

**Remarks by Nina Olson
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Okay, well I wouldn't be doing my job if I didn't start out and ask you, how many of you have filed your taxes or were about to file your taxes by the end of the day? How many have prepared them yourselves? Okay, that's pretty good. Keep that thought in mind as I sort of talk along here. What I really want to talk about today, because nobody's talked about tax and financial access and financial literacy, and I really want to talk about how for many persons, whether they're low income or they're new immigrants and we're talking about immigrants here, taxpayers really, taxes are a primary, if not the first interaction that these taxpayers have with the U.S. financial system. And I really want to make my case for that and maybe by way of starting it everybody talks about death you know. Benjamin Franklin talks about death and taxes being the constant in life. They didn't say death, banking and taxes, they said death and taxes so you know, my point is taken. Okay.

You know, we've talked about remittances being a gateway to the financial system and again I want to talk about taxes being a gateway to that. You know financial literacy does include understanding how a system operates and folks don't really understand how the tax system operates; and that can have ramifications that will severely hamper your ability to participate in any other aspects of the financial system and may actually drive you underground if you get it wrong. For example, in working you have to fill-out a W-4. You have to have a social security number. Do you know how many exemptions you should be putting in your withholding? That's a financial literacy type of question, you need to understand that. If you withhold too much you get a refund, that's a form of savings. It's a forced form of savings that many taxpayers use. Those people who are unbanked use the tax system as a savings account, and if you owe past taxes and you get a refund, we will offset that, so can you make the financial decision? Can you figure out that you should have actually less, you know less taxes withheld and more money in your paycheck each week to avoid us at the end of the year offsetting that refund? That's a financial calculation and you have to have some level of sophistication to understand that. How about if you withhold too little? Well then you're going to owe us and we are, by far the most powerful creditor in the United States and possibly in the world. And just so you know, Congress determined that tax debts accrue interest daily, it's compounded daily. There isn't any bank in the United States that compounds interest daily that I know of, and I'll bank there if you tell me that it exists. We accrue penalties on that interest so often peoples' liabilities over the ten years that we have to collect can triple or quadruple; and so you may have paid the tax many times over, but what you are paying is penalty and interest. It can destroy you financially.

Homeownership: you have to, have to, show a tax return in order to qualify for a loan. Student loans, education, see how education is so important in getting people banked. In order to get loans you have to file a financial statement and attach your tax return. In business, small business loans, tax returns, once again. And I will make a point about homeownership: one of the slides talked about undocumented income, you know mortgage companies check, they ask for copies of tax returns, so if someone has undocumented income and they do not report it on their income tax return, that's a flag, okay? So there you have immigrants who are maybe in the cash economy and you have real problems there and barriers to their homeownership.

Immigration: we've talked about undocumented workers. Tax returns are essential to the immigration system. If you're here and you're undocumented and you want your status to be adjusted under some kind of an amnesty law, or just your name has come-up, you know, you've been on the list for twelve years from Mexico and finally your name has come up, you have to prove that you have filed tax returns as proof of good moral character. If you want to sponsor someone in the United States you have to submit tax returns to convince the immigration authorities that you have where-with-all, the financial where-with-all to bring that person over.

The act of filing itself is an annual financial check up. I lived in North Carolina for eighteen years. I prepared taxes for thousands of people over that time. My clients came to me once a year to tell me how well they did or how poorly they did, and what we could do to move them on to the next stage. So you talk about asset building and that's fine.

Taxes, as I said before are the major savings vehicle for the unbanked. Tax advice and preparation for the poor and for immigrants is largely unregulated, and we've talked about intermediaries and the influence of the community in the trust that people have in their bankers, but trust works both ways. If you trust someone who is unregulated, who has no skills whatsoever or has no minimum level of competency in it, you may be getting bad advice and as I've been saying, the consequences are extraordinary. So in the tax preparation field we have notaries doing tax return preparation, we have check-cashing shops, we have pawn shops, we have car dealers, we also have on the flip side of that community volunteers, strong organizations of volunteer income tax assistance programs, the VITA sites. Many of you are affiliated with them where volunteers take their time to help doing return preparation for folks. With those intermediaries, some of those intermediaries charge fees and this is again where financial literacy comes in, can you, do you have the ability to make decisions about what these fees are, what the true costs of these services are? Allen Berube is here from Brookings, he's written a very fine piece, you can get from the Brookings web site about Refund Anticipation Loans (RALs) and other products but let me just speak here on one particular device; we've got RALs, we've got fees for refund check cashing if you get it in paper, for e-filing and we've got fees for direct deposit, a one time direct deposit. If you choose not to go into a RAL of your refund, and the fee for that is more than fees for a year round account on low dollar savings account, but people don't have

the financial literacy to make those kinds of decisions and say, "I should go to the bank and open an account and get a direct deposit in that."

Immigrants have special challenges. We've talked about the problems with their countries of origin, their countries of origin may not have a voluntary filing system. They may not, their tax man or woman as it were, may not be kinder or gentler as the IRS has become. In their country of origin they may simply set up shop. There's no sales tax, there's no business license tax, there's no gross receipts tax, no business property tax, no state, federal or local income tax.

The language barriers: you won't get good information if you don't ask for help or you can't ask for help. Cultural barriers: you won't go outside your community for help even though there's no expertise in your community. Psychological barriers: you won't understand the context and the significance of IRS requirements or correspondence; you won't respond to correspondence; you won't ask for it to be in Spanish, which we do have the capacity to do. We have interpreter services with sixty-nine languages, we can arrange to speak to someone in their native language, but you need to know about it and call us to ask about it. We don't do a good job of advertising it, that's one of my beefs.

There is a profound conflict between immigration law in the United States and tax law that compounds these challenges. There are, under tax law, two tests that require you to pay your taxes and require you to file on your worldwide income; the green card test, you are documented in the United States, and the substantial presence test, you are here regardless of your documented status. And if you pass the substantial presence test, but you don't have a green card, you are an undocumented worker in the United States or an undocumented alien. You still have the responsibility to file on the basis of your worldwide income and you can use an Individual Taxpayer Identification Number. It's a number that the IRS has created so that you can file your tax return. Seven million of those numbers were issued through September of 2003.

Now this brings on the problem of identity theft. An ITIN is not a number that the immigration service will recognize for you to get a job; you have to fill out an I-9 form to get a job. It is in violation of law to fill out that form with an ITIN, and you're already compounding your problem so folks borrow, they steal, they make up, they use numbers. And then we try to get them to file their returns with an ITIN on their return even though they've got a social security number on their W-2's and you know what? We want you to come in and do that. This is the official policy of the IRS. We administer the tax laws not the immigration laws.

We have, the Congress also recognize the special need of immigrants to the United States, people who speak English as a second language. In 1998, and this was largely as a result I have to admit, of my activities outside of the IRS before I took this position, I founded the first low income taxpayer clinic in the country that was not affiliated with a law or academic school, it was a legal aid for low income taxpayers and we had a strong ESL outreach program and representation program, and so Congress, in 1998,

created a grant program. There were fourteen clinics in the United States at the time. I now administer that grant program ironically enough. There are approximately a hundred and forty across the nation, there's one in every single state, two in Puerto Rico, three in the District of Columbia. We're missing Wyoming so if anybody's here from Wyoming speak to me after the break. Those clinics are charged with representing low income taxpayers on tax controversy issues and conducting outreach and education to English as a second language taxpayers. And at the time that Congress was restricting Legal Services Corp. from representing undocumented workers, it authorized this grant program without any restrictions whatsoever because it recognized that undocumented workers in this country contribute to our economy, pay taxes and need representation and education.

There are bills now before Congress, Congressman Becerra in the House and Senators Akaka and Bingaman in the Senate have sponsored programs that have sponsored bills that link tax preparation with financial literacy, so that there would be a grant program to banking institutions and community groups that would help tax preparation as well as getting bank accounts opened and so we're hoping that this will pass, I support it.

Now, IRS has made changes in the ITIN procedure. There was a concern of the non tax proliferation of ITIN numbers, for example being used for driver's licenses. We do not do identity checks, we do not do verification of identities. If you have valid documentation we accept it, but it's not the verification of your identity, that's not what the Tax Administration does and so we have gone out to the DMV's to say, "Do not accept an ITIN as an identity number, it is not that" and that concern has made the IRS basically link the application for an ITIN with a Tax Administration purpose because it's a tax number. And so in order to get a ITIN generally, you have to submit the application with the tax return, which means we have backlog, and if you don't do your documentation right then, we hold your refund up until we get your ITIN application right; that's a screwed-up system. I mean I'm working on that, but it's a screwed-up system, fine. Here's the exception that every single person in this room really needs to take note of: on the materials, we have a little folder that, you know the little thing that's about the ITIN number, it's buried in here. I didn't write this, it wouldn't have been buried in here if I wrote it, but never mind. There is an exception from mailing the ITIN application in with the tax return, and that is if you open an interest bearing account or some other kind of account that has, you know, tax administration purposes or you apply for a home loan. So let's think about the future of this then, let's link this with financial literacy. Imagine the day when you could have people during the year doing financial literacy programs, banks linked with community groups bringing people in, opening accounts after they've had financial education, doing your ITIN application right there because you have the documentation that the account has been opened. That account is opened in advance of the filing season so they have their ITIN, then when the filing season comes in they can go to the community group for tax preparation, free tax preparation. They have the account set up for direct deposit so there're no RALs and you've got another opportunity to educate them about financial literacy and asset building. That's the future, I challenge you to step up and meet that.

Now there is one more comment that I want to make to a speaker earlier, that was about why should we concentrate on the undocumented workers, and I really need to challenge that. I want you to think about the family structure of immigrant families. And I know this and I challenge you, the research hasn't been done to really look at that, but the families that I see and that my employees represent in the taxpayer advocate service and the people that I represented outside the IRA, the family structure basically is you've got one person that's got a green card, you've got the spouse who's come into the country waiting to be adjusted, but she's here and you've got three U.S. citizen children, okay? Now those U.S. citizen children, if it takes two generations to overcome the impact of the influence of your home country, they're learning about financial literacy in that mixed family of documented and undocumented folks. That's your future, you have to work with the undocumented workers in this country and the unauthorized aliens in this country to correct, you know, give them access to financial literacy. That's the future. Thank you.