

VITA--Community Service and Service Learning Among Accounting and Law Students

Contacting Author

Cathy Faulcon Bowen, Ph.D.
The Pennsylvania State University
8B Ferguson Building
University Park, PA 16802-2601
814-863-7870 Phone
814-863-4753 Fax
cbowen@psu.edu

Keith Elkin, J.D.
Dean of Students
Penn State Law
105D Lewis Katz Building
University Park, PA 16802-1017
(814) 865-9035
kelkin@psu.edu

Benjamin Lansford, Ph.D.
Clinical Assistant Professor of Accounting
Director, Master of Accounting (MAcc) Program
Penn State University
Smeal College of Business
325 Business Bldg.
University Park, PA 16802
(814) 867-3556

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Introduction

The purpose of the paper is threefold. First, brief background information about the VITA program and service learning are summarized. Second, the VITA program at a large public university is described. Third, findings from a survey of program participants are shared.

Background

The U. S. tax code is complicated, amassing 73,608 pages of paper (CCH, 2012). Citizens, residents and non-residents who have income generated in the U. S. must file an income tax return to be in compliance with U.S. tax laws. Yet many of these earners, even those with college degrees, throw up their hands in bewilderment when trying to decipher the ever-changing laws with which they must comply. Wealthy taxpayers who want to maximize legal tax benefits and retain as much of their earnings as possible hire certified public accountants to file their returns. Some low to moderate income earners also seek assistance from paid tax preparers, such as businesses that advertise heavily during the tax-filing season.

In 1969, the Internal Revenue Service (IRS) implemented VITA--volunteer income tax assistance--and the first returns were prepared under the program in 1970. VITA helps low-wage earners complete and file yearly income tax returns at no cost. The program is available in many U.S. communities and on military bases. The primary sponsor is the IRS and program implementation is highly dependent on local nonprofit organizations and community volunteers. VITA programs use the Earned Income Credit (EIC) maximum income limit as the guideline for determining program eligibility. The EIC maximum changes yearly and was \$50,000 for the 2011 tax year.

Service Learning

Service learning is a teaching and learning strategy that combines meaningful community service with instruction and reflection by learners to enrich the learning experience, teach civic responsibility, and strengthen communities. It is based on the Experiential Learning Theory credited to and advanced by David Kolb. In a nutshell, experiential learning proponents believe that learners' experience is the key or center to learning. Individuals who live in communities where service learning projects are implemented benefit as well as the learners who engage in the activities.

Research on the benefits of VITA programs for universities, students and local communities has been addressed in the literature from a service learning perspective. Several authors have discussed the value of VITA programs in shaping and developing the skills for soon to be professionals (Carr, 1998; Milani, 1998; Palmer, Goetz, and Chatterjee, 2009; Price and Smith, 2008; Strupeck and Whitten , 2004). Students who volunteered in VITA programs experienced greater camaraderie that was developed during less busy times at the site, increased technical skills related to tax laws, enhanced communication and interaction skills with clients, increased self-confidence, and have intentions to volunteer or provide pro bono services in their communities once they became established professionals.

The value or potential value of VITA programs to local communities have been discussed by others (Milani, 1998; Nellen and Purcell, 2009; Palmer, Goetz, and Chatterjee, 2009). Possible community benefits include the access to services that do not come from local budgets and increased civic-minded citizens. VITA could become a springboard that leads to service learning opportunities that benefit small business owners and nonprofits.

Scholars have also discussed the advantages and disadvantages of various models of VITA programs associated with academic institutions (Carr, 1998; Milani, 1998; Price and Smith, 2008; Strupeck and Whitten, 2004). Strupeck and Whitten discussed two VITA program models at universities and outlined the pros and cons of each. Program A, an all-volunteer program where students did not get course credit, lacked stability in administration and experienced stops and starts in the program. In Program B, students received course credit; the program had consistent administration and therefore consistency in years of operation. A checklist is provided that can be useful to anyone who is starting a VITA program.

Finally, the cost and benefits associated with offering VITA programs in academic settings has also been discussed (Long and Kocakulah, 2007; Strupeck and Whitten, 2004). VITA provides a clinical experience or live laboratory for students and faculty who can refine skills, processes, and help to maintain a reality check between classroom instruction and real life application. Costs include an enormous amount of time of a faculty member or designated coordinator and the operational costs (e.g., clerical support, supplies, space). If not managed properly, a VITA site could create ill will in the community instead of good will. An example of goodwill could be increased donations to the university by taxpayers who benefit from the VITA program or philanthropist in the community who increase their support because of the VITA program.

The Evolution of a VITA Program

Beginning with the 2004 tax year, extension educators in a college of agricultural sciences at large northeastern public university initiated a VITA program on the main campus. The initial motivation for establishing the program was to use the income tax preparation process as a teachable moment and assist taxpayers with practical personal finance information that they could use to improve their financial situations. At the time, this was the only e-file VITA site in the county, which means the returns were filed electronically. Beginning with the 2008 tax year, the law school began collaborating with the program and in the 2009 tax year, the accounting students in the business college joined the program. The program has grown from two volunteers in 2004 to 51 volunteers in 2011.

The law and accounting student liaisons advertise interest meetings for the VITA program and recruit volunteers. Liaisons use student listservs, post announcements on electronic bulletin boards and make presentations at organization meetings and in relevant courses. In addition, the director of the master's of accounting program notifies students in this program. Volunteers are then trained through a combination of the online *Link 'n Learn* self-study program provided by the IRS and campus in-person sessions taught by a faculty member. The in-person sessions augment *Link 'n Learn*, highlight key state tax laws relevant to VITA tax filers, and provide opportunities for volunteers to become familiar with the software. The IRS provides TaxWise software to complete the returns. Since the 2010 tax year, the VITA site has used

TaxWise online instead of TaxWise Desktop. TaxWise online eliminates many security concerns related to the safety of taxpayers' data.

The program is conducted as an appointments only site and operates from a temporary secured computer lab from February 1 to about April 15 each year. The site is open for four hours during three evenings during the workweek and on Saturdays for six hours. The program is closed for one week during the university spring break. Thus, during tax-filing season, the site is open for service for 9-10 weeks. Since 2009, 99% of the volunteers have been full-time students.

The IRS certified volunteers who completed the returns volunteered for a three-hour shift each week. These volunteers documented the time donated by signing in and out of their shifts. The volunteers who served as tax preparers must complete the ethics certification and two or three levels of certification for completing tax returns. Greeters, or the volunteers who checked in taxpayers completed the ethics portion of the *Link 'n Learn* training. The lab included seven computer stations. The tax preparers worked in pairs and did not receive any course credit for volunteering. However, law students could use the hours of volunteering towards the coveted Miller Public Interest Advocate Certificate. This certificate requires 60 hours of law-related public interest service. Two supervisors per shift served as troubleshooters and as quality reviewers for completed returns. Supervisors had one or more seasons of volunteering. Each completed return was spot checked for key data before was e-filed by the site coordinator. The site coordinator handled any needed follow-up (rejects and correcting missed errors).

The program was listed on the Internal Revenue Service's master list of VITA sites, which can be accessed via web searches. In addition, the program was advertised locally in newspapers, community organization newsletters, traditional bulletin boards, local government channels, and the university human resources newsletter. Filers who had returns completed for the 2010 tax year and who provided an e-mail address received advance notice of the 2011 site operation hours. Thus, returning filers could schedule appointments before the information was released to the public. Grant funding covered the cost of parking passes for filers who needed them. Ample parking was next to the building where the VITA lab is located making it very accessible to community area residents.

At the end of the filing season, the volunteers attended a closing celebration where preliminary data of the site's accomplishments were shared and awards were presented. Each volunteer received a certificate recognizing their public service, a summary of the preliminary data and the total number of hours they volunteered during the season. Training time was not included in the volunteer hours documented. Volunteers also completed an online survey where they were questioned about suggestions for improving the program and their reflections about what they learned or took away from the volunteer experience.

2011 Survey of Taxpayers

Methods

The 2011 VITA filers (648) were surveyed to determine a profile of the participants and to describe them on selected aspects of their financial knowledge, beliefs and behaviors. Filers with e-mail addresses were contacted by e-mail (604) and provided a link to an online questionnaire on Survey Monkey. The remaining taxpayers (44) were mailed a hard copy of the survey. Data collection started on May 25 and ended on June 29, 2012.

Filers completing the online survey were asked to list their name in a separate survey so anonymity was retained and so they would not receive follow-up reminders. Non-respondents were contacted once. Non-respondents who were mailed the survey received a second copy by mail. A total of 366 taxpayers (344 e-mail and 22 surface mail) responded yielding a 61% response rate. Data were analyzed with Survey Monkey's analysis tool and summarized using descriptive statistics.

Findings

Demographics

Taxpayers were mostly female (62%), single or never married (57%), Caucasian (61%), worked full-time (38%) or were full-time students (44%). Those who were married (20%) or living with a partner (7%) indicated their spouse or partner was employed full-time (32%) or was a full-time student (23%). Three hundred forty three (343) of the respondents answered the question about age. The majority was in the 25-29 age range (32.1%), followed by the 18-24 age range (18.7%), and the 30-34 age range (18.1%). The average adjusted gross income for respondents was nearly \$19,000. Most household incomes were in the ranges of \$10,000 - \$19,999 (28.7%) and \$20,000 – 29,999 (26.1%). Very few had household incomes that approached the 2011 EIC guideline of \$50,000 (10.6%).

Nearly 90% (87.1%) of the respondents had a bachelor's degree or higher. Surprisingly 33.1% had master's degrees and 13.1% had doctorates. Only 1.6% had not graduated from high school. Moreover, more than two-thirds (75.6%) were U. S. citizens and 24.4% were resident aliens.

Nearly half of the respondents were graduate students (48.9%), employees of the university (27.7%) or undergraduate students (9.9%). About 15% (14.3%) had no relationship with the university and the remainders were retirees or alumni of the university.

Taxpayers' Money Management and Financial Education

All respondents were banked, meaning most had a checking (99.7%) and savings account (77%). In addition, more than four-fifths (87.4%) had a credit card in their name and 40% indicated they had student loans. Just over 10% indicated they had mutual funds (13.4%) or individual stocks (12.4%). Nearly 100 (27%) indicated they had individual retirement accounts.

Ninety (90.1%) received a refund for 2011 and most (58.7%) indicated they spent the refund to pay for routine expenses such as rent, groceries and utilities or to pay off debts for credit cards or other loans (33.2%).

Sixty-one percent of respondents indicated they had an emergency fund with 22.2% indicating the emergency fund did not have enough money to cover three months of expenses. Only 30% of the respondents had obtained a copy of their credit report in the past 12 months and about the same (28.8%) had seen their credit score during the year.

Of the 346 respondents who answered the question that rated their ability to manage money, 80% indicated that they were good, very good or excellent managers. In terms of overall financial knowledge, 62% indicated that they were good, very good or excellent. Only 32.5% indicated that they paid attention or kept up with economic or financial news at least two times per week.

Survey Summary

Demographics

The 2011 filers who completed the VITA survey were most likely single and Caucasian females. Many of the filers were employed full time or were full time students. In addition, they were highly educated. Only one-fifth (19.5%) had less than a bachelor's degree and only 1.7% did not complete high school. In fact, 50% of the filers had a master's degree or a doctorate. Although these filers meet the EIC income guideline for assistance from VITA, given their education levels and the fact that the site is located on a university campus in a surrounding community that has access to good public schools and other educational institutions, it is safe to suggest that the majority of these filers are temporarily low to moderate income earners. Also almost one-fourth of the filers were resident aliens, i. e., foreigners who have lived in the U. S. long enough to file a tax return using the same forms as U. S. residents.

Money Management

This highly educated group of VITA filers was banked and most had a credit card in their name or some other form of credit (e.g., student loan, car loan or home mortgage). Filers' rated their ability to manage money as good or higher (e.g. managing checking accounts, credit cards & tracking spending). However, their perception of their overall financial knowledge (67%) was somewhat lower.

Although only a small proportion had the recommended minimum of three months of funds tucked away to cover their expenses, collectively, the filers employed the financial strategy of having an emergency fund. Just under one-third had seen a copy of their credit report in the past year. And, barely one-third (32.5%) of the filers indicated they followed financial or economic news at least twice weekly

Discussion and Implications

The VITA program described in this paper began when extension educators recognized that the filing season created a yearly teachable moment that could be an opportune time to reach consumers with personal finance information. Over its eight-year existence, the program has grown from two volunteers who completed fewer than 10 returns the first filing season to 51 volunteers who completed nearly 700 returns for the 2011 tax year.

The end of program evaluation completed by the volunteers provided anecdotal data about the contributions the program has made to volunteers' professional development. For example, 25 of the 32 volunteers who completed the evaluation indicated that once they were established professionally, they would look for opportunities to volunteer in their local communities. Nineteen of 25 volunteers indicated they would seriously consider a position with tax related work and several volunteers mentioned the networking opportunities and getting to know students outside of their programs as unintended benefits of volunteering. Other authors have reported similar benefits to student volunteers (Strupeck and Whitten, 2004). VITA provides an opportunity for university students to practice in the real world what they have learned in the classroom. However, as one of the volunteers indicated, the classroom does not put the human perspective and nuances to individual situations. Being able to sort through needed and unneeded information is critical and learning how to address sensitive situations

created by divorcing spouses or unmarried couples who disagree on who can claim dependents is not something covered in the classroom.

The pure economic benefit to the community can be documented by the total amount of refunds (\$834,000), especially the part coming from the EIC (\$198,400), as the refunds that were likely spent or saved locally. Filers indicated that refunds were spent on routine living expenses or to pay down debts. Moreover, the filers' comments on the open-ended portion of the survey best summarized the benefit to the community:

"I really appreciate the services that the VITA program offers. I am not very savvy when it comes to tax preparation and the VITA program has saved me the costs associated with hiring a tax preparer."

"The program is very helpful to people who do not know how to prepare tax return documents like me. I have also learned some useful info about tax returns which I would never learn by myself."

"Thank you to the XXX students who volunteered their time to help folks with their taxes. This was my 1st year having to take care of getting my taxes done and I felt very comfortable with the student that walked me through the process. She answered all my questions, we had a pleasant conversation and I got to learn about taxes because she explained it so well."

"It is a wonderful service provided to our community. There are many folks who are eligible for your services, and they would be wise to take advantage of them."

"People working on my taxes were very helpful. VITA for me is a big help...I used to go the XXX XXXXX, and disappointed because they took much from my return."

"I am very grateful to have the opportunity to benefit from a Great program with non-judgemental volunteer staff who go the extra mile to help get taxes done. I have used VITA for about 8-9 years mainly in Oregon and Pennsylvania."

The filers in this program were highly educated and deviates from typical VITA sites were populations tend to be permanently low to moderate income or mostly uneducated. Although the filers did maintain an emergency fund to help them handle unexpected financial events, 87% had credit cards and only 30% had checked their credit report in the past year. The credit report is free and many consumers still do not know how to access the free credit report provided for by federal law. So educating consumers about the free annual credit report still seems to be a valid financial lesson, even among the well-educated young adult.

Raising consumers' awareness of the daily abundance of financial news and information could become a talking point or subtle suggestion for educators who work to improve the financial knowledge of populations. Educators could encourage audiences to: 1) read selected syndicated news columns that address consumer financial issues, 2) listen to the media for financial messages, or 3) watch television programs that focus on consumer financial issues and events. These small steps could improve filers' financial knowledge, encourage them to seek out more financial information and long term, increase their financial knowledge.

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