

Y  
4  
AgA  
In 2/4

93d Congress }  
2d Session }  
GOVERNMENT

COMMITTEE PRINT

Storage

PROTECTING OLDER AMERICANS AGAINST  
OVERPAYMENT OF INCOME TAXES

(A Checklist of Itemized Deductions)

DOCUMENTS

MAR 20 1974

THE LIBRARY  
KANSAS STATE UNIVERSITY

PREPARED BY THE

SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE



FEBRUARY 1974

Printed for the use of the Special Committee on Aging

U.S. GOVERNMENT PRINTING OFFICE

27-598 O

WASHINGTON : 1974

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Washington, D.C. 20402 - Price 35 cents  
Stock Number 5270-02228

## SPECIAL COMMITTEE ON AGING

FRANK CHURCH, Idaho, *Chairman*

HARRISON A. WILLIAMS, New Jersey  
ALAN BIBLE, Nevada  
JENNINGS RANDOLPH, West Virginia  
EDMUND S. MUSKIE, Maine  
FRANK E. MOSS, Utah  
EDWARD M. KENNEDY, Massachusetts  
WALTER F. MONDALE, Minnesota  
VANCE HARTKE, Indiana  
CLAIBORNE PELL, Rhode Island  
THOMAS F. EAGLETON, Missouri  
JOHN V. TUNNEY, California  
LAWTON CHILES, Florida

HIRAM L. FONG, Hawaii  
CLIFFORD P. HANSEN, Wyoming  
EDWARD J. GURNEY, Florida  
EDWARD W. BROOKE, Massachusetts  
CHARLES H. PERCY, Illinois  
ROBERT T. STAFFORD, Vermont  
J. GLENN BEALL, Jr., Maryland  
PETE V. DOMENICI, New Mexico  
BILL BROCK, Tennessee\*

WILLIAM E. ORIOL, *Staff Director*  
DAVID A. AFFELDT, *Chief Counsel*  
VAL J. HALAMANDARIS, *Associate Counsel*  
JOHN GUY MILLER, *Minority Staff Director*  
PATRICIA G. ORIOL, *Chief Clerk*

\*Appointed January 25, 1974, to fill vacancy on Committee by resignation of William B. Saxbe (R. Ohio) from the Senate January 3, 1974.

## PREFACE

---

Over the years the Committee on Aging has been especially concerned about income tax overpayments by the elderly.

A hearing<sup>1</sup> conducted on this subject in 1970 provided clear and convincing evidence that many older Americans pay more taxes than required by law for several reasons.

Some are completely overwhelmed by the complexities of the tax law.

Others are baffled by the Form 1040 with its accompanying schedules, supplementary statements, and required calculations.

And far too many are simply unaware of legitimate deductions, credits, and exemptions which can save them precious dollars.

To help prevent this problem, members of the committee have taken a three-prong approach.

First, a committee report was issued in 1970 to suggest a number of improvements for the Federal tax form. Several of these recommendations were later adopted by the Internal Revenue Service, including:

- Listing additional itemized deductions on schedule A to help assure that taxpayers will take full advantage of allowable expenditures.
- Allowing elderly taxpayers to elect to have the Internal Revenue Service compute their retirement income credit on schedule R.
- Sending a separate packet of instructions with the tax form, instead of printing this information on the back of the return.
- Simplifying the retirement income credit schedule.

Second, some members of the committee are now urging that an Older Americans Tax Counseling Assistance Act<sup>2</sup> be enacted to help other elderly taxpayers in preparing their returns.

And, the committee has also prepared a helpful checklist of deductions which could save aged taxpayers hundreds of dollars.

This listing is not intended to be an exhaustive summary of all available deductions for every conceivable circumstance. But it can certainly be a useful checklist for persons who itemize their allowable deductions. Moreover, it can provide guidance to determine whether it would be to the advantage of elderly taxpayers to itemize their deductions or take the standard deduction or low-income allowance. Finally, this summary can be helpful for all age groups because most tax provisions apply with equal force to the young as well as the old.

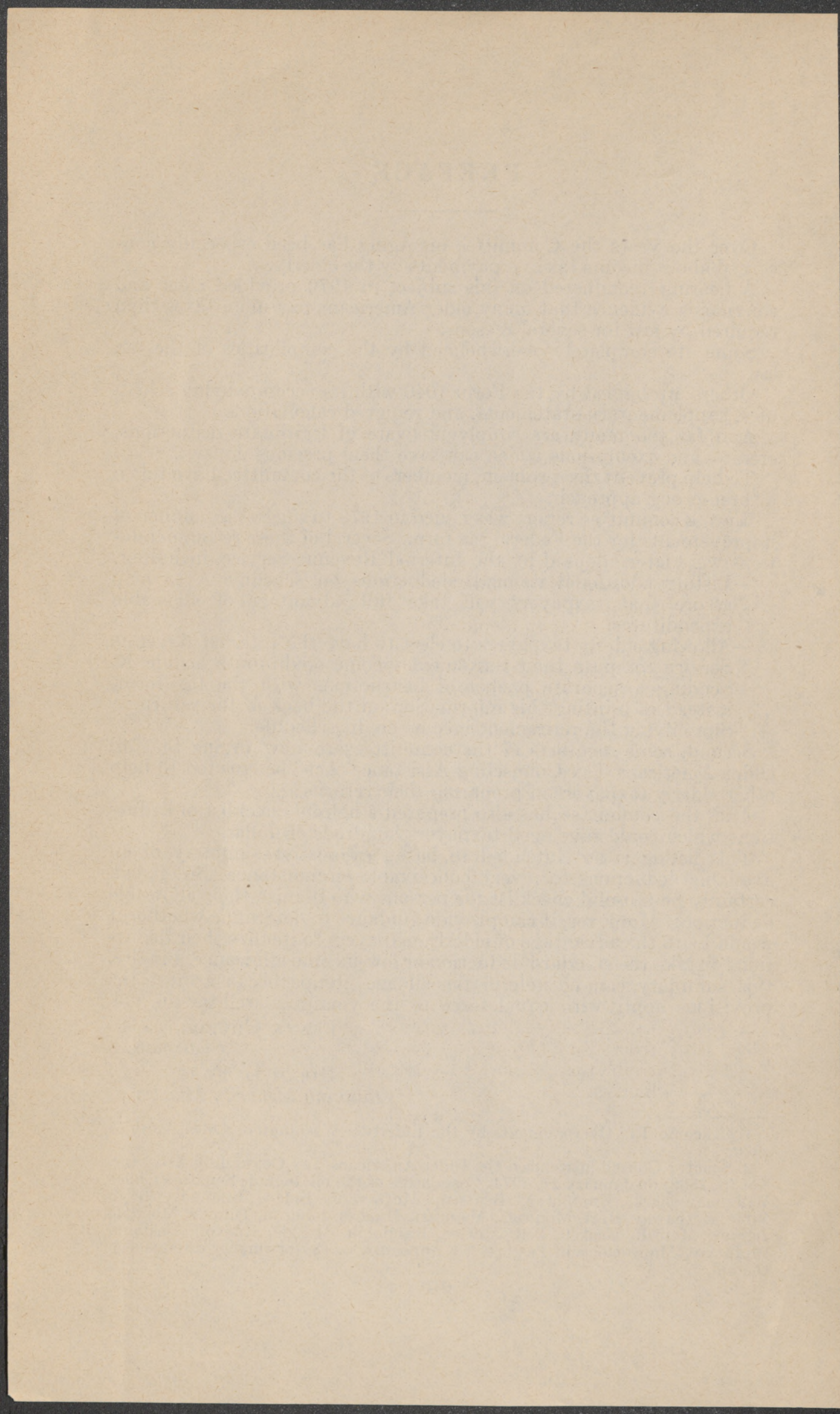
FRANK CHURCH,  
*Chairman.*

HIRAM L. FONG,  
*Ranking Minority Member.*

---

1. "Income Tax Overpayments by the Elderly," Washington, D.C., April 15, 1970.

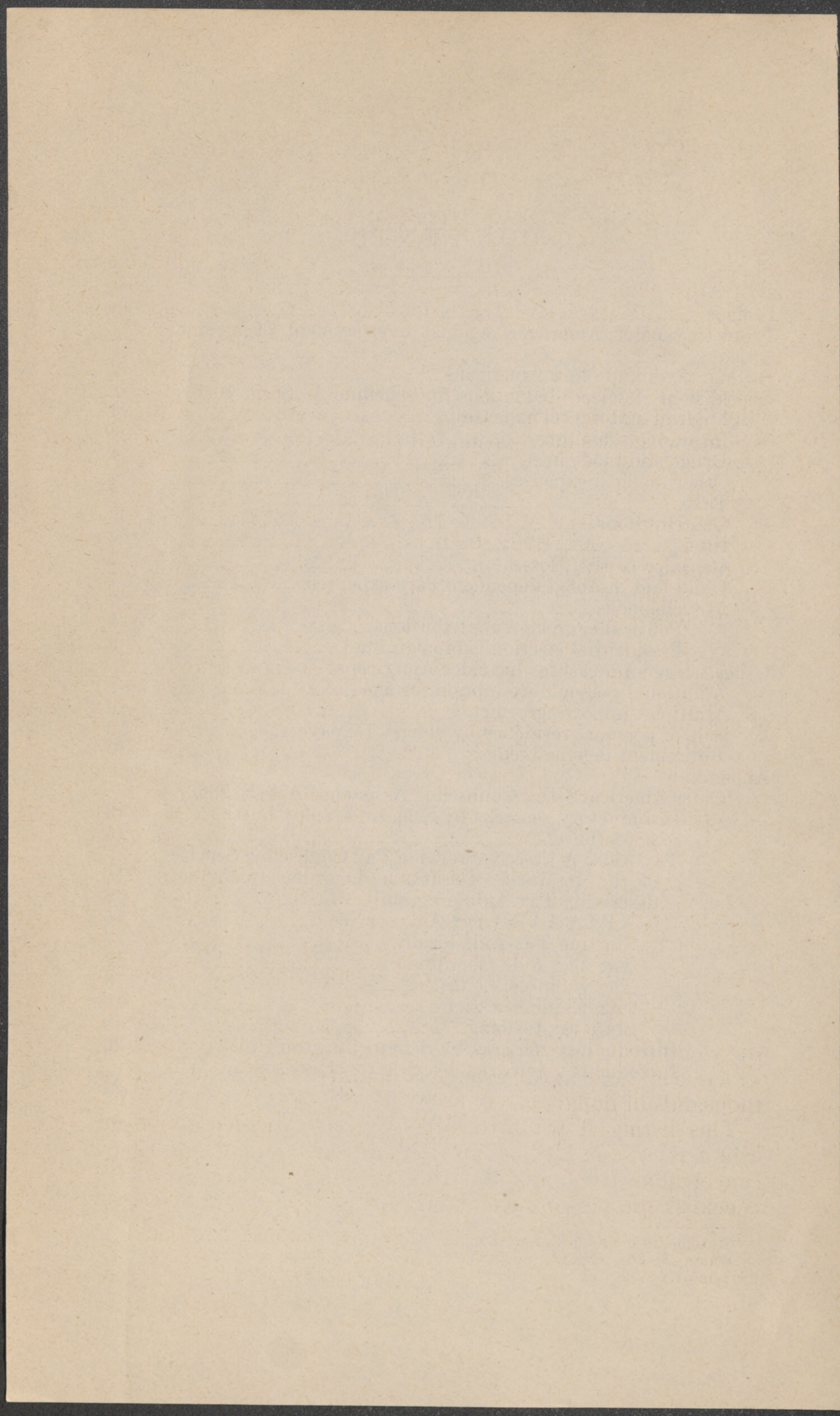
2. Senator Church introduced the Older Americans Tax Counseling Assistance Act (S. 2868) on January 21, 1974. Cosponsors of the bill include Senators Chiles, Williams, Clark, Humphrey, Bentsen, McGovern, Biden, Kennedy, Bayh, Bible, Hathaway, Hart, Montoya, Abourezk, Hughes, Johnson, Tunney, Mondale, Inouye, Metcalf, Haskell, Pell, McGee, Randolph, Muskie, Ribicoff, Eastland, McIntyre, Mansfield, and Pastore. See appendix, p. 13, for further discussion of the bill.



# CONTENTS

---

|                                                                                                                                      | Page |
|--------------------------------------------------------------------------------------------------------------------------------------|------|
| Preface.....                                                                                                                         | III  |
| Protecting older Americans against overpayment of income taxes.....                                                                  | 1    |
| Income taxes and older Americans.....                                                                                                | 2    |
| Checklist of itemized deductions for schedule A (Form 1040):                                                                         |      |
| Medical and dental expenses.....                                                                                                     | 4    |
| Insurance premiums.....                                                                                                              | 4    |
| Drugs and medicines.....                                                                                                             | 4    |
| Other medical expenses.....                                                                                                          | 4    |
| Taxes.....                                                                                                                           | 5    |
| Contributions.....                                                                                                                   | 5    |
| Interest.....                                                                                                                        | 6    |
| Casualty or theft losses.....                                                                                                        | 7    |
| Child and disabled dependent care expenses.....                                                                                      | 7    |
| Miscellaneous.....                                                                                                                   | 7    |
| Political campaign contributions.....                                                                                                | 8    |
| Presidential election campaign fund.....                                                                                             | 8    |
| Other tax relief measures for older Americans:                                                                                       |      |
| Additional personal exemption for age.....                                                                                           | 9    |
| Multiple support agreements.....                                                                                                     | 9    |
| Sale of personal residence by elderly taxpayers.....                                                                                 | 10   |
| Retirement income credit.....                                                                                                        | 10   |
| Appendix:                                                                                                                            |      |
| Older Americans Tax Counseling Assistance Act (S. 2868):                                                                             |      |
| Introductory remarks by Senator Frank Church.....                                                                                    | 13   |
| S. 2868 (bill).....                                                                                                                  | 15   |
| Tax-Aide: A Free Nationwide Tax Counseling Service of the Institute of Lifetime Learning (pamphlet describing Tax-Aide program)..... | 16   |
| NRTA-AARP Tax-Aide service.....                                                                                                      | 16   |
| Starting Tax-Aide locally.....                                                                                                       | 17   |
| The Tax-Aide Coordinator.....                                                                                                        | 17   |
| The volunteer counselor.....                                                                                                         | 18   |
| IRS training session.....                                                                                                            | 19   |
| State tax training.....                                                                                                              | 19   |
| Introductory remarks by Senator Lawton Chiles.....                                                                                   | 20   |
| Introductory remarks by Senator Harrison A. Williams.....                                                                            | 21   |



# PROTECTING OLDER AMERICANS AGAINST OVERPAYMENT OF INCOME TAXES

## (A Checklist of Itemized Deductions)

Mr. CHURCH.\* Mr. President, an estimated 78 million Federal income tax returns will be filed during 1974.

Practically all Americans will be affected in one way or another.

Recent hearings conducted by the Senate Committee on Aging provided disturbing evidence that large numbers of older Americans overpay their taxes for a variety of reasons.

Some witnesses have estimated that perhaps one-half of all elderly individuals may pay more taxes than legally required.

In far too many cases, these persons are totally unaware of helpful deductions which can save them precious dollars.

Others are completely baffled by the complexity of the voluminous Internal Revenue Code—undoubtedly one of the most complicated statutes ever enacted. Without the benefit of effective counsel, this can be a nightmarish experience for the untrained or unsuspecting.

The net impact is that many low- and moderate-income Americans overpay their taxes—while the very powerful oftentimes pay little or no taxes at all. In 1971, for example, 72 returns with adjusted gross incomes of \$200,000 or more escaped Federal income tax altogether. And, 1,286 returns with adjusted gross incomes of at least \$50,000 paid no tax whatsoever.

This favoritism for a privileged few must come to an end immediately. The aged, disabled, and other persons with moderate means have been shouldering a disproportionate share of the tax burden for far too long.

As Chairman of the Senate Committee on Aging, I have been especially concerned about income tax overpayments by the elderly and others.

To help provide protection against this serious problem, the Committee has prepared a helpful checklist of deductions which can save aged taxpayers hundreds or perhaps even thousands of dollars.

This listing, I want to stress, is not intended to be an exhaustive summary of all available deductions for every conceivable circumstance. But it can provide a helpful checklist for persons who itemize their allowable expenses.

---

\*Statements made on Senate floor on Jan. 21, 1974, by Senator Frank Church, chairman, Senate Special Committee on Aging; and Senator Hiram Fong, ranking minority member of the committee. Checklist appears on pp. 4-9.

It can also provide guidance to determine whether it would be to the advantage of the taxpayer to itemize his deductions or take the standard deduction or low-income allowance. Additionally, this summary can be useful for all age groups because most tax provisions apply with equal force to the young as well as the old.

The Committee has also prepared a brief description of additional tax relief provisions for older Americans.

Mr. President, I ask unanimous consent that the Committee on Aging's checklist of allowable deductions for schedule A and the summary of other tax relief provisions for older Americans be inserted at this point\* in the record.

## INCOME TAXES AND OLDER AMERICANS

Mr. FONG. Mr. President, within the next several weeks millions of older Americans will, along with other citizens, be filing their income tax returns for 1973.

In 1972, the latest year for which figures are available, persons over 65 filed 6,768,995 returns. The total number of persons over 65 covered by these returns was 8,687,236. Spouses under 65 filing through joint returns would make the total number of persons represented by the returns even higher.

These figures show how important a factor the income tax law is in the lives of older Americans despite efforts in recent years to simplify tax collecting procedures and reduce the number of persons required to make returns. It emphasizes that when we who are members of the Special Committee on Aging concern ourselves with the tax problems of older persons, it is a matter of some consequence.

Information gathered by the Committee on Aging over the year indicates that sometimes as many as half of the over-65 taxpayers may have overpaid their Federal income taxes. In part this comes from the inevitable complication of tax return forms when Congress tries to give equitable tax treatment to older persons through the retirement income tax credit, special treatment on capital gains through sale of a home, and other tax relief provisions of the Internal Revenue Code.

Despite persistent efforts by the Internal Revenue Service to simplify tax returns, with strong encouragement from the Special Committee on Aging, there is no doubt that persons over 65 face an individual tax return problem more complicated than that of younger taxpayers.

---

\*Checklist appears on pp. 4-9.

It is most commendable, therefore, that the Committee on Aging staff has prepared a checklist of itemized deductions and other tax relief provisions for older Americans.

The Internal Revenue Service does have a booklet available, Publication 554, entitled "Tax Benefits for Older Americans", which can be obtained at IRS offices, and is of great value to those who make use of it. The shorter, but pointed summary developed by the Committee on Aging staff is most desirable, however, because it may permit a wider distribution of this important information.

It has been my observation that no group in America has been more responsive to their citizenship duties than persons past 65. This includes their honest and forthright payment of income taxes. I fear they often lean over backwards to be sure they meet these tax obligations.

This very willingness to meet their responsibilities makes it important that we do all we can to see that they do not pay more taxes than the law requires. Every effort should be made to inform older Americans as fully as possible regarding tax relief provisions available to them under the law.

# CHECKLIST OF ITEMIZED DEDUCTIONS FOR SCHEDULE A (FORM 1040)

## MEDICAL AND DENTAL EXPENSES

Medical and dental expenses are deductible to the extent that they exceed 3% of a taxpayer's adjusted gross income (line 15, Form 1040).

## INSURANCE PREMIUMS

One-half of medical, hospital or health insurance premiums are deductible (up to \$150) without regard to the 3% limitation for other medical expenses. The remainder of these premiums can be deducted, but is subject to the 3% rule.

## DRUGS AND MEDICINES

Included in medical expenses (subject to 3% rule) but only to extent exceeding 1% of adjusted gross income (line 15, Form 1040).

## OTHER MEDICAL EXPENSES

Other allowable medical and dental expense (subject to 3% limitation):

Abdominal supports  
Ambulance hire  
Anesthetist  
Arch supports

Artificial limbs and teeth  
Back supports  
Braces

Capital expenditures for medical purposes (e.g., elevator for persons with a heart ailment)—deductible to the extent that the cost of the capital expenditure exceeds the increase in value to your home because of the capital expenditure. Taxpayer should have an independent appraisal made to reflect clearly the increase in value.

Cardiographs

Crutches

Chiropodist

Dental services (e.g., cleaning teeth, X-rays, filling teeth)

Chiropractor

Christian science practitioner, authorized

Dentures

Convalescent home (for medical treatment only)

Dermatologist

Eyeglasses

Gynecologist

|                                                       |                                                                                                                         |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Hearing aids and batteries                            | Radium therapy                                                                                                          |
| Hospital expenses                                     | Sacroiliac belt                                                                                                         |
| Insulin treatment                                     | Seeing-eye dog and maintenance                                                                                          |
| Invalid chair                                         | Splints                                                                                                                 |
| Lab tests                                             | Supplementary medical insurance (Part B) under medicare                                                                 |
| Lip reading lessons (designed to overcome a handicap) | Surgeon                                                                                                                 |
| Neurologist                                           | Transportation expenses for medical purposes (6¢ per mile plus parking and tolls or actual fares for taxi, buses, etc.) |
| Nursing services (for medical care)                   | Vaccines                                                                                                                |
| Ophthalmologist                                       | Vitamins prescribed by a doctor (but not taken as a food supplement or to preserve general health)                      |
| Optician                                              | Wheelchairs                                                                                                             |
| Optometrist                                           | Whirlpool baths for medical purposes                                                                                    |
| Oral surgery                                          | X-rays                                                                                                                  |
| Osteopath, licensed                                   |                                                                                                                         |
| Pediatrician                                          |                                                                                                                         |
| Physical examinations                                 |                                                                                                                         |
| Physician                                             |                                                                                                                         |
| Physiotherapist                                       |                                                                                                                         |
| Podiatrist                                            |                                                                                                                         |
| Psychiatrist                                          |                                                                                                                         |
| Psychoanalyst                                         |                                                                                                                         |
| Psychologist                                          |                                                                                                                         |
| Psychotherapy                                         |                                                                                                                         |

### TAXES

|                          |                        |
|--------------------------|------------------------|
| Real estate              | State and local income |
| State and local gasoline | Personal property      |
| General sales            |                        |

If sales tax tables are used in arriving at your deduction, you may add to the amount shown in the tax tables only the sales tax paid on the purchase of five classes of items: automobiles, airplanes, boats, mobile homes, and materials used to build a new home when you are your own contractor.

When using the sales tax tables, add to your adjusted gross income any nontaxable income (e.g., Social Security or Railroad Retirement annuities).

### CONTRIBUTIONS

In general, contributions may be deducted up to 50 percent of your adjusted gross income (line 15, Form 1040). However, contributions to certain private nonprofit foundations, veterans organizations, or fraternal societies are limited to 20 percent of adjusted gross income.

Cash contributions to qualified organizations for (1) religious, charitable, scientific, literary or educational purposes, (2) prevention of cruelty to children or animals, or (3) Federal, State or local governmental units (tuition for children attending parochial schools is not deductible). Fair market value of property (e.g., clothing, books, equipment, furniture) for charitable purposes. (For gifts of appreciated property, special rules apply. Contact local IRS office.)

Travel expenses (actual or 6¢ per mile plus parking and tolls) for charitable purposes (may not deduct insurance or depreciation in either case).

Cost and upkeep of uniforms used in charitable activities (e.g., scoutmaster).

Purchase of goods or tickets from charitable organizations (excess of amount paid over the fair market value of the goods or services).

Out-of-pocket expenses (e.g., postage, stationery, phone calls) while rendering services for charitable organizations.

Care of unrelated student in taxpayer's home under a written agreement with a qualifying organization (deduction is limited to \$50 per month).

## INTEREST

Home mortgage.

Auto loan.

Installment purchases (television, washer, dryer, etc.)

Bank credit card—can deduct the finance charge as interest if no part is for service charges or loan fees, credit investigation reports. If classified as service charge, may still deduct 6 percent of the average monthly balance (average monthly balance equals the total of the unpaid balances for all 12 months, divided by 12) limited to the portion of the total fee or service charge allocable to the year.

Points—deductible as interest by buyer where financing agreement provides that they are to be paid for use of lender's money. Not deductible if points represent charges for services rendered by the lending institution (e.g., VA loan points are service charges and are not deductible as interest). Not deductible if paid by seller (are treated as selling expenses and represent a reduction of amount realized).

Penalty for prepayment of a mortgage—deductible as interest.

Revolving charge accounts—may deduct the "finance charge" if the charges are based on your unpaid balance and computed monthly.

## CASUALTY OR THEFT LOSSES

Casualty (e.g., tornado, flood, storm, fire, or auto accident provided not caused by a willful act or willful negligence) or theft losses to nonbusiness property—the amount of your casualty loss deduction is generally the lesser of (1) the decrease in fair market value of the property as a result of the casualty, or (2) your adjusted basis in the property. This amount must be further reduced by any insurance or other recovery, and, in the case of property held for personal use, by the \$100 limitation. You may use Form 4684 for computing your personal casualty loss.

## CHILD AND DISABLED DEPENDENT CARE EXPENSES

The deduction for child dependent care expenses for employment related purposes has been expanded substantially. Now a taxpayer who maintains a household may claim a deduction for employment-related expenses incurred in obtaining care for a (1) dependent who is under 15, (2) physically or mentally disabled dependent, or (3) disabled spouse. The maximum allowable deduction is \$400 a month (\$4,800 a year). As a general rule, employment-related expenses are deductible only if incurred for services for a qualifying individual in the taxpayer's household. However, an exception exists for child care expenses (as distinguished from a disabled dependent or a disabled spouse). In this case, expenses outside the household (e.g., day care expenditures) are deductible, but the maximum deduction is \$200 per month for one child, \$300 per month for 2 children, and \$400 per month for 3 or more children.

When a taxpayer's adjusted gross income (line 15, Form 1040) exceeds \$18,000, his deduction is reduced by \$1 for each \$2 of income above this amount. For further information about child and dependent care deductions, see Publication 503, Child Care and Disabled Dependent Care, available free at Internal Revenue offices.

## MISCELLANEOUS

Alimony and separate maintenance (periodic payments).

Appraisal fees for casualty loss or to determine the fair market value of charitable contributions.

Campaign contributions (up to \$100 for joint returns and \$50 for single persons).

Union dues.

Cost of preparation of income tax return.

Cost of tools for employee (depreciated over the useful life of the tools).

Dues for Chamber of Commerce (if as a business expense).

Rental cost of a safe-deposit box for income producing property.

Fees paid to investment counselors.

Subscriptions to business publications.

Telephone and postage in connection with investments.

Uniforms required for employment and not generally wearable off the job.

Maintenance of uniforms required for employment.

Special safety apparel (e.g., steel toe safety shoes or helmets worn by construction workers; special masks worn by welders).

Business entertainment expenses.

Business gift expenses not exceeding \$25 per recipient.

Employment agency fees for securing employment.

Cost of a periodic physical examination if required by employer.

Cost of installation and maintenance of a telephone required by the taxpayer's employment (deduction based on business use).

Cost of bond if required for employment.

Expenses of an office in your home if employment requires it.

Payments made by a teacher to a substitute.

Educational expenses required by your employer to maintain your position or for maintaining or sharpening your skills for your employment.

*Political Campaign Contributions.*—Taxpayers may now claim either a deduction (line 33, Schedule A, Form 1040) or a credit (line 52, Form 1040), for campaign contributions to an individual who is a candidate for nomination or election to any Federal, State or local office in any primary, general or special election. The deduction or credit is also applicable for any (1) committee supporting a candidate for Federal, State, or local elective public office, (2) national committee of a national political party, (3) State committee of a national political party, or (4) local committee of a national political party. The maximum deduction is \$50 (\$100 for couples filing jointly). The amount of the tax credit is one-half of the political contribution, with a \$12.50 ceiling (\$25 for couples filing jointly).

*Presidential Election Campaign Fund.*—Additionally, taxpayers may voluntarily earmark \$1 of their taxes (\$2 on joint returns) to help defray the costs of the 1976 presidential

election campaign. If you failed to earmark \$1 of your 1972 taxes (\$2 on joint returns) to help defray the cost of the 1976 presidential election campaign, you may do so in the space provided above the signature line on your 1973 tax return.

For any questions concerning any of these items, contact your local IRS office. You may also obtain helpful publications and additional forms by contacting your local IRS office.

## Other Tax Relief Measures for Older Americans

| <i>Filing status</i>                                          | <i>Required to file a<br/>tax return if<br/>gross income<br/>is at least—</i> |
|---------------------------------------------------------------|-------------------------------------------------------------------------------|
| Single (under age 65)-----                                    | \$2, 050                                                                      |
| Single (age 65 or older)-----                                 | 2, 800                                                                        |
| Married couple (both spouses under 65) filing jointly-----    | 2, 800                                                                        |
| Married couple (1 spouse 65 or older) filing jointly-----     | 3, 550                                                                        |
| Married couple (both spouses 65 or older) filing jointly----- | 4, 300                                                                        |
| Married filing separately-----                                | 750                                                                           |

*Additional Personal Exemption for Age.*—In addition to the regular \$750 exemption allowed a taxpayer, a husband and wife who are 65 or older on the last day of the taxable year are each entitled to an additional exemption of \$750 because of age. You are considered 65 on the day before your 65th birthday. Thus, if your 65th birthday is on January 1, 1974, you will be entitled to the additional \$750 personal exemption because of age for your 1973 Federal income tax return.

*Multiple Support Agreements.*—In general, a person may be claimed as a dependent of another taxpayer, provided five tests are met: (1) Support, (2) gross income, (3) member of household or relationship, (4) citizenship, and (5) separate return. But in some cases, two or more individuals provide support for an individual, and no one has contributed more than half the person's support. However, it still may be possible for one of the individuals to be entitled to a \$750 dependency deduction if the following requirements are met for multiple support:

1. Two or more persons—any one of whom could claim the person as a dependent if it were not for the support test—together contribute more than half of the dependent's support.

2. Any one of those who individually contribute more than 10 percent of the mutual dependent's support, *but only one of them*, may claim the dependency deduction.

3. Each of the others must file a written statement that he will not claim the dependency deduction for that year. The statement must be filed with the income tax return of the person who claims the dependency deduction. Form 2120 (Multiple Support Declaration) may be used for this purpose.

*Sale of Personal Residence by Elderly Taxpayers.*—A taxpayer may elect to exclude from gross income part, or, under certain circumstances, all of the gain from the sale of his personal residence, provided:

1. He was 65 or older before the date of the sale, and
2. He owned and occupied the property as his personal residence for a period totaling at least 5 years within the 8-year period ending on the date of the sale.

Taxpayers meeting these two requirements may elect to exclude the entire gain from gross income if the adjusted sales price of their residence is \$20,000 or less. (This election can only be made once during a taxpayer's lifetime.) If the adjusted sales price exceeds \$20,000, an election may be made to exclude part of the gain based on a ratio of \$20,000 over the adjusted sales price of the residence. Form 2119 (Sale or Exchange of Personal Residence) is helpful in determining what gain, if any, may be excluded by an elderly taxpayer when he sells his home.

Additionally, a taxpayer may elect to defer reporting the gain on the sale of his personal residence if within 1 year before or 1 year after the sale he buys and occupies another residence, the cost of which equals or exceeds the adjusted sales price of the old residence. Additional time is allowed if (1) you construct the new residence or (2) you were on active duty in the U.S. Armed Forces. Publication 523 (Tax Information on Selling Your Home) may also be helpful.

*Retirement Income Credit.*—To qualify for the retirement income credit, you must (a) be a U.S. citizen or resident, (b) have received earned income in excess of \$600 in each of any 10 calendar years before 1973, and (c) have certain types of qualifying "retirement income". Five types of income—pensions, annuities, interest, and dividends included on line 15, Form 1040, and gross rents from Schedule E, Part II, column (b)—qualify for the retirement income credit.

The credit is 15 percent of the lesser of:

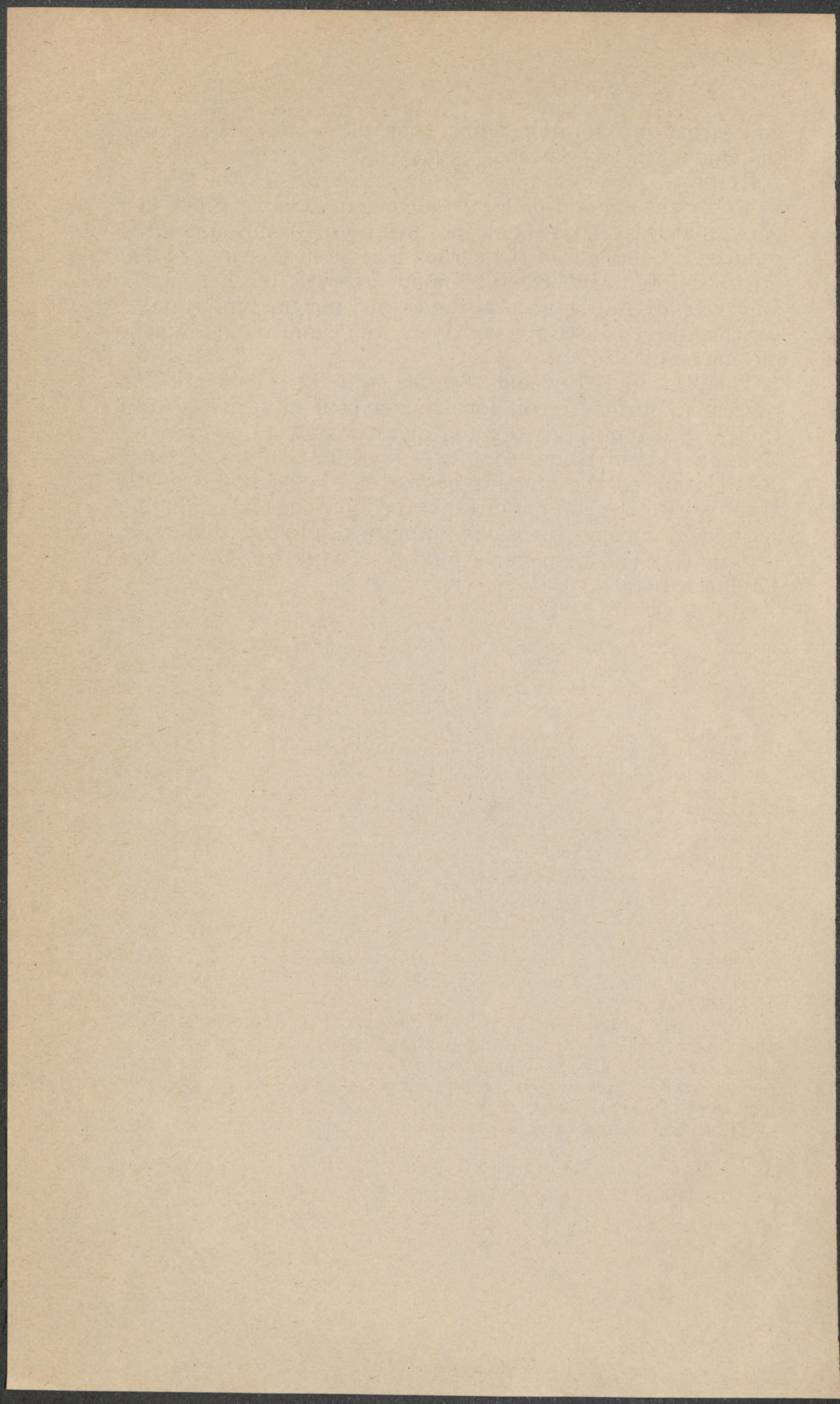
1. A taxpayer's qualifying retirement income, or
2. \$1,524 (\$2,286 for a joint return where both taxpayers are 65 or older) minus the total of nontaxable pensions (such as Social Security benefits or Railroad Retirement annuities)

and earned income (depending upon the taxpayer's age and the amount of any earnings he may have).

If the taxpayer is under 62, he must reduce the \$1,524 figure by the amount of earned income in excess of \$900. For persons at least 62 years old but less than 72, this amount is reduced by one-half of the earned income in excess of \$1,200 up to \$1,700, plus the total amount over \$1,700. Persons 72 and over are not subject to the earned income limitation.

Schedule R is used for taxpayers who claim the retirement income credit.

The Internal Revenue Service will also compute the retirement income credit for a taxpayer if he has requested that IRS compute his tax and he answers the questions for Columns A and B and completes lines 2 and 5 on Schedule R—relating to the amount of his Social Security benefits, Railroad Retirement annuities, earned income, and qualifying retirement income (pensions, annuities, interest, dividends, and rents). The taxpayer should also write "RIC" on line 17, Form 1040.



## Appendix

---

### OLDER AMERICANS TAX COUNSELING ASSISTANCE ACT

(Introduced January 21, 1974)

By Mr. Church (for himself, Mr. Chiles, Mr. Clark, and Mr. Williams):

S. 2868. A bill to provide for tax counseling to the elderly in the preparation of their Federal income tax returns. Referred to the Committee on Finance.

#### OLDER AMERICANS TAX COUNSELING ASSISTANCE ACT

Mr. CHURCH. Mr. President, on behalf of myself and the Senator from Florida (Mr. Chiles), the Senator from Iowa (Mr. Clark), and the Senator from New Jersey (Mr. Williams), I introduce for appropriate reference the Older Americans Tax Counseling Assistance Act.

Preparation of a tax return is a complicated task for most persons. But it is frequently much more difficult for the elderly.

Upon reaching 65 the aged taxpayer is oftentimes confronted with an entirely new set of rules, usually far more complex than the tax provisions during his preretirement years. He may find it necessary, for example, to complete the retirement income credit schedule, determine the taxable portion of his annuity, or compute the taxable gain on the sale of his personal residence.

Quite frequently, these provisions can pose formidable challenges, even for experienced tax experts. But for the untrained—and oftentimes unsuspecting—elderly taxpayer, these complex tax relief measures can prove to be mind boggling.

Perhaps the most troubled individual is the aged widow, who typically has low or moderate income and very little experience in tax matters. For her, the tax law is usually a jumble of gobbledygook with numerous potential pitfalls.

However, with appropriate counseling many of these obstacles can be overcome for the elderly taxpayer. Ample evidence of this is provided by the extraordinarily successful Tax-Aide for the elderly program, administered by the Institute of Lifetime Learning of the National Retired Teachers Association-American Association of Retired Persons.

Under this program, local NRTA and AARP chapters throughout the Nation select coordinators to plan, organize, and supervise the operation of the Tax-Aide program. The local coordinator also selects counselors who undergo an intensive training course under the direction of the Internal Revenue Service.

These volunteers provide valuable counseling services for aged persons concerning some of the more complex provisions in the Internal Revenue Code, such as computation of the retirement income credit, medical expense deduction, and other tax relief measures.

These individuals—and I want to stress this point—do not engage in tax preparation. Their functions are basically to—

Counsel other elderly taxpayers about sections in the tax law;

Assist them, when necessary, in making a computation; and

Advise them about common deductions, credits, and exemptions which many aged persons may overlook or simply not know about their existence.

Last year the Internal Revenue Service trained 2,500 elderly counselors as part of the IRS volunteer income tax assistance program. And these individuals provided helpful assistance and guidance for more than 100,000 aged taxpayers throughout the Nation.

This is a major reason why I introduce my bill today—the Older Americans Tax Counseling Assistance Act—to build upon the effective work of the Tax-Aide for the elderly component of the VITA program. We do not need any more proof that this program has been a success. What is needed now is a genuine national commitment to improve and expand these efforts. And that is precisely what our bill is designed to do.

Briefly stated, this proposal would permit the Internal Revenue Service to strengthen the tax counseling program for older Americans by expanding the training and technical assistance available for volunteer tax consultants—most of whom would be elderly persons. The bill would also permit the volunteers to be reimbursed for their actual out-of-pocket expenses incurred in training or providing assistance under the program.

Additionally, our proposal would authorize the Internal Revenue Service to conduct a retirement income credit alert to help assure that all persons eligible for this provision take advantage of this tax relief measure. The need for this alert, it seems to me, is particularly compelling. Leading organizations in the field of aging have estimated that perhaps one-half of all elderly persons eligible to use the retirement income credit do not claim the credit on their tax return.

Over the years the Internal Revenue Service has repeatedly said that it wants no taxpayer to pay more taxes than are legally due. In fact, the Supreme Court stated in *Gregory versus Helvering*:

The legal right of a taxpayer to decrease the amount of what otherwise would be his taxes, or altogether avoid them, by means which the law permits, cannot be doubted.

Yet, many older Americans overpay their taxes each year. Some pay more than legally required, because they are ignorant about the existence of helpful deductions. Others are completely overwhelmed by the intricacies and nuances in the tax law.

However, competent tax counseling can be an important safeguard against income tax overpayments by the elderly. Moreover, there is strong evidence to suggest that aged volunteers are better equipped to assist elderly taxpayers, because they have firsthand familiarity with many of their problems. This point was made very forcefully by Mr. C. Ira Funston, who was a leading organizer of the tax aide program. He said:

The difficult problem of obtaining volunteers was made relatively easy by making it a project staffed by older persons.

There is a great reservoir of experience and talent among retirees. They not only have ability but time. They not only have time but the desire to use it in good causes.

They understand the problems of older people and are able to obtain their confidence.

The experiment has worked well. It has been a boon not only to those who get help but to those who give it.

Low income in retirement is, of course, the most serious problem confronting the elderly today. But there is a surprisingly large number—nearly 9 million persons 65 and above—who had sufficient incomes in taxable year 1971 to file a tax return. This is the latest date that complete information is available.

Many of these individuals need tax counseling service and advice in order that they can prepare their own returns. Quite clearly, they should not be penalized, because our tax law is so complex that it would tax the wisdom of Solomon.

For these reasons, I urge prompt and favorable action on my Older Americans Tax Counseling Assistance Act.

Mr. President, I also ask unanimous consent that the text of this bill be printed at this point in the Record, as well as a pamphlet describing the Tax-Aide program.

There being no objection, the bill and pamphlet were ordered to be printed in the Record, as follows:

#### S. 2868

*Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Older Americans Tax Counseling Assistance Act".*

(b) For purposes of this Act, the term—

(1) "Secretary" means the Secretary of the Treasury or his delegate;

(2) "elderly individual" means an individual who has attained the age of 60 years as of the close of his taxable year.

(3) "Federal income tax return" means any return required under chapter 61 of the Internal Revenue Code of 1954 with respect to the tax imposed on an individual under chapter 1 of such Code.

SEC. 2. (a) The Secretary, through the Internal Revenue Service, is authorized to enter into agreements with private or public non-profit agencies or organizations for the purpose of providing training and technical assistance to prepare volunteers to provide tax counseling assistance for elderly individuals in the preparation of their Federal income tax returns. The program shall utilize the services of volunteers with preference given in the selection of such volunteers to individuals who have retired from participation in the work force as full-time employees.

(b) The Secretary is authorized—

(1) to establish the qualifications an individual must have in order to serve as a volunteer under the program authorized by this Act and to prescribe the terms and conditions of service as a volunteer, including training, hours of work, and other terms and conditions of service as a volunteer;

(2) to provide for the training of such volunteers and for the certification of volunteers who qualify to provide tax counseling assistance to elderly individuals;

(3) to provide reimbursement to volunteers for transportation, meals, and other expenses incurred by them in training or providing tax counseling assistance under that program, and such other support and assistance as he determines to be appropriate in carrying out the provisions of this Act;

(4) to provide for the use of services, personnel, and facilities of Federal executive agencies and of State and local public agencies with their consent, with or without reimbursement therefor; and

(5) to prescribe such rules and regulations as he deems necessary to carry out the provisions of this Act.

SEC. 3. Service as a volunteer in any program carried out under this Act shall not be considered service as an employee of the United States. Volunteers under such a program shall not be considered Federal employees and shall not be subject to the provisions of law relating to Federal employment, except that the provisions of section 1905 of title 18, United States Code, shall apply to volunteers as if they were employees of the United States.

SEC. 4. The Secretary shall, from time to time, undertake to direct the attention of elderly individuals to those provisions of the Internal Revenue Code of 1954 which are particularly important to taxpayers who are elderly individuals, such as the provisions of section 37 (relating to credit against tax for retirement income) and section 121 (relating to gain from the sale or exchange of his residence by an individual who has attained age 65).

SEC. 5. There are authorized to be appropriated to the Secretary for the purpose of carrying out the provisions of this Act \$——— for the fiscal year ending June 30, 1974, and \$——— for the fiscal year ending June 30, 1975.

---

#### TAX-AIDE: A FREE, NATIONWIDE TAX COUNSELING SERVICE OF THE INSTITUTE OF LIFETIME LEARNING\*

Tax-paying is a tedious and frustrating experience for everyone, but the older taxpayer may confront unusually difficult problems after retirement.

New tax forms, and supplements are often required. Retirement income credit, pension income, Social Security exemptions, Medicare expenses, sale of property, stock dividends and other tax problems may be confusing.

To deal with these special problems the older taxpayer has several alternatives: He may visit a commercial tax consultant or his local Internal Revenue Service office—or he may now take advantage of the free Tax-Aide counseling service sponsored by the Institute of Lifetime Learning, a continuing education program of the National Retired Teachers Association and the American Association of Retired Persons.

#### NRТА-AARP TAX-AIDE SERVICE

The Institute began the Tax-Aide service of voluntary counseling for retired taxpayers in 1968 in cooperation with the U.S. Internal

---

\*From a pamphlet published by NRТА-AARP, 1973.

Revenue Service. During the 1972-73 tax season the service provided 2,500 counselors who assisted more than 100,000 taxpayers in 625 cities.

Administered by the Institute's Washington, D.C. headquarters, the Tax-Aide service provides older volunteers throughout the country who have been trained by the IRS to deal specifically with retirement tax problems. While counselors are not tax preparers who fill out an individual's return, they meet individually with Tax-Aide participants to advise them of special tax considerations for which they are eligible and to counsel them of such tax ramifications as:

Tax filing regulations, new tax forms.

Social Security, pensions, annuities, stocks, bonds, savings, inheritances.

Sale of residence, capital gains.

Medicare and medical and drug expenses.

Deductions for dentures, eyeglasses, hearing aids, orthopedic shoes, braces.

Retirement income credit.

The NRTA-AARP Tax-Aide service is open to all older retired persons as a public service of the Associations.

#### STARTING TAX-AIDE LOCALLY

To establish a Tax-Aide counseling program, groups must meet several basic requirements to insure success of the project:

Select an Association member to be the Tax-Aide coordinator for a designated group or area.

Recruit volunteer counselors.

Arrange training for the counselors in cooperation with the nearest IRS District Office at a location satisfactory to both the local group and the IRS training officers.

Locate convenient and suitable rent-free quarters for the counseling service.

Organize and coordinate a thorough publicity program to inform the local community about the Association's free Tax-Aide counseling service.

The National Tax-Aide office in Washington, D.C. provides program information, training assistance and liaison with the Internal Revenue Service as requested by the local coordinator. All Tax-Aide coordinators receive from the national office a Public Relations Guide and a supply of Income Tax Information Sheets for counselees to complete before their appointment with a Tax-Aide counselor.

Although detailed operational procedures are sent to each Tax-Aide coordinator as general guidelines for program implementation, the national Tax-Aide office encourages flexibility in planning programs to meet the needs of individual communities.

#### THE TAX-AIDE COORDINATOR

Key to the success of the NRTA-AARP Tax-Aide service is the local coordinator. He plans, organizes and supervises the operation of the local Tax-Aide program. He serves as liaison between the National Tax-Aide Coordinator, the nearest IRS office, chapter and unit officers

and the volunteer counselors. As a special Association volunteer, he also informs State directors and all NRTA-AARP regional officials about the activities and progress of his Tax-Aide unit.

In planning a program the Coordinator:

Enlists the help of local chapter and unit presidents in recruiting volunteer counselors—either Association members or qualified non-members.

Determines the number of counselors necessary for operation of the program, and decides if assistant coordinators are needed.

Arranges any co-sponsorship with other senior citizen and community organizations, if needed, and advises NRTA-AARP State Directors, regional officers and the National Tax-Aide Coordinator in the Washington, D.C. Institute of co-sponsorship plans.

Establishes with the nearest Internal Revenue Service office the time and date of the volunteer training sessions, and notifies the National Coordinator so that he may confirm all training with the Chief of Taxpayer Training, U.S. Internal Revenue Service in Washington, D.C. Secures convenient and centrally located training and counseling quarters for the Tax-Aide program. Rent-free space is usually available in churches, schools and community colleges, senior centers, banks, office buildings, shopping centers, YMCA's and YWCA's, resident homes for the elderly, libraries, civic and community buildings, and Federal, State and municipal buildings. Counseling in private homes is discouraged and coordinators are requested to advise the volunteer counselor of established counseling locations.

While supervising a program the Coordinator:

Arranges local publicity through chapters and units, other community organizations and radio, TV and newspapers so that retired persons are aware that the Tax-Aide service is available.

Coordinates the appointment schedule of the volunteer counselors to provide maximum service when counselors are available.

Selects, if needed, a Coordinating Committee from the local NRTA and AARP groups or other sponsoring groups to assist with planning and supervisory responsibilities, and selects a volunteer Appointment Secretary to handle counseling schedules.

To follow-through the Coordinator:

Prepares any necessary correspondence and letters of appreciation at the conclusion of the program.

Submit a final evaluation of the local program to the National Coordinator at the conclusion of the tax season.

#### THE VOLUNTEER COUNSELOR

Working most directly with the older person desiring tax assistance is the volunteer Tax-Aide Counselor. He is not necessarily an Association member but he has had Tax-Aide training provided by the professional training staff of the U.S. Internal Revenue Service. He must have interest in and aptitude for volunteer tax work. He must be able to communicate effectively and accurately with the persons he is serving and conduct all counseling in the strictest confidence.

The Counselor's first responsibility is to attend an IRS training session which acquaints him with the main requirements of the retirees' tax returns. Next, the counselor works out with the Tax Coordinator and the other counselors in his group a work schedule of when he will

be available for counseling interviews or answering questions over the telephone (if one is available locally to the Tax-Aide program).

Most counselors volunteer several hours a week to Tax-Aide during the tax season, but a minimum of 2 hours per week should be committed to the program.

During an appointment, the counselor has an advisory and counseling role—he does not complete tax forms for an individual nor agree to forward them to the Internal Revenue office. In ordinary cases, he explains to the individual how to fill out the form, what forms are required, information that should be included on the form, and deductions available to him. In more complex cases, the counselor performs a needed service by referring the Tax-Aide participant to the IRS or to other professional tax counsel. Counselors who have the time, interest and competence to do so may, in addition to the Federal return, assist retirees with their State tax returns. Many States are cooperating with local coordinators to provide special State tax training for Tax-Aide counselors in conjunction with their IRS training.

#### IRS TRAINING SESSION

Tax-Aide training sessions are conducted by IRS officials using resource material prepared especially for counselors assisting the retired elderly. Classes are usually limited to 15–20 persons, but additional sessions will be scheduled when necessary to train all volunteer counselors.

Each qualified volunteer counselor should normally complete a minimum of 10 hours of training over a period of 2–3 days. Previously trained and experienced Tax-Aide counselors, however, may require only a shorter refresher course when this can be arranged with the nearest IRS office.

Experience has shown that the most effective training schedule runs from about 9–12 a.m. and 1–3 or 4 p.m. with adequate breaks during the morning and afternoon.

Tax-Aide volunteer Instructors complete the same course the IRS gives its training officers. These volunteers are available to teach courses in areas where IRS personnel are unavailable. If a Coordinator is in need of an Association Instructor, he should contact the National Coordinator in Washington.

Liaison for matters of policy and operations of the Tax-Aide program within the framework of the IRS VITA Program is coordinated by the Chief of Training at IRS and the National Coordinator of Tax-Aide. Tax-Aide coordinators, counselors, and all other Association volunteers and staff are requested to channel all questions of policy regarding Tax-Aide through the National Coordinator's Office.

#### STATE TAX TRAINING

Any group planning training with its State tax system, in addition to the IRS training, is asked to notify the National Coordinator of these plans as soon as possible through the local Tax-Aide Coordinator.

IRS Taxpayer Education Offices in all of the following IRS District Training Offices are familiar with the NRTA–AARP Tax-Aide Program and will assist coordinators with training plans and schedules. When contacting an IRS office by mail or telephone, ask for the person in charge of Taxpayer Education or the VITA program.

Mr. CHILES. Mr. President, I am pleased to join today with Senator Church in introducing the Older Americans Tax Counseling Assistance Act.

Senate hearings several years ago found that many older Americans overpay their taxes each year—some because they simply do not know about the existence of helpful, legal deductions they qualify for—and others who are confused by the complexity of the tax law. And it is little wonder. Filling out an income tax return is not an easy job for anyone. And the aged taxpayer often has an even harder time preparing his return, because he faces new rules, even more complex than those he faced in his younger years.

Because I am aware of the difficulties many of our senior citizens are facing in the preparation of their income tax returns I was delighted to learn of the outstanding work being done by the Institute of Lifetime Learning of the National Retired Teachers Association-American Association of Retired Persons, VITA, the volunteer income tax assistance program came to the assistance of more than 100,000 aged taxpayers throughout the Nation last year. Staffed by older persons, who are better able to understand the problems of older taxpayers, this experiment has proven extraordinarily successful. And I believe that in itself is a strong argument in favor of expanding it through the legislation Senator Church and I are offering.

This is a program that is needed, has been tried, and works well. Our proposal would authorize the Secretary of the Treasury through the Internal Revenue Service to enter into agreements with organizations to provide training and technical assistance in the preparation of volunteers to provide tax counseling assistance for elderly individuals in the preparation of their Federal income tax returns. The program utilizes the services of volunteers with preference given in the selection of volunteers to individuals who have retired from participation in the work force as fulltime employees. The Secretary is authorized through our bill to establish the qualifications an individual must have in order to serve as a volunteer, to provide for his training and certification, to provide reimbursement to volunteers for transportation, meals, and other out-of-pocket expenses, and the use of services, personnel, and facilities of Federal executive agencies.

The volunteers in this program do not prepare the income tax returns. Their assistance is limited to counseling other elderly taxpayers about sections of the tax law that confuse them; assisting them in making computations, and advising them about credits, exemptions, and deductions they may not be aware of.

Volunteer counselors aid aged persons in dealing with some of the more complex provisions in the Internal Revenue Code—completing retirement income credit schedules, determining the taxable portion of annuities, computing taxable gains on the sale of personal residence, working with medical expense deductions, et cetera, are some of the areas in which assistance is needed. Our senior citizens clearly ought not to be penalized because of the complexity of our tax laws and this legislation would permit the IRS to strengthen a program that has already proven itself of significant value for older Americans.

I urge my colleagues to join with me in supporting the Older Americans Tax Assistance Act.

Mr. WILLIAMS. Mr. President, I am pleased to join the distinguished chairman of the Senate Special Committee on Aging (Mr. Church) in cosponsoring the Older Americans Tax Counseling Assistance Act.

As the former chairman—and now the ranking majority member—of the Special Committee on Aging, I have been especially concerned about the extraordinarily high incidence of elderly persons paying more Federal income tax than required by law.

This harsh fact of life was brought home very forcefully during hearings I conducted while still chairman of the special committee on the subject of "Income Tax Overpayments by Older Americans."

Several expert witnesses confirmed reports that large numbers of older persons were paying more taxes than required. Mr. Henry W. Block—president of the Nation's largest tax service, H. & R. Block, Inc., said:

Do our over-65 taxpayers overpay their income taxes? Of course they do. Statistics relating to the extent of those overpayments are much better known to the Treasury, but there can be no doubt that our current laws and reporting forms, as they deal with tax reporting by our elderly citizens, have resulted in confusion, improper reporting, and a widespread failure to take advantage of the tax-reducing devices available.

A report was later issued by the committee, calling for far-reaching action on several fronts. The No. 1 recommendation was to expand the tax assistance program for the elderly, conducted jointly by the Internal Revenue Service and senior citizen organizations, such as the National Retired Teachers Association-American Association of Retired Persons.

The bill that we introduce today is designed to implement this recommendation.

Specifically, this proposal would provide the wherewithal for the IRS to strengthen its training and technical assistance program for elderly volunteer tax counselors. This measure would also permit the IRS to reimburse the tax consultants for their out-of-pocket expenses for training and providing services under this act. Finally, the bill would authorize the IRS to conduct special alerts to help assure that all aged taxpayers are fully aware of important tax relief measures, such as the retirement income tax credit.

Today many older Americans need tax counseling assistance in order to prepare their own returns. Moreover, large numbers should be notified about tax relief measures which can result in substantial savings. This becomes all the more important because the soaring rate of inflation continues to rob the elderly's limited pocketbooks.

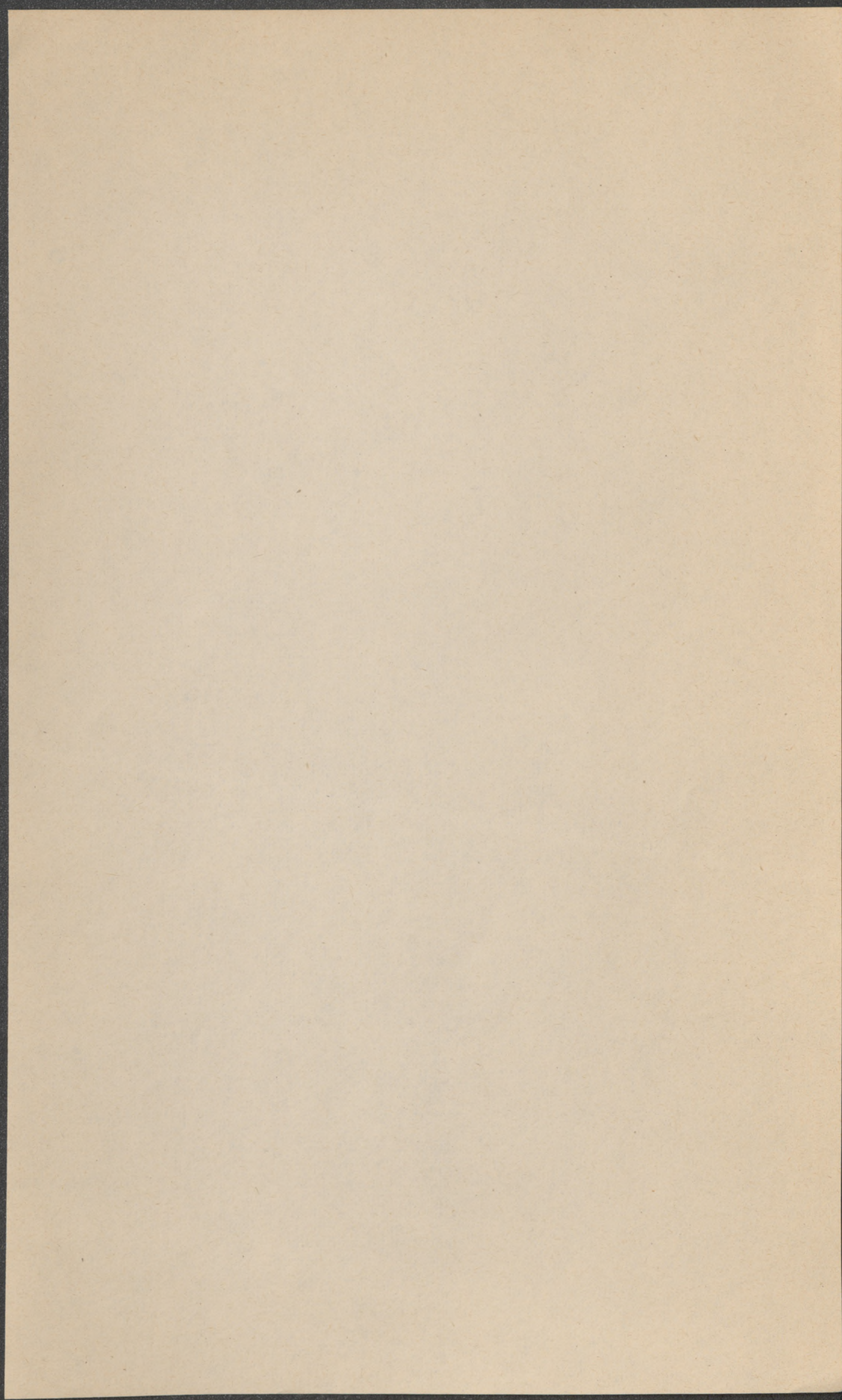
Five years of successful operations by the tax-aide for the elderly program have demonstrated beyond any doubt the value of tax counseling assistance for the aged. Equally important, the program has clearly shown the effectiveness of utilizing qualified older persons—who are glad to volunteer their time and talents to counsel other elderly taxpayers.

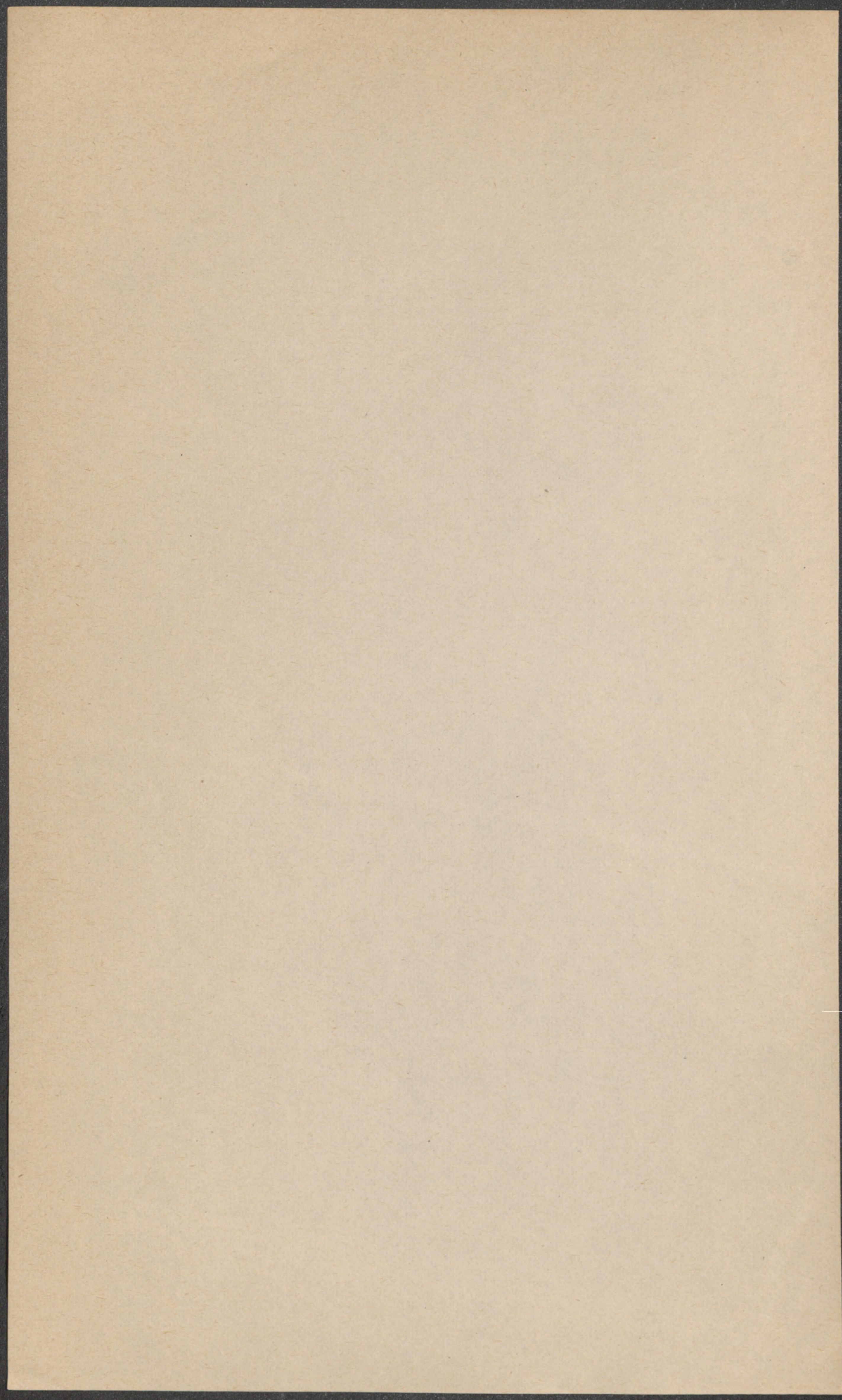
To my way of thinking, there is an urgent need to expand the activities of the Tax-Aide for the elderly program. Nearly 7 million returns are filed by older Americans. Many of these individuals

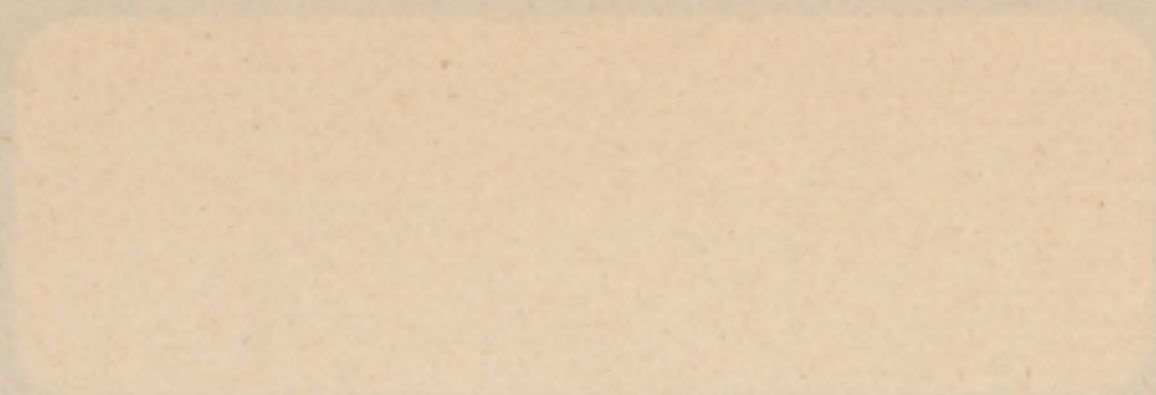
desperately need assistance in order to avoid paying in taxes more of their limited incomes than the law requires.

The Older Americans Tax Counseling Assistance Act would be a constructive means to provide further safeguards against elderly persons overpaying their taxes.

○







KSU LIBRARIES



A11900285307