

SUBJECT: Use of volunteer income tax assistance programs by child support obligors

COMMITTEE: Juvenile Justice and Family Issues — committee substitute recommended

VOTE: 5 ayes — Dutton, Goodman, Castro, Nixon, Strama
0 nays
4 absent — Y. Davis, Dunnam, J. Moreno, Thompson

WITNESSES: For — Robert L. Green, Jr., Texas Fatherhood Alliance and Lone Star Fatherhood Initiative
Against — None

BACKGROUND: Volunteer income tax assistance (VITA) programs are partnerships between the Internal Revenue Service (IRS) and local communities and organizations that offer free tax help to low- to moderate-income people who cannot prepare their own tax returns. Trained VITA volunteers help prepare basic tax returns in communities across the state and country, including providing help to take advantage of special credits, such as the Earned Income Tax Credit (EITC). The Earned Income Tax Credit is a refundable tax credit for eligible individuals and families who work and have earned income. The EITC reduces the amount of tax owed and may allow some individuals to receive refunds. VITA sites generally are located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations.

The Office of the Attorney General (OAG) may intercept federal income tax refund checks of obligors who are delinquent on their child support payments. It serves as a method of securing child support by taking a portion of non-wage payments made to an obligor. Non-wage payments subject to interception include federal tax refunds, state tax refunds, unemployment benefits, and disability benefits.

DIGEST: CSHB would require a cooperative effort between volunteer income tax assistance (VITA) programs in the state and the OAG to inform obligors of the availability of the tax assistance programs. The cooperation would be an attempt to maximize the amount of any tax refund an obligor may be

entitled to, which could be applied to child support and medical support obligations.

The OAG would publicize the services of VITA programs by distributing printed materials about the programs and by placing information about the programs on the agency's website. The OAG would not be responsible for producing or paying the costs of producing the printed materials distributed.

The bill would take effect on September 1, 2005.

**SUPPORTERS
SAY:**

Texas has thousands of child support obligors who are delinquent in their child support obligations. Although the OAG has the authority to withhold an obligor's federal income tax refund to pay past due child support, many obligors do not receive sufficient tax returns because they do not take advantage of federal tax credits when filing their income tax. Because people either do not know they qualify for the credit, fail to fill out their tax forms properly, or perceive the tax filing process as too cumbersome, every year millions of dollars of EITC revenue goes unclaimed in Texas. Thus, many obligors' tax refunds that could be available to help pay child support arrearages are considerably lower than they could be. CSHB 401 would help obligors take full advantage of tax credits by publicizing and encouraging the use of VITA programs. It would be a good step toward facilitating the flow of money for those obligors who might be having difficulty paying child support.

**OPPONENTS
SAY:**

The original bill would have required the OAG to report to the Legislature on the effectiveness of the pilot program to encourage obligors to use the tax assistance provided by VITA programs. While CSHB 401 would require a statewide effort to inform obligors of tax assistance available, a mechanism still should be mandated to report on the effectiveness of the campaign and to provide recommendations on how to improve obligors' awareness of tax assistance.

NOTES:

The substitute modified the original bill by removing the provisions for a volunteer income tax assistance pilot program in Bexar County only. The attorney general no longer would be responsible for producing or paying costs of producing printed materials distributed to publicize the program.

It also removed a requirement that the attorney general submit a report to the Legislature describing the program's operations, analyzing its effectiveness, and making recommendations for continuation or expansion.