

## IMPROVING OUTCOMES FOR YOUNG ADULTS

### Taxation of Payments Received Under Florida's Road to Independence Scholarship Program

Florida's Children First was presented with information informing us that youth, who had received payments from the Road to Independence Scholarship, were incorrectly presented with IRS Form 1099 indicating the funds were taxable during tax years 2002, 2003 and 2004. Because the money received through this program is a payment of social benefits, and not a "scholarship," under the Internal Revenue Code, these payments should not have been reported as taxable income.

FCF proceeded to obtain an opinion from Holland & Knight LLP, explaining the problem, and the tax attorneys concluded that there is a "reasonable position that the payments received under the program should be excluded from the recipients' gross income."

Working with the Department of Children and Families, and other advocates from around the State, it was determined that a coding error, by the State of Florida, led to the mistake and that these youth were incorrectly sent 1099s. After negotiations with DCF, Secretary Lucy Hadi has decided that DCF will send the youth a letter acknowledging the error and advising the youth to seek tax advice.

FCF has recruited lawyers and CPAs around the State who are willing to do pro bono work for the youth affected by the problem. FCF has created a letter describing the problem that will be sent to the professionals, with the Holland & Knight opinion as an attachment. FCF is also working with legal services providers across the state who provide low income citizens with free legal services regarding income tax problems.

This problem is estimated to have substantive effect on approximately 500 young adults across the State. A few youth are known to have already received deficiency notices from the IRS; others would benefit from filing amended returns

If you have questions or know a young adult affected by this error, please call Florida's Children First at 954-796-0860.