

This is my second year as a volunteer tax preparer for the IRS program called VITA / TCE. <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers> We come into contact with all sorts of taxpayers and unique situations. Having been sworn to confidentiality under a Standard of Conduct agreement, I make the following disclaimer: *"Identifying details have been changed to protect the privacy of individuals. Any resemblance to actual persons, living or dead, is purely coincidental."*

I volunteer in two counties. The first is Butler, where I live, and Hamilton, which contains Cincinnati. Our area of southern Ohio doesn't have the ethnic, nationality or religious diversity of a New York City or southern California, but there has been an influx of immigrants that has brought a richness to our local population. I've prepared tax returns for families who were originally from Bulgaria, China, Congo, Ghana, Guam, India, Iraq, Nepal, Nigeria, Puerto Rico, Senegal and Ukraine. Don't worry, every one of them is a legal immigrant or refugee. (People from Guam and Puerto Rico are automatically American citizens.) We verify identifies and social security numbers. One of the African countries has an interesting tradition. The wife takes her husband's first name as her new surname. Thus if George Washington married Martha Custis, her new name would be Martha George.

As the tax code becomes more complex, increasing numbers of people are going to commercial tax preparers. The biggest and most well known is H&R Block. According to their website, HRB prepares one out of every seven U.S. tax returns. That translates to more than 20 million tax returns, just for one company. There are several other national tax preparers plus a slew of local practitioners. The latest available statistic for the VITA program is about 1.5 million, certainly not a threat to the commercial tax preparers. Tax code complexity or not, the average taxpayer simply is unwilling or unable to keep up with basic rules regarding their taxes. I have seen people with two incomes, or even only one, tell us they have paid commercial tax preparers \$350 for filing a simple return. I could prepare a tax return for someone with just W-2's and 1099's (usually pension distribution, interest, dividend, stock or mutual fund sale) in a half hour. Most of that time is incurred filling in their information online, plus making sure if they are eligible (or not) for tax credits or itemized deductions. If you throw in a Schedule A (itemized deductions), Schedule C (self employed or very small business), Schedule D (capital gains and losses) or K-1 trust statements, it would take more time, but not inordinately. Taxpayers can even prepare returns online through the IRS website, but very few bother or have the patience.

One of the questions we have to ask taxpayers is whether they wish to contribute \$3 to the presidential election fund. (This does not affect their refund or tax due.) I wish I could tape their reactions. Sometimes I don't even get to finish the question before I hear an abrupt no. The answers range from sarcasm, a big laugh, to a silent head shake. On rare occasions they will say yes. How about you? Have you ever checked this box on your return?

It is rare for a taxpayer to come in with all their documentation organized. Incredibly, sometimes they haven't even opened the envelopes for the W-2 and 1099 forms they've

received weeks before. It is also unusual for anyone to have the proper balance of deductions, such that there is only a small amount of tax due with the return. Or, on the opposite end, a large refund. A lot of the taxpayers like the idea of a sizable refund. Little do they realize that they are lending to the treasury.

This is the first tax year for the Patient Protection Affordable Care Act, aka ObamaCare. It is another level of complexity and quite a few taxpayers got a surprise. They were penalized for either having no health insurance or having to pay back some of the insurance premium subsidy they received. We counseled them to get coverage soon since the penalties will more than double for the 2015 tax year.

Our southwest corner of Ohio is bordered by two states, Indiana and Kentucky. These three states have a "reciprocity" agreement, where a working person who lives in one state and works in another would pay state income taxes only to their state of residence. But companies routinely collect state taxes from non-residents then don't collect for the state of residence. For example, someone living in Cincinnati but works at the airport in Kentucky should have no KY taxes deducted, but have taxes deducted for OH. If a Cincinnati resident has KY taxes withheld but none for Ohio, he or she would have to try obtaining a refund from KY, then pay OH. Somewhere along the line, the HR or payroll department of these companies aren't serving their employees well. However, the taxpayer, if they have been working for a number of years, should have it all figured out.

One of the behaviors I have observed is that seniors have a greater proclivity for gambling than younger people. The casinos and racetracks report the gambler's winning on Form W-2G, which is passed on to the IRS. Winners cannot leave the casino without providing their tax information, with an automatic 20% withholding. I have had seniors whose total "play" (amount wagered) exceeded six figures. The IRS allows losses to be offset against winnings, but the gamblers, for perhaps psychological reasons, don't keep track of their losses. Some want to deduct net gambling losses from their regular income. Sorry, we can't.

Identity theft is a serious issue. Two of my tax returns, filed on the last day (Wednesday April 15), were rejected by the IRS. It seems someone had already used their social security numbers and filed. The rejection notice didn't say so, but there was probably a sizable refund claimed by the thief, the only reason to steal someone's number. The taxpayer victim then has to contact the IRS to prove they are who they claim to be by producing a trove of documents that the identity thief wouldn't have. The IRS then issues the victim an Identity Protection PIN. The lesson here is to file early and guard your social security number.

Another proclivity is not filing tax returns. They are almost all men, typically blue collar. Unfortunately for them, the biggest irony is that they are usually owed a refund or qualify for earned income tax credit (EITC).

Sometimes the unfairness of the Federal tax code makes me want to gag. Take a single wage earner or pension recipient taking in \$20,000. Based on the standard deduction and personal exemption, which total \$10,150, the person's taxable income is just a little short of \$10,000. The tax due is \$1,000. This is a person making a few thousand \$ more than poverty level. In the meantime, it is estimated that around 500,000 people making \$100,000 to more than a million pay no income taxes.

We now come to praise some corporations. Sometime ago, Amazon opened a fulfillment center in Kentucky, not far from Cincinnati. I have prepared a number of returns for Ohioans who work there. Without exception, they speak highly of Amazon. Their starting pay is above minimum wage, they are provided healthcare coverage and retirement benefits. A number of African Americans told me it was the best place they ever worked. One other location I've gone to is Middletown, preparing tax returns for seniors. Middletown is the home of AK Steel, and I've discovered that their pension is generous. Another company who takes care of their retirees is General Electric. Kroger also deserves special mention. The company hires a lot of people whom we presently refer to as special needs. Although they perform menial jobs, they receive compensation similar to Amazon's - more than minimum wage plus benefits. If Kroger and Amazon can do it, so can these other corporations that complain about raising the minimum wage. I'm giving a big shout-out to these companies.

The volunteers I have met and worked with are a dedicated lot. They are mostly professional, with several from Cincinnati's blue chip companies. The crew of Fairfield volunteers have saved the taxpayer hundreds of thousands of \$\$ that would otherwise have gone to paid preparers.

Mario E. Orosa

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