

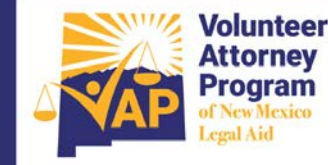
WELCOME TO THE VAP PRO BONO COLLABORATIVE ECHO

SESSION 4
JANUARY 25, 2024

Empowering Your
Clients:

*Part 1/3: Helping Low &
Middle-Income Families
Get Their \$\$\$ From the
IRS and NMTRD*

Agenda



Introductions - Zac Addison, Esq., VAP Director, New Mexico Legal Aid, Inc.



Announcements for Session: Marissa Gonzalez, VAP Paralegal, New Mexico Legal Aid, Inc.



Topic Presentation: Empowering Your Clients: Helping Low and Middle-Income Families Get Their \$\$\$ From the IRS and NMTRD



Topic Presenter: Grace Allison, Staff Attorney and Former Director, New Mexico Legal Aid - Low Income Taxpayer Clinic



Case Analysis and Q&A: Grace Allison, Staff Attorney and Former Director, New Mexico Legal Aid - Low Income Taxpayer Clinic



Overview & Closing Remarks: Volunteer Attorney Program of New Mexico Legal Aid

Is the IRS Your Clients' Best Friend?

- **Surprise! IRS provides more income support to families than any other governmental unit**
- **Primary enabling statutory provisions: Sections 32 and 24, Internal Revenue Code**
- **Earned income tax credit, I.R.C. Section 32**
 - **\$64 billion in EITC distributed nationwide annually, \$500 million in New Mexico; benefits to working taxpayers with earned income**
- **Child tax credit, I.R.C. Section 24**
 - **\$122 billion in CTC distributed nationwide annually; earned income requirement for those with no income tax liability**

Your Clients Need to Know

- Each year, New Mexico families lose federal and state income tax benefits worth \$100s of millions
- The two culprits?
 - **Failure to file**
 - **Incompetent, shady or fraudulent paid income tax preparers**

Your Clients Need to Know

- **Income tax preparers in New Mexico are unregulated**
 - No minimum qualifications—age, experience, training, testing
 - No requirement to post/estimate fees
 - No registration requirement

Exception: Albuquerque Tax Preparer's Ordinance

Your Clients Need to Know

- **Free tax preparation by trained volunteers available for 2023 returns**
- **Not too late to file 2020-22 returns and claim:**
 - **Economic stimulus payments from 2020 and 2021**
 - **Last round of New Mexico rebates**

EITC Basics

- **Tax credits generally reduce tax, \$ for \$ until tax is reduced to \$0. Stop. End of story.**
- **Refundable credits like the EITC do much more.**
 - **First, reduce tax, \$ for \$ until tax is reduced to \$0**
 - **Then, any excess credit is refunded to the taxpayer**

EITC Basics

- **Example: Mr. & Mrs. Chavez have three children. They have a \$200 income tax liability, and a \$6,000 EITC.**
 - **\$6,000 EITC first reduces their \$200 income tax liability to zero.**
 - **Excess EITC (\$5,800 or \$6,000-\$200) is refunded to the Chavezes.**

EITC Basics

- Amount of EITC is based on taxpayers' earnings, number of "qualifying children" and filing status

2023 EITC Schedule Excerpt

0 "qualifying children"	Up to \$ 600
1 "qualifying child"	Up to \$3,995
2 "qualifying children"	Up to \$6,604
3 "qualifying children"	Up to \$7,430

Child Tax Credit Basics

- **Maximum available: \$2,000 per “qualifying child”**
- **First applied to reduce tax owed, if any**
- **Excess (“additional child tax credit”) *may* be refunded to taxpayer, but only if earnings requirement is satisfied.**

What's New from New Mexico?

- **Working Families Tax Credit (25% of EITC*)**
- **Child Income Tax Credit (up to \$600/child)**
- **Child Care Credit (up to \$600/child)**
- **Low Income Comprehensive Tax Rebate (up to \$790 per household)**

Danger, Danger: Incompetent Income Tax Preparation

Reported error rates as high as 89 percent!

- **Failure to claim available income tax credits**
- **Failure to properly account for self-employment income**
 - **Gross receipts tax implications**
- **Failure to claim available exceptions and exclusions**

Danger, Danger: Shady Income Tax Preparation

- **Preparer's signature not on return**
- **Taxpayer asked to sign off on incomplete or blank return**
- **Documents not returned to taxpayer (social security cards, birth certificates, etc.)**
- **Tax preparation charges not disclosed until after return is prepared**

Danger, Danger: Fraudulent Income Tax Preparation

- **Claiming child-based income tax credits to which the taxpayer is not entitled**
- **Claiming other income tax credits to which the taxpayer is not entitled**
- **Claiming fictitious losses from self-employment**

Danger, Danger: Refund Anticipation Loans

- **Interest rates as high as 36 percent on “advances” of \$10,000 or less**
- **Incentive for tax preparer to maximize refunds and to “hold” refunds for as long as possible**
- **Clients often unaware they are “taking out a loan”**

Free Income Tax Preparation

- **Volunteer Income Tax Assistance (“VITA”)**
- **Tax Counseling for the Elderly (“TCE”)**

**To find providers and income limits, go to
<https://irs.treasury.gov/freetaxprep>
or call 800-906-9887**

Free Prior Year Income Tax Preparation

- **Volunteer Income Tax Assistance (“VITA”)**
- **Tax Counseling for the Elderly (“TCE”)**

**To find providers and income limits, go to
<https://irs.treasury.gov/freetaxprep>
or call 800-906-9887**

(Prior year preparation available after tax season)

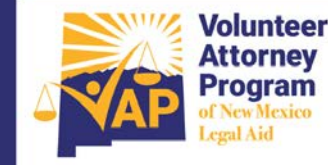
How to Report A Tax Preparer

- **Reporting to IRS:**
 - **Form 14157-A, Tax Return Preparer Fraud or Misconduct Affidavit, at**
 - **<https://www.irs.gov/pub/irs-pdf/f14157.pdf>**
- **Reporting To New Mexico Taxation & Revenue Department:**
 - **Tax fraud hotline: call 1-866-457-6789 or email TaxFraud@tax.nm.gov**
- **Reporting to City of Albuquerque (preparer located in Albuquerque):**
 - **Call 311 (while in Albuquerque)**

“DIY” Tax Preparation With Free, Qualified Help

- This year, AARPTaxAide offers online tax prep with a trained, screen-sharing coach.
<https://taxaide.aarpfoundation.org/>
- Also worth checking out: www.MyFreeTaxes.com, a project of United Way

Hire an Expert: Enrolled Agents



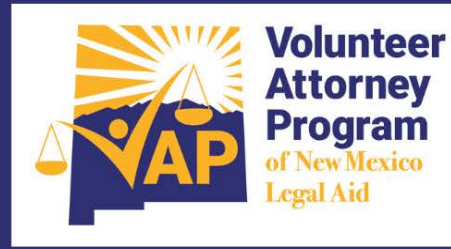
- **Certificate from IRS**
 - **Must pass rigorous IRS test on broad range of tax topics; AND**
 - **Must complete 72 hours of continuing tax education every three years**

Find an “enrolled agent”: by zip code at
<https://taxexperts.naea.org/expertdirectory>

When to Contact the New Mexico Legal Aid LITC?

- **Client is being audited by the IRS or has received “math error” notice**
- **Client has received a “Notice of Deficiency” from the IRS**
- **Client cannot pay their income tax debt**
- **Client is the victim of tax return-related identity theft**

Case Presentation



LEGAL ISSUE: Child-Based Income Tax Credits for Low and Middle-Income Families

Factual Summary

It is October, 2024. Rebecca is a family law client, a survivor of domestic violence with one child. As part of your routine intake, you ask her if she has filed taxes for 2023.

She tells you, “No, I haven’t filed since my split-up with my ex-husband in 2021. I make too little money to file.”

“Anyway,” she says, “my ex-husband always claims our daughter.” The daughter, Sarah, is nine and lives with Rebecca.

What advice do you have for this client?



Question of Practice

- **When is it “too late” to file a prior year return?**
- **When are you required to file a prior year return?**
- **Consider the family structure and dynamics**
- **Should you advise Rebecca to file for 2023? Prior years?**
- **Why?**



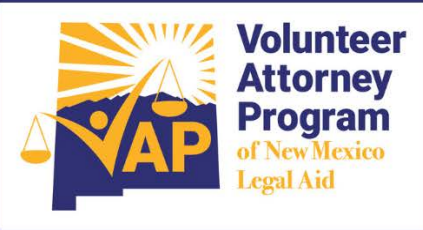
Adult Guardianship 101 - Part 1/3:
Petition to Hearing

Thursday, February 20, 2024
3:30 – 5:00 pm

Empowering Clients - Part 2/3:
*Understanding Income Tax Benefits for
Low- & Middle- Income Families*

Thursday, February 22, 2024
11:30 am – 1:00 pm

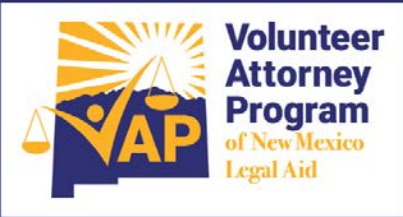
Next Sessions



Upcoming Pro Bono Opportunities

- **Family Law Legal Fair in Grants:**
Friday, February 9th (12:00-4:00 pm)
- **Law-La-Palooza Legal Fair in Albuquerque:**
Friday, March 1
- **Legal Fair in Roswell:**
Friday, March 8

If you are interested in volunteering at an upcoming legal fair, please sign-up [here](#).



THANK YOU FOR JOINING TODAY'S VAP PRO BONO COLLABORATIVE ECHO SESSION!

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Topic and Case Presenter:

Grace Allison, Staff Attorney and Former Director,
New Mexico Legal Aid - Low Income Taxpayer
Clinic

Facilitated By:

Zac Addison, Esq., VAP Director, NM Legal Aid

Marissa Gonzalez, VAP Paralegal, NM Legal Aid

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