

Office of Management and Budget
Clearance Package

**FOCUS GROUP TESTING OF
FORMS 8919, 8917, 941 AND 1065**

May 23, 2007

Internal Revenue Service

Tax Forms and Publications

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Introduction

Tax Forms and Publications (TFP) of the Media and Publications Division of the Internal Revenue Service is responsible for the development of the tax forms and instructions used by the public to fulfill their tax obligations. The division strives to make these materials as clear and “user-friendly” as possible, while still reflecting all provisions of the highly technical and complex tax law.

Obtaining information about taxpayer reactions to tax forms and instructions, particularly to proposed changes to forms and instructions, is an integral part of the revision process. Studies of materials in which taxpayers seem to experience difficulty and of proposed changes to those materials enable the IRS to assess the usefulness of those materials. Conducting focus groups is one of the most effective means for gathering information and studying taxpayer reaction to improve tax forms and instructions, thereby increasing taxpayer satisfaction, reducing both taxpayer and processing errors, and decreasing taxpayer burden.

Objectives of this research

The office of Tax Forms and Publications (“TFP”) of the Internal Revenue Service’s Media and Publications division produces tax forms, instructions, publications, and other material to enable persons to understand and fulfill their tax obligations. Its mission is to make its written materials as easy as possible for taxpayers to use in fulfilling their federal tax obligations. Each year TFP develops new products or revises existing ones in an effort to reduce taxpayers’ burden and provide them with the clearest and most accurate forms to utilize. This year, TFP designed or revised several forms to assist taxpayers to:

- Identify and claim the correct educational credits (Form 8917);
- Identify their correct employment status (employee vs. independent contractor) (Form 8919);
- Revise/correct the employee withholding tax previously paid and reported by their business (Form 941); and
- Report income for a partnership during a tax year/reporting period (Form 1065).

Prior to release to the general taxpaying population, TFP wishes to test these products for clarity, ease of use and design, and make improvements or deletions on the forms/schedule as necessary.

More specifically, the objectives of the research are for the division to determine:

- Taxpayers' overall and specific reaction to the form/schedule;
- Taxpayers' ability to understand the purpose of the form/schedule;
- Taxpayers' ability to follow directions outlined in the form/schedule;
- Taxpayers' suggestions for improvement to the form /schedule; and
- Taxpayers' ability to understand the language of the form/schedule.

This information will assist the division in developing clear tax products that assist taxpayers in voluntarily meeting their tax obligations. To achieve these objectives, the service has developed test scenarios and plans to conduct a total of 32 focus groups, eight per form or product (two per city) in four separate cities. Each focus group will consist of at least eight (8) participants, with ten (10) being the ideal number of participants. Upon arrival, participants will be re-screened to confirm their eligibility.

TFP also expects to gain knowledge of the overall reaction to the revised forms and instructions, discover what parts of these documents lead to error or misunderstanding, and to determine what in these documents taxpayers find most useful. TFP also expects that taxpayers will provide specific suggestions for improvement to these draft documents. Upon completion of this project, the moderator will submit a report of findings to TFP to assist in finalizing the format and language of the forms and instructions.

Methodology

TFP plans to use focus group interviews, a qualitative research method, to collect data from taxpayers and tax practitioners for these groups. Focus group interviewing is one of the most frequently-used techniques of qualitative marketing research. As a type of group interview, focus groups use group interaction to stimulate relatively spontaneous response to the supplied topics. Focus groups provide insight and direction rather than quantitatively precise or absolute measures. They are useful for gathering information in a new field and generating hypotheses based on participants' insights. The main advantage of focus groups is the opportunity to observe a large amount of interaction on a specific topic within a limited period of time. For this series of focus groups, the group discussion format will allow respondents to review and comment upon the documents being revised by TFP, which would prove difficult outside of a focus group setting.

Moderator's guides

A moderator's guide imposes structure on the discussion and ensures that the appropriate questions are asked to provide feedback for the improvement of the materials being tested. Separate guides have been developed for each of the four forms to be tested, and are presented in the appendices, as follows:

- Form 941: Revise/correct the employee withholding tax previously paid and reported by their business (Attachment 1);
- Form 1065: Report income for a partnership during a tax year/reporting period (Attachment 2).

- Form 8917: Identify and claim the correct educational credits (Attachment 3); and
- Form 8919: Identify their correct employment status, employee or independent contactor (Attachment 4).

Our guides address the specific research questions and provide a framework for this series of focus groups. The moderator’s guides include relevant probes that will be utilized during the focus groups.

Data collection and schedule

Thirty-two focus groups will be conducted for this project. Eight groups will be held in each of four cities, including two groups on each of the four forms to be tested. On each date, there will be one group beginning at 6:00 PM, and a second group beginning at 8:00 PM. The focus groups will be conducted over a period of six weeks, beginning on July 9, 2007, and concluding on August 16, 2007. The metropolitan areas in which focus groups will be held are:

- Dallas, Texas;
- Portland, Oregon;
- Denver, Colorado; and
- St. Louis, Missouri

A detailed schedule is provided in Table 1:

Table 1 Proposed Focus Group Schedule					
		Form 8919	Form 8917	Form 94X	Form 1065
		Monday	Tuesday	Wednesday	Thursday
Dallas, 7/9-12	6:00 PM	✓	✓	✓	✓
	8:00 PM	✓	✓	✓	✓
Portland, 7/23-26	6:00 PM	✓	✓	✓	✓
	8:00 PM	✓	✓	✓	✓
Denver, 8/6-8/9	6:00 PM	✓	✓	✓	✓
	8:00 PM	✓	✓	✓	✓
St. Louis, 8/13-16	6:00 PM	✓	✓	✓	✓
	8:00 PM	✓	✓	✓	✓

Sample design

Each focus group will have eight to ten participants. Research has demonstrated that this number of participants helps create the best group dynamics: the groups are sufficiently large to stimulate relatively spontaneous interaction, but small enough to give everyone sufficient opportunity to speak.

Careful screening of participants is essential for the success of focus groups. We propose to utilize four separate avenues of recruitment to ensure that an adequate number of eligible respondents be obtained for these 32 focus groups. The proposed approach to identify participants for these focus groups is designed to maximize the cost effectiveness of the recruitment effort and to reduce respondent burden associated with the identification of respondents.

- First, we will use Internet panels in the selected cities as the initial and least expensive form of recruitment of individual taxpayers for the groups regarding Forms 8917, 8919, and 1065 and for business taxpayers about Form 941. The e-mail invitations to complete the screener will be restricted by geographic proximity to the focus group facility in each selected city. This will be particularly important for the Schedule K-1, Form 1065 filers because of their relatively low incidence. The approach also allows us to use a broad screen for those who receive Form 1099 as independent contractors rather than employees with withholding. A copy of the screener is provided in Attachment 5.
- Second, we will use local focus group facilities to assist in the recruitment of eligible focus group participants when the population is not exceedingly rare and the key characteristics for eligibility are likely to be known by focus group facilities for past survey, intercept and focus groups participants. For example, we could recruit respondents for the Form 8917 Focus Groups from households who pay college tuition for themselves, a spouse or a dependent from the local facility databases and screen them for paper and pencil preparation of their returns. This approach will also be used to complete any groups for Form 8919.
- Third, we will use a professional association which partners with the IRS to recruit participants for the Form 941 groups. The primary users of Form 941 are payroll services. The American Payroll Association has been very helpful in the past in assisting in the recruitment of payroll service representatives for focus groups reviewing Form 941, and we again expect to coordinate with APA to obtain local chapter assistance in recruiting for the 941 groups.
- Finally, SRBI will utilize its in-house telephone center to recruit tax preparers for some of the Schedule K-1, Form 1065 groups. SRBI will identify a sample of local tax preparers from Dun and Bradstreet lists, screening and recruiting them by telephone. It is anticipated that one-half of the Form 1065 groups will be conducted with tax preparers and one-half with individual taxpayers.

SRBI will utilize a single internet screener which identifies qualified participants for the focus groups with individual taxpayers in each city. An invitation will be sent to online

panelists in each location asking them to complete the screener, and qualified participants will be asked to participate in the appropriate group. The local facility databases, other lists, and direct SRBI recruitment will be used to supplement the sample from the first source.

All participants will receive a letter confirming the groups, with directions to the facility (Attachment 6). They will also receive a reminder call one day prior to the group (Attachment 7). Approximately 15 participants will be recruited for each group to ensure that eight to ten actually attend.

Honoraria

Each individual taxpayer who participates in the focus groups will be paid an honorarium not to exceed \$75.

Burden Hours

As indicated, four sources of recruitment will be used for these groups:

- The primary source of participant recruitment will be an online survey, which most respondents will be able to complete in a matter of two to three minutes. It is estimated that approximately 4000 panelists will complete the initial screener in an average of 3 minutes, for a total of 200 hours. The estimated 700 respondents who qualify will spend an additional five minutes completing some additional questions, for an additional burden of 59 hours. The total burden from the online recruitment will be 259 hours.
- Local focus group facilities may also be called up to assist in completing recruitment for the Form 8917 and 8919 focus groups. We expect that the role of these local facilities will be relatively minimal and that at most, they might screen 200 potential respondents at five minutes each. The total burden from the facility recruitment effort will be 17 hours.
- As previously indicated, the American Payroll Association will also assist in recruiting respondents for the Form 941 groups. We expect that this effort would be done through an email to their members in the four focus group cities, with an estimated total burden of 400 members at 5 minutes each to read the contents of the email and determine whether to respond. The total burden from the APA recruitment effort will be 34 hours.
- Finally, SRBI will contact tax preparers in each of the focus group cities, based upon a sample from Dun and Bradstreet. It is estimated that a total of 400 tax preparers will be contacted using a five-minute interview. The total burden from the telephone recruitment of tax preparers will be 34 hours.

For actual participation in the focus group interviews themselves, the burden time estimate is three hours per participant (including travel time). The aggregate burden time for up to 384 respondents who actually participate in the groups is 1,152 hours (32 groups times up to 12 participants per group times three hours per participant).

Therefore, the combined burden time for these 32 focus groups is approximately 1,496 hours (259 + 17 + 34 + 34 + 1,152 hours).

Focus group arrangements

A contractor, SRBI, will handle all logistical arrangements for the focus groups to ensure that:

- Each participant receives directions to the focus group room;
- Each participant is re-screened upon arrival at the facility to confirm eligibility;
- All materials are ready for use in the focus group session, including tables and chairs, flip charts, colored markers, note pads, pencils and audiotapes;
- Customary refreshments appropriate to the time of day are available for the focus group participants;
- Audio equipment is operating properly;
- Honoraria to participants are distributed upon the completion of the session;
- Last names or other identifying information is NOT available to IRS personnel.

SRBI will also provide a moderator for all of the groups.

Transcripts and Reporting

Verbatim transcripts of each group will be provided to TFP within fifteen days of the completion of each group. The transcripts will be prepared from the audiotapes of the sessions. No identifying information will be included in the transcripts.

Within a week of each focus group, TFP will be provided with a brief report including the “highlights” from each focus group.

TFP also will be provided with final reports that detail the findings from the focus groups. The report will detail taxpayer reaction to the forms, instructions, and other materials discussed in the groups. There will be a separate report for each of the four forms to be tested in this series of focus groups.

In addition, results from the focus group recruitment effort will also be provided, including the final disposition of all efforts by the contractor to recruit respondents and a summary of the reasons for non-participation given by eligible respondents who decline to attend.

Privacy, Security, Disclosure and Confidentiality

All participants will be subject to the provisions of the Taxpayer Bill of Rights II during this series of focus groups and the contractor will ensure that all participants are treated fairly and appropriately.

The security of the data used in this project and the privacy of taxpayers will be carefully safeguarded at all times. Security requirements are based on the Computer Security Act of 1987 and Office of Management and Budget Circular A-130, Appendices A & B. Physical security measures include a locked, secure office. Notes are stored in locked cabinets or shredded. Data security at the C-2 level is accomplished via the Windows NT operating system. Systems are password protected, users profiled for authorized use, and individual audit trails generated and reviewed periodically.

The IRS will apply and meet fair information and record-keeping practices to ensure privacy protection of all taxpayers. This includes criteria for disclosure—laid out in the Privacy Act of 1974, the Freedom of Information Act, and Section 6103 of the Internal Revenue Code—all of which provide for the protection of taxpayer information as well as its release to authorized recipients.

Confidentiality will be safeguarded. During the focus group and data collection process, taxpayers will be identified to the IRS by their first names only. No taxpayer names will be mentioned in the focus groups or the resulting reports.

The cost of the study is \$249,000.

ATTACHMENT 2

MODERATOR'S GUIDE REVISED SCHEDULE K-1 (FORM 1065) FOCUS GROUPS WITH TAXPAYERS

INTRODUCTION

Introduction of the moderator.

Explanation of the nature of the general study – to provide input on a revised Schedule K-1 to the Tax Forms and Publications Division of the IRS.

Explanation of the purpose of the focus group approach -- to explore in a semi-structured manner what people think about the issues.

- The group discussion of the issues often generates deeper insights than individual one-on-one interviews.
- A topic oriented discussion of issues allows the participants, who know more about the issues than the researchers, to identify the important dimensions that might be lost in a structured interview setting.
- It's interactive so that the participants can talk back to us -- ask us what we mean, tell us when a question doesn't make any sense, or means different things to different people.

BASIC GROUND RULES:

- For the IRS to speak with the public, we are required to have approval from the Office of Management and Budget. The approval number for this project is 1545-1349. Also, if you have any comments regarding the time estimates associated with this study or suggestions on making this process simpler, please write to the: IRS Tax Products Coordinating Committee, 1111 Constitution Avenue, Washington, DC 20224
- To ensure your privacy, our contract with this facility forbids them to tell us anything about you except your first name.
- We are audio-taping the meeting for use in preparing a report about findings. Because we are taping this meeting, I ask that you speak loudly and clearly. If I think you are speaking too softly to be heard on the tape, I will ask you to speak up.
- Please speak just one at a time so everyone has a chance to participate.

- Don't engage in side conversations -- we need for everyone to hear what the others are saying and for everything that's said to be heard easily on the tape.
- Sometimes I'll go around the table and ask everyone for their input. At other times, I will just throw a topic open for general discussion.
- Participation -- we need to get a full range of opinions, and we need everyone's participation. You are here to talk. I am here to listen.
- No evaluation -- there are no right and wrong answers. We expect differences in how people see things, and we need to know about these differences.
- Feel free to disagree or question each other. The purpose of a group session is that we learn things in group interchanges that we don't get out of one-on-one discussions. If someone says something you disagree with, please let us know.
- Some observers are present behind the one-way mirror. They want to hear what you have to say about the topics we'll discuss, but we don't want you to feel constrained by their presence.
- If you have a cellular phone, please turn it off, or if you have a beeper, please set it to stun. We don't want the group to be disturbed and we also need your full attention during the session
- The session will last about two hours.

SPECIFIC GROUND RULES

While there may be other issues that participants would like to raise with respect to the IRS, our time is limited and we want to focus on the particular forms we will be discussing – revisions to Schedule K-1.

INTRODUCTION OF PARTICIPANTS

Let's go around the table. Please introduce yourself (first name only).

How many of you have been in a focus group before?

CURRENT SCHEDULE K-1

From what kinds of partnerships do you receive a K-1 (Form 1065)? (probe general, limited, limited liability company).

Do any of you also receive a K-1 (Form 1120S) from an "S Corporation"?

Are you personally involved in the preparation of the tax return for the partnership and the completion of the Schedule K-1's for the partners?

How many of you have personally prepared Schedule K-1? Have you done it using paper and pencil or using software?

For how many years have you prepared Schedule K-1?

What do you recall about Schedule K-1?

Did you experience any difficulties in preparing Schedule K-1?

I am going to pass out a copy of Schedule K-1 for 2006. It should look pretty familiar to you. What is your reaction to this form? Probe: Look for concerns about print size, room to input information, number of lines to be filled in, etc. Ease of locating the information they need.

If you had to describe Schedule K-1 in one word, what word would you use? Go around the table. Probe for a new word from each respondent.

Now that you see the form, do you recall any difficulties you experienced in completing Schedule K-1? Probe for details.

If you had to make changes in Schedule K-1, what would you suggest? Probe for details.

Using a scale of 1 to 5, where 1 means "very easy" and 5 means "very difficult", how would you rate Schedule K-1 on:

- Ease of understanding what is needed
- Ease of completion

How does Schedule K-1 compare to other forms you use for your taxes (for example, Schedule D)? What makes Schedule K-1 more or less difficult than other tax forms?

Did you use the instructions for completing Schedule K-1? Did the instructions provide the information you needed to complete the form?

REVISED SCHEDULE K-1

The Tax Forms and Publications Division is exploring a potential new format for Schedule K-1 and would like to get your reaction to it. I am going to pass out the draft revision to Schedule K-1. Please take a few minutes to look over it. (Distribute copies).

What do you notice about this form? Probe: appearance of the form, print size, room to input information, number of lines to be filled in, etc.? Ease of locating the information they need.

What do you notice that is different about this version of the form, compared with the current form? If not mentioned, probe for changes.

If you had to describe this revised Schedule K-1 in one word, what word would you use? Go around the table. Probe for a new word from each respondent and record on the flip chart.

Do you have any suggestions for IRS to improve this revision to Schedule K?

How would you compare it to the current Schedule K-1?

How would you feel if you received a copy of this Schedule K-1? .

Does the revised Schedule K-1 impose a greater or lesser burden on the taxpayer who must complete it, compared with the current Schedule K-1?

SCENARIO WITH REVISED SCHEDULE K

I want to ask you to work with a scenario we have developed. Please take a few minutes to complete the scenario and then we will discuss it.

As you completed the schedule using the scenario, did you encounter any difficulties?

Now that you have actually worked with the revised Schedule K-1, do you have any suggestions for improvement?

How do you think taxpayers would react to this revised form?

How could this form be improved?

SUMMARY

Now that you have seen the current form and a revision to Schedule K-1, which do you prefer?

Can you share the reasons for your preference?

Which of the schedules do you think puts less burden on taxpayers – the current form or the revision?

Thinking about our entire discussion tonight about revised Schedule K-1, is there anything else you would like to share about it?

(Moderator excuses himself/herself to go into the client room to ask observers if there is anything they would like to ask or have clarified). Asks any other questions/clarifications upon return.

Thank you for coming here tonight and sharing your thoughts and ideas with me. You have given us a great deal of help. Please check with the hostess on your way out of this room.

Good night!

Schedule K-1 Scenario

It is October 2, 2007.

You are Prada Lee. You are preparing your Federal income tax return for 2006.

You just received a 2006 Schedule K-1 from Lee Partnership. The Lee Partnership operates a dry cleaning store and has other investments. You materially participate in the store's operation. Therefore, your business income from the partnership is not passive income. Also, all amounts invested in the business are considered "at risk."

Review the 2006 Schedule K-1 from Lee Partnership, the summarized reporting information on the back of Schedule K-1, and the 2006 Partner's Instructions for Schedule K-1. Using Schedule K-1 and these instructions, make an entry (if required) for each item shown in Part III of Schedule K-1 on the appropriate blank form or worksheet (attached). Once you have made the initial entry for each item, you do not need to complete the rest of that form or worksheet.

ATTACHMENT 3

MODERATOR'S GUIDE FORM 8917 FOCUS GROUPS WITH TAXPAYERS

INTRODUCTION

Introduction of the moderator.

Explanation of the nature of the general study – to provide input on a new form for the Tax Forms and Publications Division of the IRS.

Explanation of the purpose of the focus group approach -- to explore in a semi-structured manner what people think about the issues.

- The group discussion of the issues often generates deeper insights than individual one-on-one interviews.
- A topic oriented discussion of issues allows the participants, who know more about the issues than the researchers, to identify the important dimensions that might be lost in a structured interview setting.
- It's interactive so that the participants can talk back to us -- ask us what we mean, tell us when a question doesn't make any sense, or means different things to different people.

GROUND RULES

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- To ensure your privacy, our contract with this facility forbids them to tell us anything about you except your first name.
- We are audio-taping the meeting for use in preparing a report about findings. Because we are taping this meeting, I ask that you speak loudly and clearly. If I think you are speaking too softly to be heard on the tape, I will ask you to speak up.
- Please speak just one at a time so everyone has a chance to participate.

- Don't engage in side conversations-- we need for everyone to hear what the others are saying and for everything that's said to be heard easily on the tape.
- Sometimes I'll go around the table and ask everyone for their input. At other times, I will just throw a topic open for general discussion.
- Participation -- we need to get a full range of opinions, and we need everyone's participation. You are here to talk. I am here to listen.
- No evaluation -- there are no right and wrong answers. We expect differences in how people see things, and we need to know about these differences.
- Feel free to disagree or question each other. The purpose of a group session is that we learn things in group interchanges that we don't get out of one-on-one discussions. If someone says something you disagree with, please let us know.
- Some observers are present behind the one-way mirror. They want to hear what you have to say about the topics we'll discuss, but we don't want you to feel constrained by their presence.
- If you have a cellular phone, please turn it off, or if you have a beeper, please set it to stun. We don't want the group to be disturbed and we also need your full attention during the session
- The session will last about two hours.

INTRODUCTION OF PARTICIPANTS

Let's go around the table. Please introduce yourself (first name only).

How many of you have been in a focus group before?

EXPERIENCE CLAIMING THE TUITION AND FEES DEDUCTION

For how many years have you claimed the tuition and fees deduction? Do you claim it for yourself, your spouse, or a child?

Thinking back to claiming the tuition and fees deduction, what do you recall?
Probe for details.

Did you experience any difficulties in claiming the tuition and fees deduction?

If you had to describe the process of claiming the tuition and fees deduction in one word, what word would you use? Go around the table. Probe for a new word from each respondent.

FORM 8917

The Tax Forms and Publications Division of the IRS is responsible for preparing tax forms and publications to meet the needs of taxpayers while also incorporating technical tax law. The division is exploring a potential new Form 8917 for the tuition and fees deduction and would like to get your reaction to it.

Please take a few minutes to look over the proposed form. Distribute copies.

What do you notice about this form?

Probe: appearance of the form, print size, room to input information, number of lines to be filled in, etc.?

If you had to describe this Form 8917 in one word, what word would you use? Go around the table. Probe for a new word from each respondent.

Do you have any suggestions for improvements to this Form 8917?

Do you believe that this form will assist taxpayers in claiming the tuition and fees deduction, or not?

SCENARIO COMPLETIONS (ROTATE SCENARIOS 1, 2, AND 3).

Let's put this new Form 8917 to the test by working a few brief scenarios. I'm going to distribute the first scenario which describes a situation for which Form 8917 could be used. I'm also going to distribute a partially completed Form 8917 and instructions for Form 8917. Please complete the entries on the form using the information provided in the scenario. Please work the scenario and enter the requested information on the Form 8917. Please use the revised instructions for the form in completing the scenario.

QUESTIONS ABOUT THE SCENARIO (ASK AFTER THE COMPLETION OF EACH SCENARIO)

Was there anything in the scenario which created difficulties for you? Probe to the negative.

How useful were the revised instructions in completing the scenario?

Was there anything about the Form 8917 or instructions which assisted you in completing the scenario? Probe.

SUMMARY

What do you like most about Form 8917? The instructions?

What do you like least about Form 8917? The instructions?

How helpful was the language of the revised instructions in understanding and completing Form 8917? How about the format of the instructions?

How many of you do believe that Form 8917 will assist you in determining whether to claim the tuition and fees deduction? Ask for a show of hands. Could you please explain your answer?

For those of you who think that it is helpful to have Form 8917, could you please tell me the reasons for your preference?

Record on flip chart.

For those of you who think that it is NOT helpful to have Form 8917, could you please tell me the reasons for your preference?

Record on flip chart.

Do you think that Form 8917 increases or decreases the burden on taxpayers claiming the tuition and fees deduction?

Thinking about our entire discussion tonight about Form 8917, is there anything else you would like to share about it?

If time permits, ask the above series of questions about the instructions.

I need to ask the observers in the other room whether they have any other questions they would like me to ask. While I am gone, will you each think of one possible improvement to Form 8917 and I will ask about it when I return. (Moderator excuses himself/herself.)

(Asks any other questions/clarifications upon return. Asks each respondent for one possible improvement to Form 8917).

Thank you for coming here tonight and sharing your thoughts and ideas with me. You have given us a great deal of help. Please check with the hostess on your way out of this room.

Good night!

Form 8917 Focus Group Scenarios

Scenario 1

Keith and Doris Anderson file a joint return and have a combined income (see the attached Form 1040, line 22) of \$125,000. They claim no adjustments (Form 1040, lines 23 through 33 or written in on the dotted line next to line 36). They claim an exemption for their daughter, Anne Anderson, a student at College A. They want to claim the tuition and fees deduction (Form 1040, line 34) and meet all of the requirements. Keith and Doris paid qualified education expenses for Anne for the year of \$3,500. Can the Andersons claim the deduction for tuition and fees and if so, how much is their deduction?

Scenario 2

Ken Johnson files a return claiming a filing status of head of household. He has an income (see his attached Form 1040, line 22) of \$87,000. He claims an alimony adjustment (Form 1040, line 31a) of \$12,000 with no other adjustments (Form 1040, lines 23 through 33 or written in on the dotted line next to line 36). Mr. Johnson claims an exemption for his son, Tom Johnson, a student at College B. Ken wants to claim the tuition and fees deduction (Form 1040, line 34) and meets all of the requirements. Ken paid qualified education expenses for Tom for the year of \$4,200. Can Ken claim the deduction for tuition and fees and if so, how much is his deduction?

Scenario 3

John and Ethel Smith file a joint return and have a combined income (see their attached Form 1040, line 22) of \$175,000. They claim no adjustments (Form 1040, lines 23 through 33 or written in on the dotted line next to line 36). They cannot claim an exemption for their daughter, Beth Campbell, a student at College C. Beth has income (see her attached Form 1040A, line 15) of \$5,000 and files her return as a single taxpayer. She claims no adjustments (1040A, lines 16-20). Beth wants to claim the tuition and fees deduction (Form 1040A, line 19) and meets all of the requirements. She paid qualified education expenses for the year of \$3,500. Can Beth claim the deduction for tuition and fees and if so, how much is her deduction?

ATTACHMENT 4

MODERATOR'S GUIDE FORM 8919 FOCUS GROUPS WITH TAXPAYERS

INTRODUCTION

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- Please speak just one at a time so everyone has a chance to participate.

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- Sometimes I'll go around the table and ask everyone for their input. At other times, I will just throw a topic open for general discussion.
- Participation -- we need to get a full range of opinions, and we need everyone's participation. You are here to talk. I am here to listen.
- No evaluation -- there are no right and wrong answers. We expect differences in how people see things, and we need to know about these differences.
- Feel free to disagree or question each other. The purpose of a group session is that we learn things in group interchanges that we don't get out of one-on-one discussions. If someone says something you disagree with, please let us know.
- Some observers are present behind the one-way mirror. They want to hear what you have to say about the topics we'll discuss, but we don't want you to feel constrained by their presence.
- If you have a cellular phone, please turn it off, or if you have a beeper, please set it to stun. We don't want the group to be disturbed and we also need your full attention during the session
- The session will last about two hours.

INTRODUCTION OF PARTICIPANTS

Let's go around the table. Please introduce yourself (first name only).

How many of you have been in a focus group before?

EXPERIENCE PREPARING A TAX RETURN WITH BOTH FORMS W-4 AND A FORM 1099

For how many years have you received both a W-4 and Form 1099?

Is it clear why you receive a W-4 for one job and a Form 1099 for another position?
If not, what makes it difficult to understand the difference(s)?

Did you experience any difficulties in preparing your taxes when you receive both a Form W-4 and a Form 1099? If yes, what difficulties do you experience?

FORM 8919

The Tax Forms and Publications Division of the IRS is responsible for preparing tax forms and publications to meet the needs of taxpayers while also incorporating technical tax law. The division is exploring a potential new Form 8919 to assist taxpayers receiving both a Form W-4 and a Form 1099.

Please take a few minutes to look over the proposed form. Distribute copies.

What do you notice about this form?

Probe: appearance of the form, print size, room to input information, number of lines to be filled in, etc.?

If you had to describe this Form 8919 in one word, what word would you use? Go around the table. Probe for a new word from each respondent.

Do you have any suggestions for improvements to this Form 8919?

Do you believe that this form will assist taxpayers in preparing their tax returns, or not?

SCENARIO COMPLETIONS (ROTATE SCENARIOS 1 AND 2).

Let's put this new Form 8919 to the test by working a few brief scenarios. I'm going to distribute the first scenario which describes a situation for which Form 8919 could be used. I'm also going to distribute a partially completed Form 8919 and instructions for Form 8919. Please complete the entries on the form using the information provided in the scenario. Please work the scenario and enter the requested information on the Form 8919. Please use the revised instructions for the form in completing the scenario.

QUESTIONS ABOUT THE SCENARIO (ASK AFTER THE COMPLETION OF EACH SCENARIO)

Was there anything in the scenario which created difficulties for you? Probe to the negative.

How useful were the revised instructions in completing the scenario?

Was there anything about the Form 8919 or instructions which assisted you in completing the scenario? Probe.

SUMMARY

What do you like most about Form 8919? The instructions?

What do you like least about Form 8919? The instructions?

How helpful was the language of the revised instructions in understanding and completing Form 8919? How about the format of the instructions?

How many of you do believe that Form 8919 will assist you in reporting income from both a W-4 and a 1099? Ask for a show of hands. Could you please explain your answer?

For those of you who think that it is helpful to have Form 8919, could you please tell me the reasons for your preference?
Record on flip chart.

For those of you who think that it is NOT helpful to have Form 8919, could you please tell me the reasons for your preference?
Record on flip chart.

Do you think that Form 8919 increases or decreases the burden on taxpayers will assist you in reporting income from both a W-4 and a 1099?

Thinking about our entire discussion tonight about Form 8919, is there anything else you would like to share about it?

If time permits, ask the above series of questions about the instructions.

I need to ask the observers in the other room whether they have any other questions they would like me to ask. While I am gone, will you each think of one possible improvement to Form 8919 and I will ask about it when I return. (Moderator excuses himself/herself.)

(Asks any other questions/clarifications upon return. Asks each respondent for one possible improvement to Form 8919).

Thank you for coming here tonight and sharing your thoughts and ideas with me. You have given us a great deal of help. Please check with the hostess on your way out of this room.

Good night!

Form 8919 Focus Group Scenarios

Scenario 1

Joe Turner is employed as the manager of Jane's Art Supplies. Joe considers himself an artist though he hasn't been able to sell any of his art. Joe also works for Affordable Art, Inc. which pays him to work on an assembly line that produces copies of masterpieces. Joe's job is to fill in all the green parts of the painting. His co-worker, Claudette, fills in the orange parts. His other co-worker, Pablo, fills in the yellow parts. Affordable Art reports Joe's earnings on a Form 1099-MISC. Joe's co-workers tell him their earnings are reported on Forms W-2. In January, 2008, Joe received a Form W-2 from Jane's Art Supplies and a Form 1099-MISC from Affordable Art.

Use the above information and the attached Form W-2 and Form 1099-MISC to complete a Form 8919 for Joe Turner.

Answers:

1(a): Affordable Art, Inc.

1(b): 10-9999999

1(c): E

1(d): BLANK

1(e): Checked

1(f): \$40,000

6: \$40,000

8: \$65,000

9: \$32,500

10: \$32,500

11: \$ 2,015

12: \$ 580

13: \$ 2,595

Scenario 2

In 2007, Jack Green worked 5 nights each week as the night manager at the Sleep Well Motel. Jack also worked for Advance, Inc., loading and unloading trucks and doing other work in Advance's warehouse. Jack was paid only for the hours he worked. If no moves were scheduled, Jack could use his vacation time. Jack was paid only after he submitted a time card. Bob White was Jack's supervisor at Advance. Bob told Jack when and where to report to work and Jack did whatever Bob told him to do. Advance, Inc gave Jack a Form 1099-MISC. The Sleep Well Motel gave Jack a Form W-2.

Use the above information and the attached Form W-2 and Form 1099-MISC to complete a Form 8919 for Jack Green.

Answers:

1(a): Advance, Inc.

1(b): 10-9999999

1(c): H

1(d): BLANK

1(e): Checked

1(f): \$39,000

6: \$39,000

8: \$50,000

9: \$47,500

10: \$39,000

11: \$ 2,418

12: \$ 565.50

13: \$ 2,983.50

ATTACHMENT FIVE

INVITATION TO ONLINE PANELISTS

Dear Panelist:

We invite you to participate in an important and interesting survey to provide taxpayer input to the Internal Revenue Service (IRS).

The survey will take five minutes or less to complete. It is being conducted for the IRS by an independent survey research organization, SRBI, which is pledged to protect the confidentiality of your responses.

If you complete the survey, your name will be entered by Survey Sampling, Incorporated, (SSI) into the monthly drawing for one of over 100 prizes worth a total of \$10,000.

To start, please click on the link below, or copy the URL into your browser:

(link here).

Thank you in advance for your assistance in providing taxpayer input to the IRS.

John M. Boyle
Senior Partner
SRBI

Focus Group Screener - 2007 IRS Focus Groups

Directions: Please answer each of the following questions about the filing and preparation of your Federal income taxes.

1. Did you file a joint tax return with a current or former spouse in at least one of the past three years?

Yes

No

Not sure

GO TO QUESTION 7

GO TO QUESTION 7

2. For the tax year 2006, how was your income tax return filed?

Self-prepared using paper and pencil

Self-prepared using software

Using a preparer

Not sure

GO TO QUESTION 7

GO TO QUESTION 7

3. For the tax year 2006, which of the following did you file:

1040 (Long Form)

1040A (Short form)

1040 EZ

4. For the 2006 tax year, did you receive:

	Yes	No
A W-2 for wages or salary?	<input type="checkbox"/>	<input type="checkbox"/>
A 1099 for work you performed?	<input type="checkbox"/>	<input type="checkbox"/>

5. For the 2006 tax year, did you pay college tuition for yourself, your spouse, or a dependent child?

Yes

No

Not sure

6. In the past three years, have you prepared Form 1065 for partnership income from a general or limited partnership or limited liability company? Some examples of such partnerships might be a business, a real estate partnership, or an investment club.

Yes

No

Not sure

7. Do you or your spouse have your own business?

Yes.

No. **GO TO QUESTION 9**

8. Do you yourself prepare any Federal tax returns (income, employment or excise) for your business?

Yes.

No. **GO TO DECISION**

9. If you work in someone else's business, do you prepare any Federal tax returns for that business?

Yes.

No.

DECISION:

**Form 8719 (tuition): If Q2 = paper and pencil and
Q5 = yes**

**Form 8919 (1099): If Q2 = paper and pencil and
Q4b = yes**

**Form 1065 (Schedule K): If Q2 = paper and pencil or software and
Q6 = yes**

Form 94X: If Q8 = yes or Q9 = yes

Then continue.

All others: Thank and terminate.

10. Have you participated in a focus group on any subject in the last year?

Yes

SCREEN OUT

No

11. Did you work as a paid preparer of income tax returns for others in either 2006 or 2007?

Yes

THANK AND TERMINATE

No

DK/REF

THANK AND TERMINATE

12.) Do you or anyone else in your immediate family work in the market research or survey research industry, or for the IRS?

Yes

SCREEN OUT

No

Don't know/Refused

SCREEN OUT

13. Your gender:

Female

Male

Priority for Recruitment if a respondent qualifies for more than one group:

1) Form 1065

2) Form 94X

3) Form 8919

4) Form 8719

OMB NOTIFICATION

[This project has been approved by the U.S. Office of Management and Budget (OMB). The OMB Clearance Number is 1545-1349.]

If you like, I can give you a name and address where you can send comments and questions regarding the time estimates or suggestions for making this process simpler.

(Read only if respondent asks for address)

IRS Tax Products Coordinating Committee

SE:W:CAR:MP:T:T:SP, Room 6406

1111 Constitution Avenue

Washington, DC 20224]

ATTACHMENT 6

Email Confirmation of Focus Group Participation

Dear _____ :

Thank you for agreeing to participate in the group discussion to be sponsored by the Internal Revenue Service (IRS) on _____, _____ beginning at ____ P.M.. The session will be held at _____ . Directions to the facility are attached.

This should be an interesting discussion which will provide valuable insight to the IRS about the experiences of taxpayers and we appreciate your willingness to participate. We will be paying \$75 as a “thank you” for your participation. We will also serve a light snack prior to the session, so please plan to come a little early. Please plan to stay for the entire group discussion.

Again, thank you for agreeing to take part in this important group discussion and we look forward to meeting you.

Sincerely,

Carla Jackson
Vice President

Enclosure

ATTACHMENT 7

Telephone Confirmation for IRS Focus Groups

Name _____

Home phone _____

Work phone _____

Hello, this is _____ from SRBI Research. May I please speak with
_____.

(IF NEEDED: REPEAT) Hello, this is _____ from SRBI Research.)

I am calling to confirm that you will be attending the IRS focus group on
_____, _____ at _____ PM at _____.

- 1 Yes, confirms
- 2 No, will not be there -> We're sorry that you won't be able to make it.

(IF YES: Did you receive the directions we sent you in the mail?)

- 1 Yes
- 2 No - ASK IF THEY NEED DIRECTIONS.

Thank you, we look forward to seeing you there.

Have a nice evening.