

**Attachment 1 - Moderator's Guide**  
**Cash Economy – Influencing Tax- Related Behaviors in the Cash Economy Project PHL0039**

**INTRODUCTION**

Hello! My name is \_\_\_\_\_ and I am a focus group moderator from the MITRE Corporation. MITRE is a federally-funded research and development center supporting the Internal Revenue Service (IRS) Communication, Liaison and Disclosure (CLD) organization. I am conducting a series of focus group interviews with individuals like you, who are small business owners or independent contractors operating on a cash basis for part or all of their business.

**OBJECTIVE**

The Communications, Liaison and Disclosure (CLD) organization is critical to the overall Mission of the IRS. This organization helps educate taxpayers by providing them with the necessary information about fulfilling their tax obligations and income reporting obligations. CLD wants to improve their understanding of the views of 1) small business owners and independent contractors who conduct all or part of their business in cash terms, and file an IRS Form 1040 Schedule C and 2) tax practitioners whose clients fall into the two taxpayer groups. To achieve this, the IRS is especially interested in the views of the groups regarding income reporting and income tax filing on the cash portion of their business income.

Your ideas and opinions (as small business owners and independent contractors) will help IRS management decide how better to accomplish this goal.

**WHAT ARE FOCUS GROUPS?**

Focus groups are a type of group interview designed to elicit a diversity of views, ideas, and opinions about the topics under discussion. Focus groups are used to:

- discover consumer preferences for products in market research,
- get people together to brainstorm about new ideas, or
- gather general opinions about a topic.

For the IRS, focus groups are one method of obtaining opinions and information about taxpayer attitudes that can assist management in making decisions.

Tonight we will be discussing a series of questions, which will explore your experiences and perceptions about dealing with cash income in your line of work, fulfilling your tax obligations when it comes to cash income, and your thoughts about what others like you are doing. Your responses will help IRS management understand what you face as you conduct your business, while trying to meet your fair tax obligations.

## **WHAT IS A MODERATOR?**

My job as a moderator is to:

- help guide the flow of conversation,
- make sure everyone's comments are heard, and
- ensure that questions about various aspects of the topic are covered.

## **GROUND RULES**

Have any of you ever participated in a focus group before (ask for show of hands)? Let me review some ground rules for our session this evening.

- We will be here for about 2 hours. There will not be a formal break. If you need to stand up and stretch please feel free to do so. (At this point, describe the layout of the facilities, including Restrooms, Water Fountains, Emergency Exits, etc.)
- If anyone needs to leave because they become ill during this session, or because of a situation beyond their control, please call the following number (*Provide a telephone contact number*); we will complete the interview by phone.
- No smoking is allowed, per building regulations.
- Groups are being audio taped—the tapes are for the moderator's use only.
- Please talk one at a time and avoid side conversations.
- Please speak in a voice at least as loud as mine.
- Anonymity -- we will only use our first names.

The most important thing about a focus group is the exchange of ideas and opinions. There are no wrong answers. Please feel free to let me know what you feel.

We are required by law to report to you the OMB control number for this public information request. That number is OMB 1545-1349.

## WARM UP

Before we start on the discussion, going around the table, introduce yourself to the group using your first names only. Also tell us how long you have been in the area, and what type of work you do as a small business owner or independent contractor. (For a group of small business owners/independent contractors, ask “What kind of work do you do?” For a tax practitioner focus group, ask “What kind of tax preparation service do you operate?”)

### Purpose of Groups

Although you may each operate differently, many of you have similar needs and issues related to the IRS. We have asked you here this evening to talk about how the IRS CLD can better serve you as you fulfill your obligations as a taxpayer. One similarity between all of you is that you are all ***(insert: small business owners, independent contractors, or tax practitioners, depending on the composition of the particular focus group)***, and each of you deal with cash income (as opposed to credit card, electronic payments, or other kinds of non-cash payments) in the course of conducting your daily business. Knowing this, the IRS CLD is interested in understanding how you handle the challenges of dealing with cash, and how you view your tax filing and reporting obligations when it comes to reporting on this cash income for your work or business.

While these questions get to the core of our being here tonight, we are also interested in any ideas you may have for improving the services provided by the Small Business/Self-Employed program. Please speak up and let me know what’s on your mind.

## DISCUSSION

### Experiences

**Probe:** Describe your challenges in keeping track of cash income in your work or business, so that at year's end you are able to provide an accurate accounting for tax purposes?

**Probe:** Talk about the times when the hassle and administrative burden of tracking cash amounts – especially in small transactions – is just not worth the trouble. If this has been the case for you, describe the reasons, and try to estimate what percentage of your cash income falls into this category.

**Probe:** Describe how you would run your business differently if the Form 1040 Schedule C were revised to include a line item for "Gross Receipts from Cash."

**Probe:** Describe some of the cases in your line of work where you take on jobs or perform other transactions "off the books," voluntarily or not.

**Probe:** For small business owners/independent contractors: How has your tax preparer advised you on reporting cash income?

**Probe:** If you did not receive a Form 1099-MISC were you informed that the cash income was taxable, even though you didn't get an information return.

**Probe:** For small business owners and independent contractors: Talk about instances where you feel the tax laws are excessive in the demands they place on you, or don't seem to be fairly applied to all businesses like yours?

For tax preparers advising small business owners and independent contractors: Talk about instances where you feel the tax laws don't seem to be fair for your clients, including cases where the associated administrative burden is significant?

**Probe:** Have there been times, even when the cash was tracked, that you felt justified in not reporting it, either because you disagreed with government policies at the time, or felt the government didn't represent your values?

### WRAP-UP

As I mentioned earlier, the IRS CLD continues to seek ways to understand how small business owners and independent contractors perceive the U.S. tax system, and their tax obligations under the law.

If needed: I would like to go in the back room and ask my colleagues if they have any questions or if they need any clarification of what we've discussed.

A. Ask any new questions or for any clarification.

*[Summarize discussions].*

B. Any other thoughts or comments before we close?

**Closing**

Thank you for sharing your ideas with me this evening. You've given me very useful information. Goodnight and thanks again!

Please don't forget to see the hostess (host) on the way out.

## Attachment 2 - Telephone Screener

### Cash Economy – Influencing Tax- Related Behaviors in the Cash Economy

#### Project PHL0039 IRS, Small Business/Self-Employed Research

- Groups 1, 2 and 3 — Small business owners and independent contractors filing Form 1040 Schedule C ; Category Name “Small Business Owner/Independent Contractor”
- Groups 4 and 5— Tax Practitioners with clients that include either Small Business owners or Independent Contractors filing Form 1040 Schedule C; Category Name “Tax Practitioner”

*IN THE CASE OF SMALL BUSINESS OWNERS AND TAX PRACTITIONERS, ASK FOR AND SPEAK TO THE OWNER OF THE BUSINESS ONLY*

**Introduction:** Hello, I’m \_\_\_\_\_ with a federally-funded research and development center, the MITRE Corporation. We are assisting in a research study using focus groups for the Internal Revenue Service. The objective of this study is to gather information from taxpayers who get paid in cash for some or all of their income, and file IRS Form 1040 Schedule C (*Business Profit and Losses*), as well as tax practitioners who advise them or prepare their tax filings. The information collected through the focus groups will be used to develop tax education and outreach initiatives.

**For Small Business Owners and Independent Contractors:** These initiatives will address people like you - those who are small business owners, who receive part or all of their income in cash and who must file IRS Form 1040 Schedule C.

**For Tax Practitioners:** The information collected these focus group discussions will help the IRS CLD develop better guidance, education and outreach initiatives addressing the tax laws, policies or issues which pose challenges when you advise small business owners or independent contractors on their tax reporting obligations for cash wages or other cash income when they file IRS Form 1040 Schedule C.

The U.S. Office of Management and Budget has cleared this project. The OMB clearance number is 1545-1349.

**[NOTE: PLEASE RECORD THE NUMBER OF INDIVIDUAL CONTACTS, EVEN IF THEY REFUSE BEFORE YOU CAN EXPLAIN ANYTHING ABOUT THE PROJECT. SEE LAST PAGE.]**

**PARTICIPATION REQUEST:** Participants will be requested to attend a two hour discussion session, called a focus group, conducted at our research site. All information will remain completely confidential and will be used only for research purposes. We are not trying to sell anything. Participation in the discussion session is voluntary, and you will be given an honorarium for your time.

IRS CLD personnel will be provided summaries of the focus group discussions, but they will be given no information about you other than your first name.

*If Respondents ask how their name was obtained, tell them their name was randomly selected using lists of businesses, provided by the U.S. Chamber of Commerce or other industry and citizen groups, for whom the IRS has assigned a formal liaison.*

*If Respondents are concerned about participating, tell them that your contract with the IRS specifically prohibits you from revealing their name or any information about them to the IRS or to anyone else.*

**SCREENING QUESTIONNAIRE TO QUALIFY CANDIDATE FOCUS GROUP PARTICIPANTS:** If you are interested in participating I have to ask you a few qualifying questions. These questions will take no more than five minutes of your time. Your name and your answers to these questions will not be provided to the IRS. If you are eligible and agree to participate, the discussion itself will take approximately two hours, plus travel time.

The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Control Number for this study 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:

Internal Revenue Service  
Tax Products Coordinating Committee  
SE:W:CAR:MP:T:T:SP  
1111 Constitution Ave. NW, Washington, DC 20224

### Telephone Screening Questionnaire

1. Are you working as a .....?:

- Small business owner
- Independent contractor
- Tax practitioner/tax preparer

2. Do you file an IRS Schedule C (Form 1040), Profit or Loss from Business?

- Yes
- No

3. This question is to ensure proper representation by race.

Do you consider yourself ... ?

- Asian or Pacific Islander [GET]
- African American/Black, [A ]
- Hispanic [MIX]
- White, not Hispanic
- Other

.4. Gender (by recruiter observation)

- Male [GET A]
- Female [ MIX]

5. Have you ever participated in a focus group before?

- Yes
- No





**EXTEND INVITATION TO ELIGIBLE RESPONDENTS:** We would like to invite you to attend an informal group discussion with about 10 other people to discuss your views on the IRS and the tax system as it relates to small business owners and independent contractors, and tax preparers for these types of taxpayers. Once again, we are not trying to sell you anything; you will only be asked to express your opinions. This discussion will last approximately two hours. You will receive a stipend of between \$75 (nighttime session) and \$100 (daytime session) for participating in this research study; light refreshments will be served.

The group discussions will be held at  
\_\_\_ **TBD** \_\_\_\_\_ on:

- Group 1** Date TBD
- Group 2** Date TBD
- Group 3** Date TBD
- Group 4** Date TBD
- Group 5** Date TBD

IF ACCEPT:

- Yes
- No

EXTEND INVITATION  
THANK AND TERMINATE

[IF YES, SAY]: Thank you for agreeing to participate. We will be mailing you a letter and calling you the day before the discussion to confirm the time and location.

[IF YES, SAY]: To help the focus group be more effective, we will send you a brief questionnaire to fill out before you attend the focus group meeting. It should take no more than ten minutes of your time.

Important: Please bring the completed questionnaire with you to the focus group meeting - it is necessary for verifying your invitation to the meeting.

GROUP # \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_ Zip Code \_\_\_\_\_

Phone #: home \_\_\_\_\_ work \_\_\_\_\_

In case you need to cancel, the phone number of \_\_\_\_\_  
is (phone number).

We look forward to seeing you at the group discussion.

If an eligible respondent chooses not to participate in the focus  
group session, ask for the reason:

---

## Attachment 3 - Small Business/Self-Employed Taxpayer Focus Group Confirmation Letter

Name/Title  
Company (if applicable)  
Mailing Address  
City/State/Zip Code

Dear ( ):

Thank you for speaking with us by phone, and for accepting our invitation to participate in a focus group designed to help the Internal Revenue Service (IRS) Communications, Liaison and Disclosure (CLD) organization elicit thoughts and experiences of *(For small business owners and independent contractors, insert: taxpayers who receive part or all of their income in cash; For tax practitioners, insert: tax practitioners who advise small business owners and independent contractors who receive part or all of their income in cash)*. Your participation will assist the IRS toward a better understanding of how citizens view their tax reporting obligations in this area, and help us improve our services. A key component of this process is obtaining input from *(type of focus group participants)*, and tapping into your experience and expertise. Your focus group will be one of a series of focus groups we are conducting over the next few months to hear from a wide range of taxpayers like you who are interested in these issues.

This letter is confirmation that you will attend the focus group of *(type of focus group participants)* on: *(day)*, *(date)* from *(start time)* to *(end time)*; at *(location and address)*.

The two-hour focus group will include 12 participants, and will be co-facilitated by a consulting firm who is helping us gather information. The focus group will be audio-taped; however, your anonymity is assured - no participants will be publicly identified in the focus group report.

Light refreshments will be provided, and we will provide a stipend of between \$75 (nighttime session) and \$100 (daytime session) for your participation. We have enclosed a map to *(the focus group location)*, along with information about parking. If you have any specific needs related to your participation, please let us know so we can accommodate them.

*(If appropriate)* We have attached a questionnaire for focus group participants: **Proposals for Improving Small Business/Self-Employed Tax Compliance**. As we discussed by phone, it should only take ten minutes of your time to complete. Your answers are valuable to us, as we consider ways to improve compliance, reduce burden on the taxpayer, and improve services.

You can call *(contact)* at *(area code/telephone number)* to confirm any details, or to request additional information. We appreciate your acceptance of our invitation, and look forward to meeting with you on *(date)*.

Attachments

Map and Directions to Focus Group meeting location

Questionnaire (*if appropriate*) – Proposals for Improving Small Business/Self-Employed Tax Compliance

## **Attachment 4 - Questionnaire for Focus Group Participants: Proposals for Improving Small Business/Self-Employed Tax Compliance**

Please consider the following list of proposals the IRS CLD has received from individuals and business people for improving small business/self-employed federal tax compliance.

**Score each proposal on a scale of 1 through 5, where 1 is worst (you believe it would be ineffective) and 5 is best (you believe it would be very effective).**

1. Institute backup withholding on payments to taxpayers who have demonstrated “substantial noncompliance.” \_\_\_\_\_
2. Register and identify unenrolled (uncertified) return preparers, and strengthen standards. \_\_\_\_\_
3. Making collection alternatives, such as partial payment installment agreements and improved access to the Offer in Compromise (OIC) program more readily available to taxpayers who can pay some but not all of their liabilities. \_\_\_\_\_
4. Offering IRS workshops for sole proprietorship taxpayers upon receipt of their Employer Identification Numbers (EINs). \_\_\_\_\_
5. Requiring information reporting for service payments to corporate independent contractors. \_\_\_\_\_
6. Increasing IRS use of information from states and other federal agencies for compliance verification, (i.e. sales tax, ABC board, motor fuel, licensing, etc). \_\_\_\_\_
7. Requiring employers to verify each new employee’s Social Security Number (SSN) with the Social Security Agency (SSA). \_\_\_\_\_
8. Requiring written notification to independent contractors of their tax obligations and rights. \_\_\_\_\_
9. Increasing penalties for failure to file information returns. \_\_\_\_\_

10. Simplifying worker classification rules. \_\_\_\_\_
11. Expanding tip reporting programs to service providers beyond the food and beverage industry – to hairdressers, cabbies, bellhops, valets, concierges, etc. \_\_\_\_\_
12. Requiring reporting of ratios of cash to credit card receipts – would supplement credit card reporting requirement. \_\_\_\_\_
13. Increasing priority of IRS examination regarding compliance with Form 1099-Misc reporting requirements. \_\_\_\_\_
14. Making repeated failure to file a tax return a felony. \_\_\_\_\_
15. Revising Schedule C to include a line item for “Gross Receipts from Cash”  
\_\_\_\_\_
16. Requiring tax practitioners to tell their clients that cash is taxable income, even if they do not receive a Form 1099 because their income was less than \$600. \_\_\_\_\_.

The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Control Number for this questionnaire is 1545-1342. Also, if you have any comments regarding the time estimates associated with this questionnaire, or suggestions on making this process simpler, please write to the:

*Internal Revenue Service  
Tax Products Coordinating Committee  
SE:W:CAR:MP:T:T:SP  
1111 Constitution Ave. NW, Washington, DC 20224*