



Taxes & Entrepreneurs

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The National Community Tax Coalition (NCTC) is the nation's largest, most comprehensive membership network of community-based organizations offering free tax and financial services to low-income, working families.

Our more than 2,300 members empower low-income workers to build a more secure financial future for themselves and their families through innovative financial services.



Our Mission

The National Community Tax Coalition is a national network dedicated to strengthening economies, building communities and improving lives through tax assistance and asset building activities that produce financial security, protect families and promote economic justice.



Connecting VITA to Entrepreneurs

A major link between VITA services and entrepreneurs is through assistance in the preparation of Schedule C, self-employment tax returns.

In 2010, NCTC, CFED's Self-Employment Tax Initiative, and IRS-SPEC successfully partnered to develop a framework and parameters for the first year of the Schedule C pilot and to identify experienced, community-based VITA programs.

By successfully expanding the scope of VITA programs to include Schedule C returns, programs that participated in this pilot were able to demonstrate the necessity of connecting self-employed VITA clients to key refundable tax credits.



Connecting VITA to Entrepreneurs

Push for IRS Support:

- Many small-business owners qualify for VITA services and refundable tax credits.
- Over two years of administrative advocacy ultimately led to securing support for a limited number of VITA programs' being able to support Schedule C tax filers.
- Limited Parameters {No business w/ inventory, only cash base accounting, no Net Operating Losses (NOLs), no employees, business expenses up to \$25K, and more limits}
- Certification Test specifically designed to test volunteers qualifications to prepare Schedule C returns
- Training designed to support programs and volunteers through NCTC Online University
- Continue to secure VITA wide adoption of the initiative from IRS



Small Business and Refundable Tax Credits

Refundable tax credits are good for business:

- Many small-business owners and entrepreneurs need additional financial support to cover household expenses while getting a new business off the ground.
- VITA programs, through Schedule C tax-filing assistance, connect self-employed entrepreneurs to refundable tax credits that provide this support to them and their families.
- Dollars from refundable tax credits received by other members of their communities are eventually reinvested right back into small, local businesses.



Uncertainty for Refundable Tax Credits

Three most significant, refundable tax credits for low- and moderate-income households:

Earned Income Tax
Credit (EITC)

Child Tax Credit and
Additional Child Tax
Credit (CTC)

American Opportunity
Tax Credit (AOTC)

Key provisions of these credits are set to expire on Dec. 31. Estimated average losses if provisions expire as scheduled:

- **EITC:** Approximately 6.5 million families, about \$530 each
- **CTC:** Nearly 9 million families, about \$850 each
- **AOTC:** Approximately 11 million households, about \$1,100 each



Bigger Picture for Tax Reform

Are bigger-picture tax reforms on the horizon?

- Expiring credit provisions, other tax policies (“Bush Tax Cuts”) sharpen the focus
- Increasing calls for broad tax reform in Washington, especially during the next Congress
- No comprehensive tax reform since 1986

However these issues are addressed – piecemeal, as a comprehensive package, or not at all – we need a framework through which we advocate the best interests of low- and moderate-income, working families.

NCTC has adopted three core principles for tax reform:

1) Fairness

2) Adequacy

3) Simplicity



We must improve the fundamental fairness of our tax system particularly for those who lack it most: America's low- to moderate-income, working families.

Example: We should maintain strong tax credits targeting help to families in greatest need.

Our tax system must raise enough in revenues to ensure we can pay our nation's bills

Example: Some new revenues are necessary to ensure deficit-reduction moves don't take a "cuts-only" approach that devastates important education, health and human services.

Our tax code should be made simpler in ways that serve the greatest, common good.

Example: Too many families turn to expensive, commercial tax preparers for help with understanding and negotiating their way through an overcomplicated tax system.

Needed: Simple Savings for Taxpayers

Savings among low- and moderate-income households remain low:

- Nearly half of lower-income households are unbanked or underbanked (*2011 FDIC National Survey of Unbanked and Underbanked Households*)
- Retirement saving is especially problematic – Estimated proportion of households in the lowest 20% of income earners with retirement accounts remains at slightly more than 10% (*2010 Survey of Consumer Finances*)
- Some, but not enough, simple options or incentives for savings at tax time are available. Currently, only two major options:
 1. U.S. Savings Bonds (purchased on IRS Form 8888)
 2. Saver's Credit



Options for Encouraging Savings at Tax Time

Significant tax refunds, due in part to refundable credits, allow low- and moderate-income taxpayers to consider saving at tax time.

But there need to be better options.

Three simple policy options that could help:

1. Make credits that encourage savings at least partially refundable
2. Broaden the incentive tax credit to reward savings spanning all time horizons – from short-term, precautionary savings to long-term retirement savings
3. Allow accounts that qualify for the incentive tax credit to be opened through tax returns similar to the current U.S. Savings Bond tax-time program



Thank you

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