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Danny Westneat

\$10 an hour with 2 kids? IRS pounces

Rachel Porcaro knows she's hardly rich. When you're a single mom making 10 bucks an hour, you don't need government experts to tell you how broke you are.



Danny Westneat
Seattle Times staff columnist

Rachel Porcaro knows she's hardly rich. When you're a single mom making 10 bucks an hour, you don't need government experts to tell you how broke you are.

But that's what happened. The government not only told Porcaro she was poor. They said she was too poor to make it in Seattle.

It all started a year ago, when Porcaro, a 32-year-old mom with two boys, was summoned to the Seattle office of the Internal Revenue Service (IRS). She had been flagged for an audit.

She couldn't believe it. She made \$18,992 the previous year cutting hair at Supercuts. A few hundred of that she spent to have her taxes prepared by H&R Block.

"I asked the IRS lady straight upfront — 'I don't have anything, why are you auditing me?' " Porcaro recalled. "I said, 'Why me, when I don't own a home, a business, a car?' "



[enlarge](#) ELLEN M. BANNER / THE SEATTLE TIMES
Rachel Porcaro, now manager of a hair salon in Renton, cuts Rebecca Porcaro's hair. Rachel Porcaro, a 32-year-old single mom with two boys, worked at a different salon during the time covered by an IRS audit.

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The answer stunned both Porcaro and the private tax specialist her dad had gotten to help her.

"They showed us a spreadsheet of incomes in the Seattle area," says Dante Driver, an accountant at Seattle's G.A. Michael and Co. "The auditor said, 'You made eighteen thousand, and our data show a family of three needs at least thirty-six thousand to get by in Seattle.'"

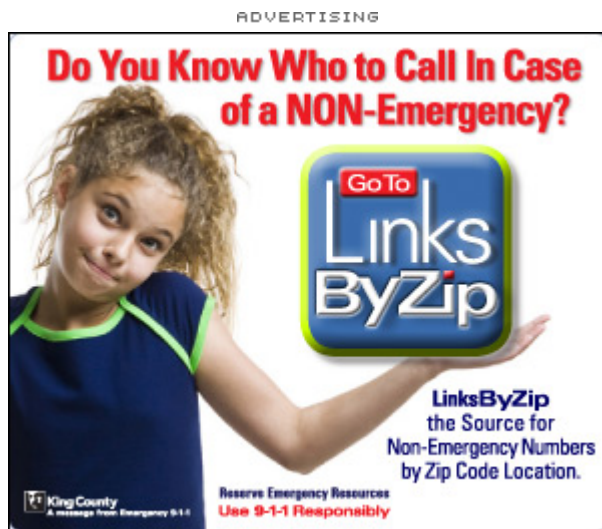
"They thought she must have unreported income. That she was hiding something. Basically they were auditing her for not making enough money."

Seriously? An estimated 60,000 people in Seattle live below the poverty line — meaning they make \$11,000 or less for an individual or \$22,000 for a family of four. Does the IRS red-flag them for scrutiny, simply because they're poor?

I asked the local office of the IRS. They said they couldn't comment for privacy reasons.

"We can't give you any kind of broad interview because your request is associated with the case of an individual taxpayer," IRS Media Relations said in a statement.

So I'll just tell you Rachel's story.



She had a yearlong odyssey into the maw of the IRS. After being told she couldn't survive in Seattle on so little, she was notified her returns for both 2006 and 2007 had been found "deficient." She owed the government more than \$16,000 — almost an entire year's pay.

She couldn't pay it. Her dad, Rob, has run a local painting business, Porcaro Power Painting, for 30 years. He asked his accountant, Driver, for help.

Rachel's returns weren't all that complicated. At issue, though, was that she and her two sons, ages 10 and 8, were all living at her parents' house in Rainier Beach (she pays \$400 a month rent). So the IRS concluded she wasn't providing for her children

and therefore couldn't claim them as dependents.

She stood to lose what is called earned income tax credit, a refund targeted to help low-income workers. You qualify only if you're working, as Rachel has been.

Driver quickly determined the IRS was wrong in how it was interpreting the tax laws. He sent in the necessary code citations and hoped that would be the end of it.

Instead, the IRS responded by launching an audit of Rachel's parents.

"I was floored," says Rob Porcaro, 59. "I get audited now and then in my business, so I've been through it before. But to have them go after me because of my daughter, well, I've never heard of anything like it."

Rob and his wife, Patty, had to send in house blueprints, bank statements, old utility bills. Rachel was asked to prove her children were hers, as well as document the money she'd spent on her children's clothes, health care and so on.

They racked up \$10,000 in accountant bills — \$8,000 of which Driver is trying to recover from the IRS.

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In the end, the parents were cleared. The IRS also backed off trying to reclaim Rachel's earned income tax credit.

But the agency insisted Rachel couldn't prove she was supporting her children — she didn't have enough receipts — so she had to stop claiming them as dependents. A few weeks ago she paid back \$1,438 (plus penalties and interest!) on that issue.

Way to go, IRS. You did an investigation likely costing tens of thousands of dollars (counting both sides). To squeeze a grand out of a single mom who did nothing wrong.

Legally, Rachel's kids now are in tax limbo. I met them at the Porcaros' house and they seemed real enough, jostling and pleading to play video games. But as far as the IRS is concerned, they don't exist. Neither Rachel nor her parents can claim them as dependents.

"I tell you, we don't buy a roll of toilet paper anymore without keeping the receipt," Rob said.

Why did this happen? The IRS won't say, but Congress has been fighting for years about the earned income tax credit for the working poor.

Republicans have called the credits "backdoor welfare" and tried to cancel them. When they controlled Congress, they ordered the IRS to ramp up audits of people who claim the credit.

In 2006, credit recipients such as Rachel were more than twice as likely to get audited as the rest of the 140 million individual tax filers.

The Porcaros say they get that the IRS can't just audit the wealthy. Poor people commit fraud, too. But the intensity and duration of the IRS' "obsession," as Rob called it, as well as that it appears the agency was trolling for the working poor, remains a sore point.

It's why they agreed to talk about their finances in the newspaper.

"I feel they're persecuting the people who are down in the mud making the bricks," Rob says. "I'm sure there are tons who don't have the resources to lawyer up. What a way to go, to have your own government take you down because you're too poor."

Driver, the tax specialist, says it's well-known that the system targets the weak — people with sloppy returns, for example, who don't tend to be well off.

"It's the way a wolf goes after the weakest sheep."

Rachel says an irony of her year in tax hell is that the IRS is right about one thing — you can't get by in Seattle on what she makes. That's why she's living with her parents. To try to make a life in our shimmering city without relying on welfare, food stamps or other public assistance.

"We're an Italian family," she said. "We're surviving as a tribe. It seems like we got punished for that."

Danny Westneat's column appears Wednesday and Sunday. Reach him at 206-464-2086 or dwestneat@seattletimes.com.

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