

## ERNEST LYNTON REMEMBERED

### Innovative Pedagogy: A Partnership Model for Designing Service-Learning Projects

*Barbara P. Reider, Steven V. Campbell  
and Robert C. Maloney*

#### Abstract

This paper describes the Rural Alaska Taxpayer Outreach Program, a service-learning program developed by the Alaska Business Development Center, the State of Alaska–Division of Investments, the Internal Revenue Service, and the University of Alaska Anchorage. Faculty involvement was a crucial element in both the initial development and subsequent growth of the outreach program. What began as a student volunteer service has expanded to become an extremely popular senior-level accounting course. Under this outreach program, teams of accounting faculty and students travel to remote villages in rural Alaska to provide free taxpayer assistance. The taxpayers receive free tax preparation services, but the most lasting benefits accrue to the faculty and students who participate in this service-learning activity.

Taxpayer compliance has been a problem in rural Alaska for many years. According to the State of Alaska–Division of Investments (DOI), the reasons include a lack of access to qualified tax preparers, a genuine distrust of the Internal Revenue Service (IRS) by many taxpayers, and the widespread belief that IRS requirements can generally be ignored with little consequence. In 1996 a partnership was formed to address the problem of taxpayer compliance in rural commercial fishing villages. The idea, which originated in the DOI, called for three organizations to join forces to provide free tax preparation services in selected fishing villages. These organizations were the Alaska Business Development Center (ABDC), the IRS, and the University of Alaska Anchorage (UAA). The purpose of this paper is to give a brief overview of how the need arose for a service-learning outreach program, describe how this partnership was formed, outline how the outreach program has evolved over the past five years, and discuss the benefits to the university faculty and students, as well as village taxpayers.

### Commercial Fishing in Rural Alaska

The Rural Alaska Taxpayer Outreach Program has its roots in the commercial fishing industry. Taxpayer compliance is a problem in many parts of rural Alaska, but the IRS has associated a particularly high level of noncompliance with the commercial fishing industry. Commercial fishing involves wild swings in income from year to year, based on such factors as the return of salmon to Alaskan waters and the uncertainty associated with allowable quotas of fish. Added to the inherent risk in fishing is the structure of the industry. Most fishermen deliver their catch to a processing plant, which acts as a “bank” through which credit is given for the quantity and quality of fish received, and which allows payment for such expenses as boat repairs and groceries. Although the processing plants keep

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account records for the individual fishermen, many of the boat owners do not keep separate records of their transactions. At the end of the year, tax returns are usually prepared using only the information on these processing records. During the course of a year, processing plants do not withhold federal income taxes and many fishermen do not make quarterly estimates of their income.<sup>1</sup>

To further complicate matters, fishing permits are controlled by the State of Alaska and separate permits are needed for each type of fish commercially processed. The state regulates the industry in such matters as setting fishing quotas and limiting the areas where fishing can take place. A fixed number of fishing permits have been issued, and these permits are now valuable personal property that can be acquired only at auction or from an existing permit-holder. It is not uncommon to find the sales price of one of these permits exceeding \$200,000 for prime fishing locations. In rural fishing

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<sup>1</sup>Alaskan taxpayers do not pay personal state income taxes. There is also no state sales tax, although communities may levy local sales taxes. However, Alaskan fishermen are charged a fee based on the value of their catches to support the Alaskan Seafood Marketing Institute. This fee is taken directly from their account when fish are delivered to a processing plant.

villages, often only a handful of residents will hold one of these valuable permits, and other villagers will work as crew members for these permit-holders. In most of these villages a large proportion of village income is directly tied to these fishing permits.

Beginning in the early 1990s, the IRS focused more attention on commercial fishermen in its investigation of nonpayment of federal income taxes. It quickly became evident to village taxpayers that past lapses in record keeping and the failure to file tax returns

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was a serious issue that could no longer be ignored. The IRS began the process of seizing both fishing boats and fishing permits as restitution for back taxes. Alaskan state officials were immediately concerned; not only would fishing permits be sold to fishermen from outside the state, but the economic impact would fall largely on innocent villagers who would be left without their primary source of income. The state legislature and governor quickly instituted a commercial loan program for commercial fishers facing the prospect of IRS seizures. This loan program was to be administered by the DOI, which oversees programs that promote small business development throughout the state, including loan programs for the commercial fishing industry.

### Formation, Development, and Implementation of the Service-Learning Partnership

In 1996, the director of the DOI conceived the idea of forming a partnership to address the problem of taxpayer noncompliance in rural fishing villages; the partners would include the ABDC, the IRS, and UAA. The primary goal was to stop the loss of fishing permits through IRS seizures, and the roles of the partners would follow their functional capabilities. Thus, the IRS identifies the villages most in need of help and provides training and technical support for the UAA faculty and students involved in the outreach program. The ABDC provides logistical support and counsels fishers on such topics as writing business plans and qualifying for financing. UAA supplies the accounting faculty and students who actually assist villagers in meeting their tax filing requirements.

The process begins each year with the IRS evaluating Alaskan communities on a five-point scale and rating their level of tax compliance. Working from the IRS list of communities most in need of assistance, the ABDC's program manager then begins the selection process of determining which villages the accounting faculty and student teams will serve. The program manager determines the willingness of each identified community to participate in the outreach program, then enlists sponsors and raises the funds to pay for the teams' site visits. Sponsors include village governments, fish processing plants, banks, regional native associations, and economic development agencies. Once the funds are secured, promotional campaigns inform village taxpayers of the availability of free tax preparation assistance. Student selection and training begin after

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the tax team trips are scheduled. The primary focus of the tax preparation services is for those village residents holding fishing permits, but anyone living in the village may avail themselves of this free service. In fact, the vast majority of people served do not hold a fishing permit or work in the commercial fishing industry.

Team selection, training, and travel occur during the spring semester term. Because the outreach program has become a popular elective course among accounting majors, student participants are chosen through a screening process. Selection criteria include the amount of completed tax coursework, grade point average, faculty recommendations, anticipated graduation date, and amount of experience with or exposure to the Alaskan Native culture. Students must be available to travel either on the scheduled weekend trips throughout the tax season or during the week of spring break. In 1996, the first year of operation, three accounting faculty and five upper-division accounting students traveled to five remote Alaskan fishing villages. In 2000 the outreach course enrolled 15 students who traveled to 24 villages.

Students in the outreach program must attend a series of tax training sessions sponsored by the IRS and briefings on the commercial fishing industry sponsored by the ABDC. During the IRS training sessions, students learn the TaxWise software program that they will use in the field. In addition, students must complete

volunteer income tax assistance (VITA) training and testing before they are permitted to travel. Since accounting students earn upper-division credit for their participation in this program, an accounting faculty member travels with each student team and supervises its work in the field. Faculty participants also attend the tax training sessions sponsored by the IRS. The university considers faculty participation in the outreach program a community service activity.

After the training is complete, the teams begin their trips. Each team consists of one UAA faculty member, two or three UAA students, and one representative of the ABDC. All villages involved in the outreach program are accessible only by small aircraft. Village trips are scheduled for weekends (Friday through Sunday) from mid-February through mid-April, and for the week of spring break. Students can choose to either visit three villages during the weekend trips for nine total days of travel, or spend their spring break (ten days) visiting several villages. The responsibilities of the faculty supervisor include coordinating travel plans and equipment needs for each trip, setting up the workplace in each village, supervising students while they gather information from taxpayers, answering student questions, researching complicated issues, and maintaining contact with the IRS during the visits. The ABDC representative is responsible for team logistics, including purchasing airline tickets, arranging for work accommodations in each village, securing lodging for the team, and arranging ground transportation once the team has arrived in the village. After each trip, students electronically file the tax returns prepared on the TaxWise software with the regional IRS office.

Table 1 presents an accounting of program expenses. Airfare costs increased significantly as the program expanded westward to the Alaska Peninsula and south to the Alaska Panhandle. Since 1998, geographically close communities have been grouped together for the spring break trips, thereby saving thousands of dollars in airfare costs. The second highest operating expense is accommodations. This expense bears no relationship to location or the teams' comfort level. Per diem expenses are a function of the number of team members and the length of the trip. Faculty members are compensated approximately \$100 per day for their participation in the outreach program, in addition to the State of Alaska per diem rate of \$42. Overhead expenses of the program include the administrative costs incurred by the ABDC, such as personnel costs, printing and copying, postage, telephone and facsimile, and ground transportation costs in the villages.

**Table 1**  
**Summary of Program Expenses 1996–2000**

Expense	1996	1997	1998	1999	2000
Advance trips	\$ 3,721	\$ 0	\$ 0	\$ 0	\$ 0
Airfare	12,680	17,260	25,592	25,233	24,652
Accommodations	1,862	5,671	9,422	9,690	11,085
Per diem	2,983	4,393	8,784	8,831	5,674
Faculty compensation	3,000	3,000	3,000	4,900	4,400
Overhead	1,675	213	23,309	24,129	32,882
Total expenses	\$25,885	\$30,537	\$70,107	\$72,783	\$78,693
Number of villages served each year	5	11	17	19	24

### Program Benefits

**Faculty.** Intangible benefits, rather than money, motivate faculty members to volunteer as team supervisors. Specifically, accounting faculty at UAA volunteer to participate in the outreach program because they value the opportunity to work with students outside the classroom. They believe they can impact the lives of their students and the village taxpayers, and they enjoy the chance to visit rural areas of the state they otherwise would never see.

The outreach program has received two university grants: one funds teaching components of service-learning activities; the other funds assessment of student outcomes. Faculty members also have the opportunity to attend a series of workshops on implementing and assessing service-learning programs offered through the university's Center for Community-Based Service Learning.

**Students.** Students are the outreach program's most enthusiastic supporters. Students appreciate the opportunity to apply their classroom knowledge in the community and the adventure of traveling to remote areas of the state. Rural travel is very expensive and few students would have the opportunity to visit these outlying areas

of the state were it not for this program. Before they begin traveling, most students are apprehensive about the reception they will receive in the villages, but they quickly learn that Alaskan Natives are warm and generous people who welcome their help.

While in the villages, students gain an understanding of the difficulties of daily life in rural Alaska. Most communities do not have modern facilities, such as running water or flush toilets, except perhaps in the school. If a village is fortunate enough to have a store, a quick glance at the prices tells students how expensive it is to live in rural Alaska. Houses tend to be small and modest, and the pace of living is slow.

Students learn to work with the TaxWise software and can usually answer most of the taxpayers' questions in the field. If a difficult question does arise, they utilize the research skills they have learned in the classroom. Since most village residents do not have a formal system of record keeping, students learn to use judgment when working with missing information and in making reasonable estimates. Students also gain valuable experience in interviewing taxpayers. Because Yupik is the native language spoken in most of the rural villages served by the program, a family member is often called in to help in the interview process when a taxpayer is not comfortable conversing in English.

As part of the course requirements, students keep a journal while in the field. Writing in the journal at the end of the day provides a period of reflection in which the student often gains a deeper appreciation of the experience. Each student receives a grade for the course; grades are generally high because most students conscientiously fulfill the course's objectives.

**Taxpayers.** Village residents benefit from the outreach program by having their taxes prepared free of charge. There are also benefits in meeting university representatives who care about their condition before the IRS. In many cases, taxpayers come to their interview carrying envelopes full of correspondence from the IRS that they do not understand. The students explain the correspondence and the taxpayers' responsibilities in a nonthreatening manner. The students can then serve as intermediaries between the taxpayers and the IRS.

After being served during one tax season, almost without exception the villagers are eager to be helped again. Outreach program goals include improving the rate of taxpayer compliance and thus lowering the IRS's score of noncompliance for the village, but the program also strives to improve record-keeping practices in the

community. Many of the village visits include sessions to educate taxpayers in the importance of proper documentation. Unfortunately, these sessions are usually not well attended. One drawback to the program is that providing the service on a recurring annual basis may create a dependency.

### Conclusion

Now that the Rural Alaska Taxpayer Outreach Program has begun its sixth year of operation, we can see in retrospect which aspects have been successful and which still need improvement. Clearly, the outreach program has been successful in forging relationships between faculty and students. Rarely do we as faculty have opportunities to see our students working in the field where we can evaluate their communication and interpersonal skills. Students often report that the most rewarding experience they had while earning their accounting degree was the opportunity to participate in this outreach program. The program has received a great deal of recognition both locally and nationally. It was nominated for the 1999 Peter F. Drucker Award for Non-profit Innovation, and it has received citations from the Alaskan congressional delegation in Washington, D.C., and from the national director of the IRS. Additionally, the faculty participants have had the opportunity to share their experiences at several regional and national academic conferences.

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While most accounting programs in the United States participate in the VITA program, this outreach program is unique in its scope and its partnering component. The partnering has worked because all partners have benefited. UAA has benefited from working in the community, and the opportunity to work alongside the ABDC and the IRS in solving village taxpayer problems has produced positive public relations for UAA. The ABDC also has enjoyed positive public exposure as a result of this program, and its clients are in tax compliance for state loan applications before they seek business counseling. Finally, higher tax filing compliance rates among rural villages directly benefit the IRS. This program has



been successful and continues to grow because all parties—the partners, students, faculty, and community members—perceive that the benefits outweigh the costs. A partnering approach to service-learning that creates joint responsibilities among the partners greatly increases the probability of a program's success.

### About the Authors

- Barbara Reider is associate professor of accounting at the University of Alaska Anchorage. She received her Ph.D. in accounting from Kent State University. Dr. Reider serves as the director of the MBA program. She has received the CPA, CMA, CIA, and CFM certifications.
- Steven Campbell is associate professor of accounting at the University of Alaska Anchorage. He holds a law degree from the University of Illinois and a Ph.D. with an emphasis in accounting from the University of Oregon. Dr. Campbell teaches financial and managerial accounting. He has taught in Russia as part of a joint degree program with the University of Alaska. He has published several articles in the U.S. and Russian academic accounting literature.
- Robert Maloney is professor of accounting at the University of Alaska Anchorage. He earned his MBA at Miami University and holds a CPA license in Alaska. Mr. Maloney is on sabbatical during the 2000–2001 academic year at California State University, Chico.