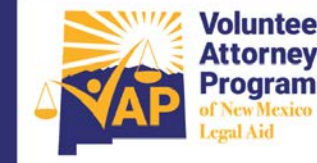


**WELCOME TO THE
VAP CLE ECHO**

**SESSION 1
JANUARY 9, 2025**

**Tax Credits &
Tax Preparer Misconduct**

Agenda



Introductions - Nedia Isabella (Bella) Zayani, Statewide Pro Bono Coordinator, New Mexico Legal Aid, Inc.



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



Topic Presentation: *Tax Credits & Tax Preparer Misconduct*



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: New Mexico Legal Aid Volunteer Attorney Program

Is the IRS Your Clients' Best Friend?

- **Surprise!**

**IRS provides more income support to
U.S. families than any other governmental unit**

Is the IRS Your Clients' Best Friend?

- **Earned income tax credit, I.R.C. Section 32**
 - **\$57 billion in EITC distributed nationwide in 2022,
roughly \$439 million in New Mexico**
 - **Benefits working taxpayers with earned income**

Is the IRS Your Clients' Best Friend?

- 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

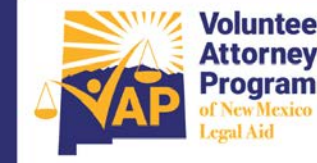
Your Clients Need to Know

- Each year, New Mexico families lose federal and state income tax benefits worth 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, in general, unregulated**
 - **No minimum qualifications (age, experience), training or testing**
 - **No requirement to post/estimate fees**
 - **No registration requirement**

Your Clients Need to Know



- **Exception: Albuquerque Tax Preparers Ordinance**
 - Right to see a posted fee schedule
 - Right to see tax preparer's qualifications
 - Right to receive free copy of taxes as filed
 - Right to return of personal documents
 - Right not to sign blank or incomplete return
 - Right to have taxes prepared without refund loan

Your Clients Need to Know

- **Free tax preparation by trained volunteers available for 2024**
 - **VITA** (Volunteer Income Tax Assistance)
 - **TCE** (Tax Counseling for the Elderly)

Your Clients Need to Know

- **Not too late to file 2021-23 returns and claim:**
 - Economic stimulus payments from 2021
 - Child-based tax credits
 - Refund of excess withholding
- **Deadlines**
 - April 18, 2025 for 2021 returns
 - April 20, 2026 for 2022 returns
 - April 15, 2027 for 2023 returns

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.**

MORE EITC BASICS

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

2025 Tax Year EITC Schedule Excerpt

0 "qualifying children"	Up to \$ 649
1 "qualifying child"	Up to \$4,328
2 "qualifying children"	Up to \$7,152
3 "qualifying children"	Up to \$8,046

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 up to *\$1,700* and only if *earnings requirement* is satisfied.**

What About New Mexico?

- **Working Families Tax Credit (25% of EITC)**
- **Child Income Tax Credit (up to \$600/child*)**
- **Child Care Credit (up to \$1,200 for all children)**
- **Low Income Comprehensive Tax Rebate (up to \$730* per household)**

* Adjusted annually for inflation

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**
- **Failure to claim available exceptions and exclusions**

Danger, Danger: Shady Income Tax Preparation

- **Preparer's signature not on return**
- **Taxpayer asked to sign 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, 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 Bad 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

How to Report A Bad Tax Preparer

- Reporting to City of Albuquerque (preparer located in Albuquerque):
 - Call 311 (while in Albuquerque)
 - File a consumer complaint at <https://www.cabq.gov/office-of-consumer-protection/file-a-consumer-complaint>

“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

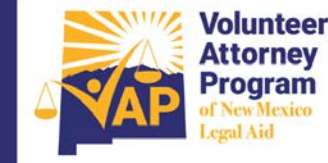
“Direct File” in 2025

- Available in 24 states, including New Mexico
- English or Spanish
- Works on mobile phone as well as desk top, laptop, or tablet
- *Live chat assistance in English or Spanish (TBD)*

“Direct File” in 2025

- **Basic types of income: wages, social security, unemployment, interest, pensions & annuities**
- **Low-income child-based tax credits**
- **For information on eligibility—and to file--visit <https://directfile.irs.gov>**

Hire an Expert: Enrolled Agents

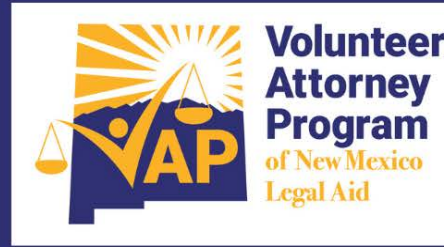


- **Certificate from IRS**
 - Must pass rigorous IRS test on broad range of tax topics; AND
 - Must complete 72 hours of continuing tax education every three years
- Find an “enrolled agent”: by zip code at <https://taxexperts.naea.org/expertdirectory>

When to Contact the New Mexico Legal Aid LITC?

- **Client is being audited by the IRS or has received “math error” notice (Notice CP11)**
- **Client has received IRS “Notice of Deficiency”**
- **Client cannot pay their income tax debt**
- **Client is victim of tax return-related identity theft**

Case Presentation



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

Factual Summary

It is January, 2025. Rebecca is a family law client, a single mother with one child. While they were married, her ex-husband controlled their finances with an iron fist and was verbally abusive. Now he is not providing information necessary to complete a court-ordered retirement account division.

As part of your routine intake, you ask Rebecca if she has filed taxes for 2023.

Factual Summary

Rebecca tells you, “No, I haven’t filed since my split-up with my ex-husband in early 2024. 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?

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Questions of Practice

- When is it “too late” to file a prior year return?
- When are you required to file a prior year return?
- Should you advise Rebecca to file for 2024? Future years? Why? Consider the family structure and dynamics.

Next Sessions

Thursday, January 23, 2025

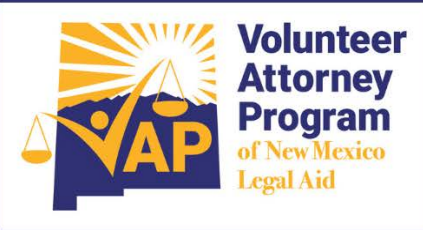
11:30 a.m. - 1:00 p.m.

*Empowering Family Law Clients, Part 2/3: What is a “Qualifying Child” and Why It **Matters***

Thursday, January 30, 2025

11:30 a.m. - 1:00 p.m.

Empowering Family Law Clients, Part 3/3: Allocating Income Tax Benefits Between Parents in a Split-Up



First Quarter Volunteer Opportunities

Telephonic Consultations:

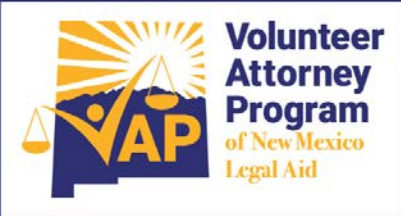
- 2/20, Statewide Teleclinic

In-Person Consultations:

- 2/15, Chaparral Legal Fair
- 2/27, Grants Legal Fair
- 3/15, Hobbs Legal Fair
- 3/28, Albuquerque Law-La-Palooza

Scan the QR code to express interest in volunteering for one or more of these events!





THANK YOU FOR JOINING TODAY'S VAP CLE ECHO SESSION!

JANUARY 9, 2025

Topic & Case Presenter:

Grace Allison J.D., Staff Attorney & Former Director
NM Legal Aid Low Income Taxpayer Clinic

Facilitated By:

Nedia Isabella (Bella) Zayani,
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Marissa Gonzalez,
VAP Paralegal, New Mexico Legal Aid, Inc.

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