coordinator

This year Dr. J. David Mason CPA (CO), Associate Professor of Accounting, was the faculty site manager/coordinator of the VITA program at CCU. This is Dr. Mason’s first year on the faculty at CCU. Dr. Mason came to CCU from the University of Alaska Anchorage (UAA). Dr. Mason developed and implemented the Volunteer Urban Tax Initiative at UAA.

Student Site Coordinators

Dr. Mason solicited the help of two upper level accounting students for the position of Student Site Coordinator. Oxana Hendrix and Tatiana Lavrova graciously agreed to accept the positions. The student site coordinators worked closely with Dr. Mason on both the day to day responsibilities of the site as well as in the development and implementation of the process changes that were instituted this year in the program. Oxana and Tatiana were invaluable in the leadership and enthusiasm they brought to the VITA program this year.

Academic Benefits of VITA

The tax profession is unique, on several dimensions, from most other disciplines in a typical business school setting. First, tax is concerned with the federal statutes that deal with taxation. Thus the teaching of tax is predominately a course about U.S. law. Second, tax is a very complex and continuously changing area of law. Third, tax law, unlike other areas of law, is an area of law in which accountants can provide legal advice to clients, i.e., practice law, within certain constraints. Finally, unlike other majors in a business school, an accounting major is primarily focused on the task of preparing students to enter into a profession similar to that of an attorney, doctor, etc., that has a fiduciary responsibility to the public that it serves.

These characteristics of the tax profession suggest the need to provide students with a depth of content (knowledge base) needed to be a tax professional. In addition, tax professionals are expected to be able to make professional judgments using this knowledge base for the benefit of their clients. Thus it is not enough, as a teacher, to only address the legal content (knowledge base) needed to be successful as a tax professional (although this alone is a critical component of
a student’s education). The teacher must also provide venues, both in and outside of class, that stimulate the student to begin the development of professional tax judgment. The VITA program offers students such a venue to both expand their technology base of tax while at the same time applying that knowledge base to important professional judgments that impact the lives of their clients, the taxpayers.

Further, the VITA program offers the student a learning opportunity to develop critical professional interpersonal and communication skills directly relevant to the student’s future professional life in the areas of work product communication and client-professional interactions. The VITA site also provides the student a venue to experience working with each other and with the faculty site coordinator as professional colleagues rather than in a traditional teacher-student relationship. This provides an important step in the student’s transition from the role of a student to that of a professional accountant.

The above referenced changes to the VITA process at CCU that were instituted this year were motivated by a desire to enhance these academic benefits that might accrue to participating students. Anecdotal feedback has been supportive of the success of these changes.

Acknowledgements

In conclusion, we would like to express our sincere thanks to all our volunteers for donating their time and expertise to the VITA program. Also, we would like to thank Dr. Christopher Becker, Dr. John Mortimer, Bobbi Yurkin, and Sandra Cannone, as well as Ms. Beverly Dingle and Mr. Steve Owens of the IRS for their support of our VITA program. We also appreciate the help of all those on campus who aided our tax return preparation site and assisted the taxpayers in any possible way. We consider the 2015 VITA program a success from every standpoint and look forward to continue the trend in the next filing season.
References
