

Volume 2

TAS RESEARCH AND RELATED STUDIES

Understanding the Hispanic Underserved Population¹

¹ The principal author of this article is Amanda Bartmann, Attorney Advisor to the National Taxpayer Advocate.

INTRODUCTION

Hispanics are a growing population within the United States.² In 1960, Hispanics comprised only 3.5 percent of the U.S. population with 6.3 million persons.³ In 2013, Hispanics made up 17.1 percent of the U.S. population, with 54 million individuals.⁴ Based on the latest projections from the U.S. Census Bureau, there will be 119 million Hispanics by 2060.⁵ Although Asians are expected to overtake Hispanics as the largest group of immigrants by 2055, Hispanics currently make up almost half of all immigrants.⁶ Thus, studying their characteristics and the ways in which they interact with the tax system may provide valuable information about the needs and preferences of other groups of taxpayers sharing common characteristics, *e.g.*, taxpayers whose families have recently immigrated from other countries or who have limited English proficiency.

Since 2002, TAS has worked with outside research organizations to identify and understand the demographics and needs of taxpayers who are underserved by TAS. In 2012, TAS employed Forrester Research to update its 2011 Omnibus Survey conducted on behalf of TAS, to provide detailed and updated information on the underserved with views of the data by poverty level.⁷ To complement this research and ensure that TAS and the IRS are effectively serving U.S. Hispanics with limited English proficiency, TAS commissioned a new survey from Forrester Research to learn about the characteristics of Hispanic taxpayers who may have limited English proficiency (LEP) and may qualify for TAS assistance. TAS wanted to determine the extent to which eligible LEP taxpayers are either not aware of or are not using TAS's services (*i.e.*, are “underserved”). This information was not readily available from existing sources.⁸

OBJECTIVES

The primary purpose of this study was to quantify and analyze the Hispanic population potentially underserved by TAS, for which information was not available in prior Forrester Omnibus surveys. The survey aimed to understand the current Hispanic population, with specific objectives to:

- Obtain a detailed analysis of the current Hispanic population based on demographics, behavior, and attitudes;
- Evaluate Hispanic taxpayers' knowledge, beliefs, and perceptions of TAS and the IRS; and
- Provide an understanding of U.S. Hispanic taxpayers in poverty level groups through a holistic profile of their demographics and tax-related behaviors.

2 As used in this article, the term “Hispanic” refers to persons who identify themselves as being from Hispanic or Latino origin.

3 Renee Stepler & Anna Brown, Pew Research Center, *Statistical Portrait of Hispanics in the United States, 1980–2013* (May 12, 2015), available at <http://www.pewhispanic.org/2015/05/12/statistical-portrait-of-hispanics-in-the-united-states-2013-key-charts/>.

4 *Id.*

5 U.S. Census Bureau, *Projections of the Population by Sex, Hispanic Origin, and Race for the United States: 2015 to 2060* (NP2014-T10) (Dec. 2014), available at <http://www.census.gov/population/projections/data/national/2014/summarytables.html>.

6 Pew Research Center, *Modern Immigration Wave Brings 59 Million to U.S., Driving Population Growth and Change Through 2065* (Sept. 28, 2015), available at <http://www.pewhispanic.org/2015/09/28/modern-immigration-wave-brings-59-million-to-u-s-driving-population-growth-and-change-through-2065/>.

7 Forrester Research, *Omnibus Mail Survey for the Taxpayer Advocate Service, Q2/Q3 2012*, 20 (Sept. 17, 2012).

8 The original Forrester survey was also not conducted in Spanish, leading TAS to conduct a specific Spanish language survey.

METHODOLOGY

From October 2 through December 5, 2014, Forrester surveyed by phone 1,014 adults (age 18 or older) in the United States who self-identified as being of Hispanic or Latino origin (ethnicity).⁹ The survey employed a random digit dialing methodology that focused on High Density Hispanic Areas with Hispanic populations of 33 percent or higher, and included both landlines and wireless phones. Each interview lasted approximately 20 minutes, and was conducted in either English or Spanish, based on the respondent's preference.

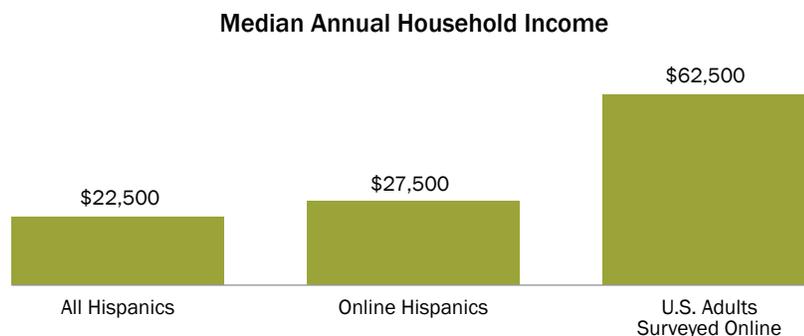
Due to differences in the data collection methodologies and the wording of the questions, a full and direct comparison of this survey and the prior 2012 Omnibus survey is not possible, although some analysis can be made. In many cases below, we specifically report on only a subset of the 2014 Hispanic Forrester survey, individuals who go online on a computer. We do so because the previous Forrester survey was conducted online. Comparing persons who go online with those who were surveyed online is likely to provide a better comparison than comparing all persons (including those who do not access the Internet) with a group that goes online (reflected by the fact that they took the survey online).

Findings

Hispanics Tended to Have Lower Household Incomes, Were Less Likely to Have a College Education, and Were Younger

A significant number of Hispanics are low income, as almost 70 percent of Hispanics surveyed were below 250 percent of the poverty level.¹⁰ The median annual household income was \$22,500 for all Hispanics surveyed, which is slightly lower than the median annual household income for U.S. Hispanics who go online on a computer, which was \$27,500, and significantly lower than that of U.S. adults surveyed online, which was \$62,500.¹¹

FIGURE 4.1¹²



⁹ The sample has a 95 percent confidence level and the results have a statistical precision of plus or minus 3.1 percent.

¹⁰ Forrester Research, Inc., *The Taxpayer Advocate Service: Hispanic Underserved Analysis*, Q4 2014, 10 (Dec. 2014) [hereinafter TAS Hispanic Survey].

¹¹ *Id.* at 11.

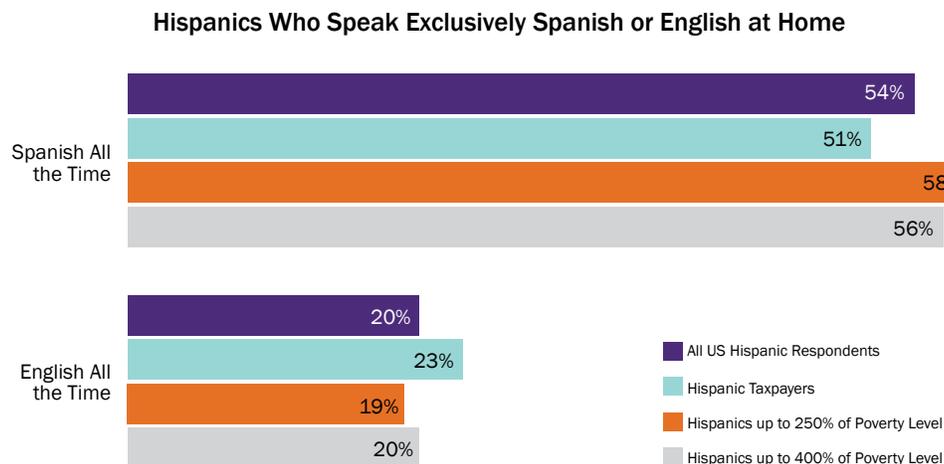
¹² *Id.*

A little over half of U.S. Hispanics who go online on a computer had no college education, compared to only 17 percent of U.S. adults surveyed online.¹³ The mean age of Hispanics who go online on a computer was 36 years, compared to 44 years for U.S. online adults.¹⁴

The Majority of Hispanics Spoke Spanish at Home and Owned a Smart Phone

Hispanics may have different needs than other U.S. taxpayers based upon language barriers and the way they access the Internet. More than half of all Hispanics speak exclusively Spanish at home. However, Hispanics who were taxpayers¹⁵ were less likely to speak exclusively Spanish at home and more likely to speak both Spanish and English, or exclusively English, than all U.S. Hispanic respondents, which includes taxpayers and non-taxpayers. Furthermore, Hispanics who were below 400 percent of the poverty level were more likely to speak exclusively Spanish at home compared to all Hispanic respondents. Although recent research shows a decline in the number of Hispanics who speak Spanish at home paired with an increase in the number of English proficient speakers,¹⁶ the Forrester data suggest that language barriers are more likely to exist for Hispanics who have not filed tax returns in the past three years or who are within 400 percent of the poverty level.¹⁷

FIGURE 4.2¹⁸



Thus, there is a need for Spanish language public outreach regarding return filing requirements.

13 TAS Hispanic Survey 11.

14 *Id.* U.S. online adults' data are from the Online Omnibus Survey, which used a different methodology from the rest of the Hispanic survey, which collected data by phone.

15 Although individuals may pay taxes without filing a return, such as through the withholding of taxes on income, in this article the term "Hispanic taxpayer" refers to Hispanics who reported filing at least one tax return within the last three years.

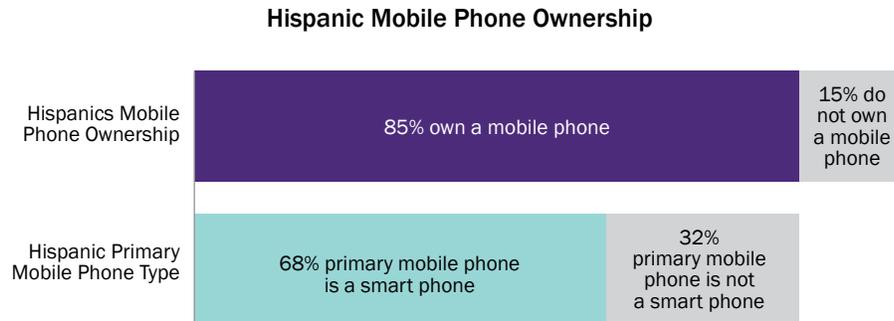
16 Jens Manuel Krogstad, Renee Stepler & Mark Hugo Lopez, Pew Research Center, *English Proficiency on the Rise Among Latinos* (May 12, 2015), available at <http://www.pewhispanic.org/2015/05/12/english-proficiency-on-the-rise-among-latinos/>.

17 TAS Hispanic Survey 13. All Hispanic respondents were more likely to speak exclusively Spanish at home than Hispanic taxpayers. Furthermore, Hispanics under either 250 or 400 percent of the poverty level were even more likely to speak exclusively Spanish at home than all Hispanic respondents.

18 *Id.*

Although direct comparisons cannot be made between U.S. Hispanics who go online on a computer and U.S. adults who were surveyed online, indirect comparisons suggest U.S. Hispanics may be more likely to use mobile devices, such as smartphones, to access the Internet. For all U.S. Hispanic respondents, 85 percent own a mobile phone, and over two-thirds of those used a smartphone as their primary mobile phone.¹⁹

FIGURE 4.3²⁰



Of U.S. Hispanics who access the Internet using a computer, only 75 percent reported going online at least daily, compared to 98 percent of U.S. adults surveyed online.²¹ Hispanics are less likely than other U.S. adults to have broadband Internet access at home, which may require them to rely more on mobile devices to access the internet.²² Less than two-thirds of Hispanics who go online on a computer have broadband Internet access at home.²³ These data suggest the need for additional mobile resources for Hispanic taxpayers, such as mobile-friendly webpages and applications for smartphones.

Hispanics May Have Limited Interaction With the IRS Due To Their Reliance on Unenrolled Tax Return Preparers to Prepare Returns and Answer IRS Questions, and Based on Their Few Reported Problems With the IRS

Based on their limited interaction with the IRS, Hispanics may receive most of their information about the tax system from unregulated return preparers.²⁴ Hispanics were much more likely to use an unregulated return preparer than U.S. taxpayers as a whole. Sixty percent of Hispanic taxpayers reported using a paid tax return preparer other than an attorney, Certified Public Accountant (CPA) or Enrolled

19 TAS Hispanic Survey 12.

20 *Id.*

21 *Id.*

22 While 87 percent of U.S. adults surveyed online had broadband Internet access at home, only 62 percent of U.S. Hispanics who go online on a computer had broadband Internet access at home. *Id.*

23 *Id.*

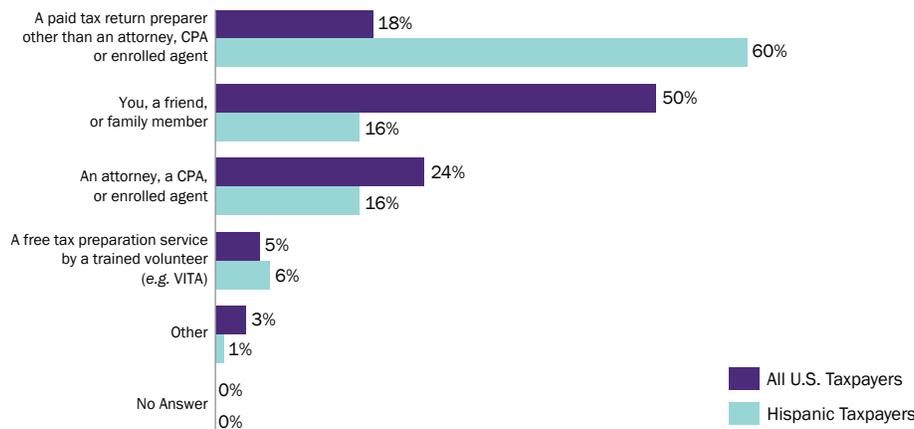
24 “Unregulated return preparers” as used in this article means return preparers who are not attorneys, certified public accountants (CPAs), enrolled agents, or enrolled retirement plan agents. Treasury Department Circular 230, *Regulations Governing Practice before the Internal Revenue Service* (June 2014), provides rules governing the recognition of attorneys, CPAs, enrolled agents, enrolled retirement plan agents, registered tax return preparers, and other persons representing taxpayers before the IRS. In 2011, the IRS issued regulations requiring return preparers to meet testing and continuing education standards. 76 Fed. Reg. 32286, 32301-32303 (to be codified at 31 C.F.R. §§ 10.4(c), 10.6(e)). However, *Loving v. IRS*, 742 F.3d 1013 (D.C. Cir. 2014) upheld the D.C. District Court’s decision to enjoin the IRS from enforcing mandatory testing and continuing education for tax return preparers.

Agent, compared to only 18 percent of all U.S. taxpayers.²⁵ Given language barriers and less education, Hispanics may be especially vulnerable to unscrupulous return preparers who promote high interest loans and charge high fees.²⁶ Furthermore, in the absence of minimum competency and ethics standards, Hispanics who use unregulated preparers run the risk of having their returns prepared incorrectly, either as a result of incompetency or willful misconduct.

FIGURE 4.4²⁷

Return Preparation Characteristics of Hispanics and U.S. Respondents

Who Prepared Your Federal Tax Return Last Year?



Because return preparer fraud has been a concern for taxpayers in recent years,²⁸ it is encouraging that 99 percent of Hispanic taxpayers reported receiving a copy of their return from their preparer and 95 percent reported that their preparer signed their return.²⁹ However, only 88 percent of Hispanic taxpayers reported that their return preparers provided a Preparer Tax Identification Number (PTIN) when signing their returns.³⁰

In addition to using unregulated return preparers, Hispanic taxpayers were less likely to prepare their own tax returns as opposed to using any kind of preparer. Approximately 50 percent of U.S. taxpayers prepared their own returns for tax year (TY) 2013, compared to only 16 percent of Hispanic taxpayers in

25 Forrester Research, *Omnibus Mail Survey for the Taxpayer Advocate Service, IRS TAS Follow-up Data Comparisons* (Oct. 20, 2015).

26 For a detailed discussion regarding the need for regulation of return preparers, see Nina E. Olson, *More Than a 'Mere' Preparer: Loving and Return Preparation*, 2013 TNT 92-31, *Tax Notes Today* (May 13, 2013).

27 TAS Hispanic Survey 15. The numbers for all U.S. taxpayers were from a 2012 survey conducted by mail, while the numbers for Hispanics come from the 2014 survey conducted by telephone.

28 See, e.g., National Taxpayer Advocate 2013 Annual Report to Congress 94-102 (Most Serious Problem: *Return Preparer Fraud: The IRS Still Refuses to Issue Refunds to Victims of Return Preparer Misconduct Despite Ample Guidance Allowing the Payment of Such Refunds*).

29 TAS Hispanic Survey 17-18.

30 *Id.* at 17.

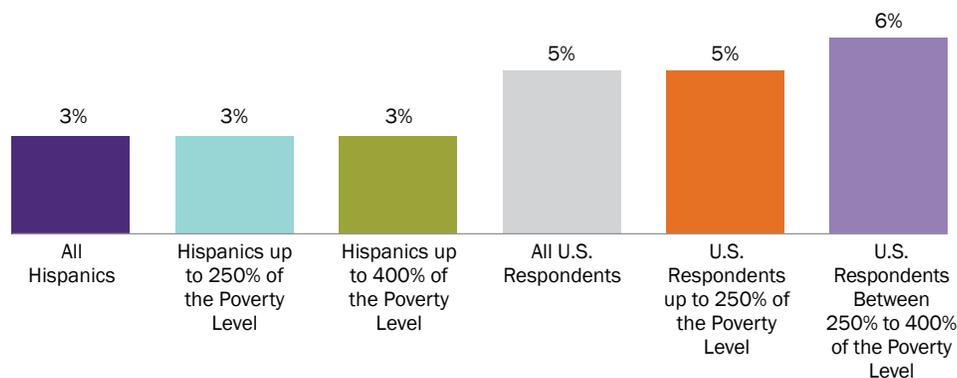
calendar year 2014.³¹ This data suggests Hispanics may pay a higher cost to meet their basic return filing obligations and may have less direct interaction with the IRS.

Even after filing, Hispanics are likely to continue to rely on their preparers for their interactions with the IRS. When asked, “If the IRS has questions about your return, does your tax preparer answer them, or do you answer questions from the IRS yourself?” 77 percent of Hispanic taxpayers reported that their preparers answered IRS questions.³² The survey did not ask how many Hispanics had actually received questions from the IRS; however, relatively few Hispanics have reported “problems” with the IRS. Only three percent of Hispanics reported that they or a member of their household “encountered any problem with the IRS related to filing or payment of Federal income taxes” in the last three years,³³ which was slightly less than that reported for both all U.S. taxpayers and low income U.S. taxpayers.³⁴

FIGURE 4.5³⁵

Respondents Reporting a Problem With the IRS Within the Last Three Years

In the Last Three Years, Have You, or Any Member of Your Household, Encountered Any Problem With the IRS Related to Filing or Payment of Federal Income Taxes?



Thus, Hispanics may have less direct interaction with the tax system both during the filing process and after, relying on unregulated return preparers for information and dealings with the IRS.

Hispanics Had Greater Awareness of Their Rights and Trust in the IRS, Compared With Other U.S. Persons

Despite having limited interaction with the IRS, Hispanics actually had greater awareness of their rights and trust in the IRS, a finding which raises questions about how well IRS employees communicate

31 Forrester Research, *Omnibus Mail Survey for the Taxpayer Advocate Service, IRS TAS Follow-up Data Comparisons* (Oct. 20, 2015). In TY 2013, 42.4 percent were self-prepared. IRS, Individual Returns Transaction File for TY 2013.

32 TAS Hispanic Survey 16.

33 *Id.* at 14.

34 Five percent of U.S. taxpayers and six percent of U.S. taxpayers between 250 and 400 percent of the poverty level reported a problem with the IRS related to filing or paying federal income taxes in the prior three years. Forrester Research, *2012 U.S. Mail Omnibus Survey, Data by Underserved Poverty Level* (Aug. 23, 2012).

35 TAS Hispanic Survey 16; Forrester Research, *2012 U.S. Mail Omnibus Survey, Data by Underserved Poverty Level* (Aug. 23, 2012).

taxpayer rights information and how the IRS's interactions with taxpayers may decrease taxpayer trust. To provide a closer comparison between the Hispanics in this survey and U.S. adults in the prior Forrester survey who were surveyed entirely online, much of this section focuses specifically on Hispanic respondents who report going online as opposed to all Hispanic respondents.

Ninety-one percent of Hispanic taxpayers reported that they believe they have rights before the IRS versus 65 percent of U.S. taxpayers.³⁶ This was the case even though fewer Hispanics received Publication 1, *Your Rights as a Taxpayer* — nine percent of U.S. Hispanics surveyed online reported receiving it compared to 17 percent of U.S. adults surveyed online.³⁷ Publication 1 is printed in a number of languages, including Spanish, and so the lower likelihood of Hispanics receiving Publication 1 may be attributable to them reporting fewer problems with the IRS, not language barriers.³⁸

Hispanics were more likely to want to learn about their rights by a separate letter included with an IRS notice than other U.S. adults,³⁹ which may be influenced by their lack of access to broadband Internet at home and the smaller percentage of Hispanics who go online daily. There may also be barriers for Hispanic taxpayers to navigate the IRS website, reflected by the finding that a similar number of Hispanics surveyed online and U.S. adults who go online wanted to learn about their rights through the irs.gov homepage, but far fewer Hispanics online wanted to learn about their rights on another page on the irs.gov website.⁴⁰ When asked “Do you think the tax laws should include a ‘Bill of Rights’ that clearly defines your rights as a taxpayer?,” 95 percent of Hispanics answered “yes,” compared to only 81 percent of U.S. adults surveyed online.⁴¹

At the same time as having a greater belief in their rights, Hispanics were more likely to trust the IRS to handle a tax problem, suggesting a relationship between awareness of rights and trust. Sixty percent of Hispanic taxpayers said they generally trust the IRS and how it would handle a tax problem, compared to only 21 percent of U.S. taxpayers.⁴²

36 TAS Hispanic Survey 20; Forrester Research, *Omnibus Mail Survey for the Taxpayer Advocate Service*, Q2/Q3 2012, 21 (Sept. 17, 2012). The Hispanic survey was conducted in 2014 and the survey of U.S. adults was conducted in 2011, so it is possible that this difference in timing affected the responses. The 2011 data regarding taxpayer rights was recalibrated to match the question in the 2014 Hispanic survey. We used the 2011 data to be consistent with the data in our subsequent discussion about trust in the IRS, of which data is only available for the U.S. population from the 2011 survey. A subsequent survey of U.S. adults surveyed online in 2014 found that 72 percent said they believe they have rights before the IRS. See Forrester Research, *The Taxpayer Advocate Service: 2014 and 2015 US Omnibus Analysis* (Oct. 2015).

37 TAS Hispanic Survey 21.

38 The IRS uses Publication 1 to comply with the Omnibus Taxpayer Bill of Rights (TBOR 1), which requires it to prepare a statement of taxpayer rights and IRS obligations and distribute it to taxpayers when contacting them regarding the determination of tax or collection of tax. Technical and Miscellaneous Revenue Act of 1988, Pub. L. No. 100-647, § 6227, 102 Stat. 3342, 3730-31 (1988).

39 TAS Hispanic Survey 21.

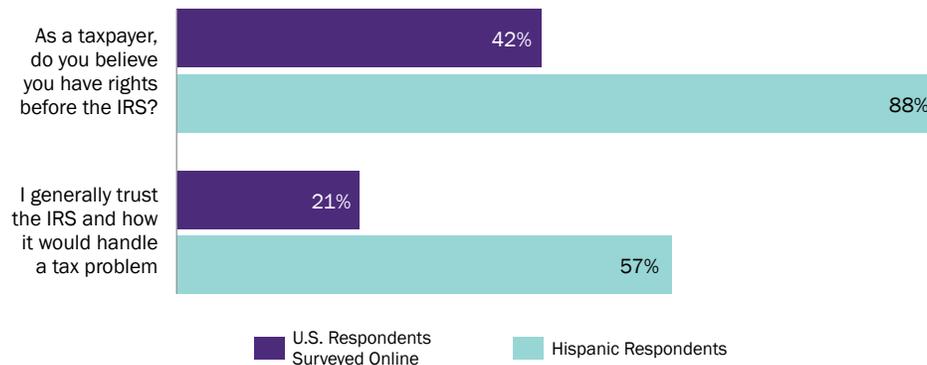
40 Only 13 percent of U.S. Hispanics surveyed online wanted to learn about their rights through a page on the IRS website versus 40 percent of U.S. taxpayers who go online on a computer. *Id.*

41 *Id.*

42 *Id.* at 19; Forrester Research, *2012 U.S. Mail Omnibus Survey, Data by Underserved Poverty Level* (Aug. 23, 2012).

FIGURE 4.6⁴³

Awareness of Taxpayer Rights and Trust in the IRS



Regarding the statement about trust, taxpayers were asked, "Please indicate how strongly you agree or disagree with the following statements." Percents shown are respondents who answered with a 4 or 5 on a scale of 1 (strongly disagree) to 5 (strongly agree).

Including a Taxpayer Bill of Rights (TBOR) in the law may further increase taxpayer trust by improving taxpayers' awareness of their rights.

TAS Has Opportunities for Creating Greater Awareness About TAS Among Hispanics and Boosting Their Overall Impression of the IRS

Only four percent of Hispanics surveyed are considered TAS underserved, meaning they were experiencing significant hardship⁴⁴ and had not used TAS services within the past year.⁴⁵ However, Hispanics were less likely than U.S. respondents overall to be aware of a specific department in the IRS that handles taxpayer problems,⁴⁶ despite their greater awareness of their rights. It is possible that Hispanics believe they have rights, but lack an understanding of what they mean, such as the right to receive assistance from TAS, which is part of the fundamental *right to a fair and just tax system*. Hispanics' limited interaction with the IRS may contribute to their lack of knowledge about TAS. The vast majority of Hispanics who were aware of TAS did not know its name.⁴⁷

When provided with a description of TAS, over half of Hispanics said they were likely to use it and almost two-thirds said they felt more positively about the IRS because an organization like TAS exists within it.⁴⁸ Thus, creating greater awareness of TAS has the potential to increase trust in the IRS and may have a positive impact on compliance among Hispanics as a result.⁴⁹ TAS could accomplish this by creating further

43 TAS Hispanic Survey 19, 20; Forrester Research, *2012 U.S. Mail Omnibus Survey, Data by Underserved Poverty Level* (Aug. 23, 2012); Forrester Research, *Omnibus Mail Survey for the Taxpayer Advocate Service, Q2/Q3 2012*, 21 (Sept. 17, 2012).

44 See IRC § 7811(a)(2). See also IRM 13.1.7.2, *TAS Case Criteria* (Feb. 4, 2015).

45 TAS Hispanic Survey 10.

46 Nineteen percent of Hispanics were aware of a specific department within the IRS that handles taxpayer problems, compared to 31 percent of U.S. respondents. TAS Hispanic Survey 24; Forrester Research, *2012 U.S. Mail Omnibus Survey, Data by Underserved Poverty Level* (Aug. 23, 2012).

47 TAS Hispanic Survey 24.

48 *Id.* at 25-26.

49 Research shows a correlation between trust in the IRS and increased compliance. National Taxpayer Advocate 2012 Annual Report to Congress vol. 2, 1-70 (*Factors Influencing Voluntary Compliance by Small Businesses: Preliminary Survey Results*).

outreach materials in Spanish and continuing to develop its online resources to be used on mobile devices. In addition, it is incumbent on the IRS to ensure it communicates information about TAS to taxpayers in Spanish and appropriately refers Spanish-speaking taxpayers to TAS.

CONCLUSION

Studying the characteristics of Hispanics provides valuable insights about how TAS and the IRS can better serve these taxpayers and suggests the need for further research studies. Given the widespread use of mobile technology by Hispanics, TAS has already made great strides in meeting their needs by having a mobile-friendly website that is designed to be viewed on a smartphone. Because TAS is the only part of the IRS with a mobile friendly website,⁵⁰ the rest of the agency could take steps to meet Hispanics' needs by creating a mobile version of irs.gov. The reduced English language proficiency among Hispanics suggests that TAS should concentrate on translating key parts of its website into Spanish, which may make Hispanics more likely to want to find taxpayer rights information on various webpages, as opposed to on the homepage.

Hispanic taxpayers' heavy reliance on unregulated preparers supports the need for TAS's continued advocacy to regulate tax return preparers. Until preparers are regulated, there are other actions TAS can pursue to assist Hispanic taxpayers, such as working with the IRS to incorporate taxpayer rights training into the IRS's voluntary continuing education program for preparers. Further, TAS can create and distribute electronic resources to preparers that they can use to inform taxpayers about their rights, including the right to seek assistance from TAS. However, none of these actions will guard taxpayers against unscrupulous preparers, which Hispanics may be particularly vulnerable to, given their high usage of unregulated preparers. The National Taxpayer Advocate has repeatedly called attention to the need to protect taxpayers, specifically those claiming the Earned Income Tax Credit (EITC), from noncompliant tax return preparers, and she made specific recommendations in this year's report that would mitigate some of the problems.⁵¹ For example, the IRS could tailor outreach and education specifically to the unenrolled preparer population and concentrate on areas where high volumes of unregulated preparers operate. The outreach could educate taxpayers about how to select preparers and also what may happen if a preparer promises something too good to be true or steals their refund. The evidence is clear that given the extraordinarily high use of unregulated return preparers, the IRS needs to focus a targeted campaign on these preparers and the taxpayers who may use them.

Based on the data, additional research may provide further insights about how to assist Hispanic taxpayers. This survey was conducted during 2014, and Hispanics who responded may have been basing their answers on experiences prior to the IRS's adoption of the TBOR.⁵² Thus, comparing the responses of Hispanic taxpayers after the adoption of the TBOR may lead to observations about whether Publication 1 is effective for Hispanic taxpayers and what other channels can be used to inform them of their rights. The differences between Hispanics and U.S. persons will continue to inform the ways in which TAS provides service to Hispanic taxpayers and taxpayers as a whole

50 The IRS has a mobile application, "IRS2Go," but this application is limited to a few items such as refund status, payments, and free tax help links. None of the IRS.gov website is available as a mobile responsive site.

51 See Most Serious Problem: *Earned Income Tax Credit (EITC): The IRS's EITC Return Preparer Strategy Does Not Adequately Address the Role of Preparers in EITC Noncompliance*, *supra*.

52 In 2014, the IRS adopted the TBOR and incorporated the plain language descriptions of the ten rights into Publication 1, *Your Rights as a Taxpayer*.