

# PROSPERITY NOW

## RIGHT-SIDE UP CAMPAIGN

### Sign Up for Prosperity Now's Turn It Right-Side Up Tax Campaign!

[www.prosperitynow.org/take-action](http://www.prosperitynow.org/take-action)

The vast majority of tax incentives go to the richest Americans, rather than those who need it most. The Tax Cuts and Jobs Act of 2017 heightened this disparity by giving large tax cuts to the wealthy and corporations while, for the most part, leaving out working families. Instead of supporting the wealthy, we should be using the tax code to help working families build wealth. With your help, together we will turn our upside-down tax code right-side up.

Below is our tax reform policy agenda for 2019. By signing up for Prosperity Now's Right-Side Up Tax Reform Advocacy Campaign, you will receive valuable information about steps you can take to turn the tax code right-side up, such as prompts to support or oppose legislation that affects the communities where you live and work.

#### Tax Preparation Priorities

**Help low-income families access free tax preparation services by making VITA, the Volunteer Income Tax Assistance program, permanent.** VITA is a community-based program that provides free tax preparation services to lower-income Americans. But even though VITA is a model private-public partnership that has been around for half a century, Congress has never formally authorized the program. Authorizing VITA permanently in statute would afford VITA sites more certainty that the program will continue and potentially gain more support for increased funding. The House of Representatives has already passed the bipartisan VITA Permanence Act (H.R. 2901 in the 115<sup>th</sup> Congress) to make VITA permanent and allow up to \$30 million in funding annually, but the Senate has yet to pass legislation authorizing the program. A permanent VITA program is particularly necessary as the tax code continues to change—including through the recent Tax Cuts and Jobs Act of 2017—and as tax filer assistance from the IRS is limited by low funding.

**Increase funding to keep up with growing demand for VITA services.** Right now, funding constraints limit VITA sites' ability to serve more working families in their communities. Increasing federal funding from \$15 million to \$30 million annually would allow VITA to hire new staff for program coordination, add new sites, improve volunteer recruitment and increase outreach to low-income households. More funding would also help VITA prepare for and adjust to increasing demand related to the Tax Cuts and Jobs Act, as well as limited access to any other support from the IRS (Internal Revenue Service).

**Pass competency standards on paid tax preparers.** Paid tax preparers are unregulated in 46 states. This leads to basic competency issues and errors as well as some paid tax preparers taking

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advantage of tax filers. Congress should act to ensure quality and training for paid tax preparers and protect consumers. While the IRS already requires paid tax preparers to register, Congress should require tax preparers to be licensed, pass basic competency standards to prevent errors, fraud and abuse, and protect consumers by requiring that preparers clearly disclose cost structures and fees. VITA, which requires training and licensing by the IRS, presents a model for the paid tax preparation industry, as do the four states that already regulate preparers: California, Maryland, New York and Oregon.

### Tax Policy Priorities

**Encourage working families to use tax time to save for emergencies.** The Refund to Rainy Day Savings Act (S. 3220 in the 115<sup>th</sup> Congress) would allow tax filers to defer 20 percent of their tax refund, which would accumulate interest for six months before being deposited into the filer's direct deposit account. Sponsored by Sens. Cory Booker (D-NJ), Tom Cotton (R-AR), Heidi Heitkamp (D-ND) and Todd Young (R-IN) as part of a package of savings bills, the bill includes a pilot program to match deferred tax refunds for lower-income filers, further encouraging the use of the tax credit as an emergency savings tool. Finally, the bill expands the flexibility of the innovative Assets for Independence (AFI) grant program, which encourages earnings, savings and self-sufficiency by offering matching funds and other incentives to help low-income workers save their own money and build assets.

**Provide every child, at birth, with the economic resources needed to begin building long-term economic security and generational wealth.** The American Opportunity Accounts Act ensures that all children benefit from the program, regardless of what economic circumstances they are born into or what actions their parents take. Administered by the U.S. Department of the Treasury, every one of the approximately four million children born each year would receive an American Opportunity Account seeded with an initial \$1,000 deposit. Until they turn 18, children from low- and moderate-income families (those who make up to \$81,575 for a family of four) will have their accounts boosted through direct deposits of additional, automatic yearly investments of up to \$2,000. At age 18, the funds could be used by the child to invest in wealth-building opportunities, such as a higher education or homeownership. While the challenges of fully addressing rising economic inequality and a growing racial wealth divide are vast, the American Opportunity Accounts Act is an important and bold first step in the right direction.

**Reform the American Opportunity Tax Credit (AOTC) to encourage families to start saving early for college.** Currently, a family incurring college expenses can receive a \$2,500 tax credit for each of a student's first four years of higher education. But this support only comes months after families pay for college, which makes it difficult for low- and moderate-income households to keep up with college expenses. The Save for Success Act (H.R. 2378 in the 115<sup>th</sup> Congress) would deploy existing

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federal spending on higher education tax credits more effectively by encouraging families to save for college. Families could receive up to a \$250 match of the AOTC for every year that they save in a 529, starting with the birth of their child. The lifetime maximum credit of \$10,000 would remain the same, so if a family saved \$250 every year until their child turned 18, they would still be eligible for \$5,500 in tax credits during the student's college years.

### Join the Campaign to Turn the Tax Code Right-Side Up!

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