The Situation –
Low income, wage-earning U.S. taxpayers are entitled to a refundable income tax credit that ranges in amount from $457 to $5,666 in 2010. The credit was first enacted in 1975 and provides additional financial support for lower income people.

A significant number of taxpayers eligible for the credit pay tax return preparers to assist them in filing tax returns. Many of these preparers, in addition to charging fees for their services, also engage in loan transactions that use the anticipated refund as collateral. Called refund anticipation loans (RALs), these obligations are short-term and low-risk. However, the interest and fees charged for these loans can create exorbitant APRs which can range from 40% to in excess of 100%. The legal system and the IRS have made some inroads into curtailing the use of such loans, but have not been able to stop them entirely. A newspaper article in March, 2009, recited the high number of refund anticipation loans entered into by residents of Winnebago, NE.

The Response –
Creighton students in Accounting 343 (Federal Income Tax), members of Beta Alpha Psi BAY, (the accounting honor society) and members of the Business Law Society (BLS) in the Law School decided to address this situation by providing Volunteer Income Tax Assistance (VITA) services in Winnebago itself. Acc 343 students are required to participate in VITA as part of the course, and BAY members have provided VITA services for many years in the Omaha area. Contacts with Ho-Chunk, Inc. (the for-profit economic development subsidiary of the Winnebago Nation), St. Augustine Indian Mission School, and the IRS led to a plan for Creighton students to provide VITA services in Winnebago.

The Clinic –
On Friday January 29, 2010, 25 students and a faculty member traveled to Winnebago to meet with local representatives and to prepare for the next day’s clinic. On Saturday, in addition to the students and faculty, a retired CPA from Omaha and IRS personnel established the clinic in space provided by Ho-Chunk, Inc. During the course of the day, over 40 clients were served and returns were prepared and submitted electronically that claimed refunds totaling over $150,000. Bank debit cards were provided (at a nominal fee of $10) to clients who wanted immediate access to funds (as they would have received if they had used an RAL).

The Ignatian Elements –
Students interacted with a culture that, for many of them, was new. The night before the clinic members of the Winnebago Nation and St. Augustine Parish provided a traditional evening meal and a drum and dance celebration of sharing. In addition, representatives of both explained key elements of their culture. Students used their emerging professional skills to assist a segment of society that many in the majority culture either ignore or treat with disrespect and an exploitive attitude. Clients received tax assistance at no cost, and thus were able to keep more of their earned income tax credit. A required part of the project for the Acc 343 and BAY students was a reflection paper.

Next Steps –
Based on evaluations of the 2010 experience, the clinic was expanded to two weekends, January 22 and 29, 2011.

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