

The Volunteer Income Tax Assistance Student Program: Are We Creating a Dependence on the Service?

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Abstract

Every spring, business students across the country participate in the Volunteer Income Tax Assistance (VITA) program. In a unique Alaska VITA program, students travel to the taxpayers rather than have the taxpayers visit a college campus. The program started eleven years ago at one university serving five rural Alaskan villages. By 2007, students from all over the country worked with taxpayers in almost one hundred Alaskan villages. While an important goal of the VITA program is educating taxpayers to prepare their own returns in the future, we find that the Alaska program is doing just the opposite—creating a dependence on the service. The purpose of this research is to determine the extent to which VITA taxpayers are capable of preparing their own tax returns and whether the program has created unintended consequences.

Introduction

Every spring, the Volunteer Income Tax Assistance (VITA) program provides taxpayers with free help in filing federal and state income tax returns. Many university campuses host the program since it provides business and law students an opportunity to put their classroom learning into practice, while simultaneously serving a genuine need in the community. In order to participate in the program, volunteers must complete a rigorous self-study program prepared by the Internal Revenue Service (IRS) and pass a series of exams.

A unique VITA program is hosted by the University of Alaska Anchorage (UAA). Not only do UAA students serve taxpayers in the surrounding urban area, but they also travel to rural villages to assist those who do not otherwise have access to tax return preparation service. The Alaska VITA program has been extremely successful, expanding from five Western Alaska villages in 1996 to ninety-seven sites in 2007. The geographical area covered in 2007 spanned a distance from Southeast Alaska through the Yukon River drainage, and from Western Alaska to the Pribilof Islands in the middle of the Bering Sea—roughly the distance from Chicago to Salt Lake City. In addition, VITA teams traveled to the Arctic

North Slope for the first time in 2007. In total, volunteers served more than 5,700 taxpayers from across the state.

The Alaska VITA program had an unusual origin. To address a major economic crisis facing many fishing villages, IRS staff, UAA representatives, the Alaska Business Development Center (ABDC),

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and state officials formed a partnership. The State of Alaska Department of Investments (DOI) grants economic development loans to communities for infrastructure needs and to individuals for fishing boats and equipment. The DOI requires individual applicants to submit prior year tax returns, but many would-be borrowers failed to file and were therefore ineligible for the loans. In addition, many fishermen risked the garnishment of their fishing permits, often their most valuable asset, by failing to file federal tax returns. Student participation was an essential component of the partnership

because participating students could help villagers prepare their returns and educate them on how to save and prepare documents for future returns.

The rapid growth of the program has not been without cost. An ABDC coordinator accompanies each student group visiting a village, and usually a faculty member travels with the group to provide academic oversight. Since the demands of the VITA program have outgrown UAA's resources, universities from across the country now participate in the program.

Originally developed to address a specific need in rural Alaska, the program expanded for reasons related only tangentially to its original purpose. In a case of success breeding success, community leaders heard how the VITA program served other villages and requested that their residents be included in the program. Many of the communities added are far from the coast and have very little, if any, fishing activity.

No one questions whether the students benefit from the experience; however, the greatest educational benefit for most students is not about accounting but in learning about life in a poor remote setting. Many communities do not have indoor plumbing and require the euphemistically labeled “honey buckets” for toilets.

Travelers to the villages usually arrive by small plane. Winter runs well into April in Western and Northern Alaska, and poor weather often strands tax teams in remote villages. Teams often sleep on village school floors in sleeping bags. For many student participants, physical conditions pose more daunting challenges than preparing tax returns.

At this point in the VITA program's history, we question whether we may be doing more harm than good. While focusing on the benefit that our students get from the village tax program, we may have ignored the repercussions the free tax preparation service has on the recipients. By providing the service, are we discouraging taxpayers from helping themselves? Have we created a dependency that is detrimental to the long-term social health of the villages?

Background

What is service-learning? Wankel states that service-learning “prepares business students to see new dimensions of relevance of their coursework. It provides structures for students to establish caring relationships with others that validate their humanity” (2000, ix). Four partners must collaborate to create a successful service-learning experience: students, the university, faculty, and the community. The role each partner plays, however, can differ depending on the service-learning environment. Berson and Younkin (1998) describe service-learning as a “form of experience-based learning.” They differentiate between the two by their targeted benefit: service-learning focuses on both the student and the community, while experience-based learning primarily benefits the student.

Holland and Gelmon (1998) note that, unless the community contributes to service-learning, a true partnership between student and community does not exist. Ferrari and Worrall (2000) use the term “community-based service learning” to show the necessary, reciprocal link between students and community. They note that little research addresses the community voice. Chesler and Scalera (2000) also comment on the dearth of research studies focusing on the community partner of service-learning. They provide an extensive list of unanswered questions on this issue. Driscoll (2000) observes that researchers must focus attention on the community's perspective in service-learning because of the significant issues associated with funding decisions.

Cruz and Giles (2000, 28) provide one of the most strongly worded statements about this issue: “The lack of research on the community dimensions of service-learning is a glaring omission in

the literature.” However, the few studies that have focused on the community perspective reveal that recipients appreciate student contributions, find the services useful, and believe that a stronger service-learning partnership results (Eylar *et al.* 2001).

Morton (1995) raises the question of how to measure the impact of service-learning on the community. Input variables, such as volunteer hours worked by students, correlate with service, though not perfectly. Morton creates a model of increasing service levels: from charity to project to social change. When defining charity, he

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states, “charity seems weak, destructive and—despite the best of intentions—as likely to make a situation worse as to remedy it” (21).

Researchers report a wide perception gulf between students and communities involved in service-learning. Blyth, Saito, and Berkas (1997) recommend asking the community participants whether the service-learning partnership is beneficial for them. Greene (1998) reports that in one service-learning partnership, university students and nursing home residents believed that service-

learning benefited the other party. However, the benefits each party identified that it had received differed from the benefits the other party thought it had provided.

Vernon and Ward (1999) directly address the community perspective and suggest ways to improve the service-learning partnership. They note, “The voices of community members are almost completely absent from the discourse on the effects of community service” (31). In their study, they question whether service-learning helps or hinders the community. Vernon and Ward find that community representatives have a positive perception of local universities and students who participate in service-learning. While reporting the specific benefits of these partnerships, they note the challenges of student schedules, short-term commitments, and the need to train students. The majority of community respondents indicated that students lacked the specific skills needed to be effective in their particular service-learning environment. Conversely, Gray and others (2000) find that the community views service-learning students as more effective than other volunteers. They

emphasize, however, that the benefit to communities of participating in service-learning must exceed the cost or the programs will eventually fail.

Service-learning in accounting: Many universities host VITA sites on campus (e.g., Doyle, Matt, and Owens 2005; Campbell, Reider, and Maloney 2002; Reider, Campbell, and Maloney 2001; Price 1995; Strupeck and Whitten 2004). This service-learning experience provides students the opportunity to help targeted taxpayers, including the low-income and elderly, file their income tax returns. Quinn and others (1995) highlight how their program at Salisbury State University combines VITA with the Accounting Education Change Commission Position Statement No. 1 Objectives (1990). They asked students and alumni who participated in this program to provide their perceptions of the knowledge, skills, and abilities they gained as a result of their experience. However, they collected no information from the taxpayers themselves regarding their satisfaction with the VITA program.

Method

We designed a questionnaire that taxpayers could complete after a student tax team filed their federal income tax returns. The State of Alaska does not levy individual income taxes. In 2007, we collected 93 usable surveys from taxpayers in 23 villages, although some taxpayers did not answer all questions. The survey contained 20 tax-related and several demographic questions. Taxpayers sometimes took a long time to answer the questions because of their lack of familiarity with terms such as “tax records” or “filing a tax return,” or because they spoke Native languages at home. In many cases, tax team members had to rely on the taxpayers’ relatives to help interpret the questions and answers. Because of the difficulty some taxpayers had in answering the questionnaire, we chose to administer the instrument directly through the tax teams, instead of sending the taxpayers a written survey.

Our research questions include the following:

1. Who prepared taxpayer returns before the VITA teams visited the villages?
2. Have taxpayers learned enough by working with the tax teams to complete their own returns?
3. Do taxpayers have access to computers and the Internet that could help in filing their returns?

4. Does the service provided by the VITA students influence the taxpayers' perceptions of their understanding about preparing returns?
5. Does the service provided by the VITA students influence taxpayers' organization and condition of records?
6. Does the service provided by the VITA students influence the likelihood of taxpayers keeping copies of their returns?
7. In the future, would taxpayers prefer to prepare their own taxes (or have them prepared locally) or see the VITA teams return to provide the service?
8. If the VITA teams stop visiting the villages, how would taxpayers complete their returns?
9. How much would taxpayers be willing to pay to have their returns filed?

Results and Discussion

We present and discuss the results in three broad categories: (1) ability and willingness to prepare and file tax returns locally; (2) the results of changes because of the VITA program; and (3) the perceived effects on tax filing if VITA service is ended.

Local preparation and filing: We asked taxpayers to identify who prepared and filed their returns before the VITA visits. While 62.2 percent of respondents either prepared their returns themselves or relied on friends or family members, 13.3 percent of villagers admitted that they generally did not file federal tax returns. The remaining taxpayers (24.5 percent) said that they paid a professional tax preparer to file their returns. Villagers relying on paid professionals typically must mail their tax-related documents to the preparers, who are located in larger towns. The quality of service provided varies greatly. Unfortunately, we have seen evidence of obvious carelessness resulting in taxpayers paying much more income tax than necessary. Some of the taxpayers we interviewed who had relied on professional tax-preparation services did not understand their returns enough to ask questions. They relied on the shoddily prepared returns even when they had suspicions that something was wrong.

While tax returns can be prepared by hand, many U.S. taxpayers use tax software. The majority of our survey respondents (92 percent) lacked access to a computer. Sixty percent of respondents

said that even after working with the VITA teams, they had not learned enough to file their own tax returns. We find this unsettling because VITA teams attempt to educate taxpayers about which records to keep, why these records are important, how income taxes are calculated, and how to determine whether they will receive a refund or have to pay additional taxes. Regardless of who prepares the return, the VITA program seeks to educate the taxpaying public in a broad sense.

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Results of the VITA program: Even with a small sample size, we find statistically significant results for the next three research questions. We used the nonparametric Wilcoxon Signed Ranks Test to evaluate our findings, since respondents answered questions using Likert scales.

First, we wanted to examine whether the perceived taxpayer knowledge had changed since the tax teams first visited. We found a statistical significance with $\alpha < 0.01$ ($Z = -4.688$). Taxpayers indicated that their knowledge or understanding of how to prepare returns increased after the tax teams began visiting their villages. Using a 5-point Likert scale (1 = very poor; 5 = very good), the mean response increased from 2.65 to 3.31. While the majority of taxpayers said earlier that they had not learned enough to prepare an entire return on their own, the test results indicate that the VITA program is a step in the right direction.

Second, we investigated whether the organization and condition of the taxpayers’ financial records had changed since the VITA teams first visited. We also found statistical significance for this test with $\alpha < 0.01$ ($Z = -6.634$). The mean response increased from 2.81 to 3.83. When returning to a village, most VITA teams report that taxpayers served in the past know which documents they need to keep and how to answer the questions necessary for completing the return.

With the third set of responses, we compared whether more taxpayers kept copies of their returns after the VITA teams started visiting their villages. While 67.4 percent of taxpayers kept copies of their returns before VITA service began, 94.0 percent of taxpayers kept copies after the teams began their service, significant at $\alpha < 0.01$ ($Z = -4.642$). VITA teams benefit greatly when they have copies of past returns because they do not start from scratch with each taxpayer served.

Consequences of ending the VITA program: We asked taxpayers whether they preferred to see the student VITA teams visit in the future or if they wanted to have their returns prepared locally. The overwhelming majority (87.0 percent) preferred to continue their participation in the VITA program. However, if the VITA teams no longer provided the service, only 2.7 percent of respondents said they would stop filing tax returns. In contrast to the percentage of taxpayers who reported having previously used paid professionals (24.5 percent), 29.1 percent of respondents said they would pay professional tax preparers in the absence of the VITA program. Most taxpayers, however, would either file themselves or rely on friends and family members. As discussed earlier, only 40 percent of respondents felt comfortable in their ability to do this.

When we asked respondents how much they would be willing to pay to have their returns prepared, almost half (45.6 percent) said \$0. While 48.8 percent of taxpayers were willing to pay up to \$300, a few (5.6 percent) would pay more than \$300. Interviews with taxpayers indicated that paid preparers commonly charged \$500 to \$600 for relatively simple returns.

Limitations

Because of logistical considerations, we surveyed only taxpayers who participated in VITA during 2007, resulting in a nonrandom sample. As a result, we did not address a number of potential issues in this study. For example, we cannot determine if taxpayers who used the VITA service in the past now prepare their own returns, pay to have them prepared professionally, rely on friends or relatives to prepare their returns, or simply do not file. Past VITA tax filers may not have had taxable income during 2006, and the IRS did not require them to file a return.

Our study does not identify taxpayers who were dissatisfied with the VITA program in the past and chose to forgo the free service. Given the sensitive nature of tax information, we do not ask taxpayers to provide personal information on the questionnaire that could identify them in any way. This makes it difficult for us to conduct any long-term research about individual taxpayers. In our study, however, we take a first look at the potentially unintentional consequences of providing free tax preparation service in general. We can sample taxpayers over time to determine if our results change.

A significant number of taxpayers (34.4 percent) indicated that they spoke Native languages at home. We prepared the questionnaire,

however, in English. Perhaps taxpayers and students had communication difficulties that resulted in inaccurate responses.

Next Steps and Conclusions

Although Alaskan taxpayers who have participated in the VITA program improved in their understanding of the tax preparation process and in their record keeping, a significant number lack the knowledge and confidence to prepare their own returns. They also lack the technology required to prepare and file electronic returns. Given a choice, most VITA taxpayers prefer that students prepare their returns. We conclude that VITA taxpayers have developed a dependence on the program.

We plan to continue our study to examine the long-term effects of the VITA program in rural Alaskan villages. While the VITA program grew significantly over the last few years, at some point we would like to see villagers confident enough to prepare their own tax returns. We must examine the educational component of the program to see why more taxpayers do not file on their own.

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