

Supporting Statement / Justification for Telephone Interviews

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

We have observed through our audit work that there are a number of business taxpayers that have not benefited from the Telephone Excise Tax Refund offered in Tax Year 2007. The Internal Revenue Service (IRS) had exhibited substantial effort to make taxpayers aware of the excise tax refund. The IRS developed an internal communications strategy, a comprehensive media strategy, and the IRS Refund of Telephone Excise Tax Outreach Plan. However, even with all of their efforts there appear to be a number of qualified business taxpayers that did not request the refund on their 2007 tax return.

In 1997, changes made by telecom companies in billing models (i.e., charging for minutes and not distance) meant that portions of the collected taxes no longer met the requirements of the tax code¹. Several businesses litigated the taxability of these portions of the Telephone Excise Tax and, after five circuit court losses, the IRS conceded the issue. The IRS, accordingly, has implemented a major program for taxpayers to receive refunds for the portion of their telephone excise tax paid on long-distance service billed after February 28, 2003 and before August 1, 2006, that did not meet the statutory taxability requirements.

2. USE OF DATA

Information obtained through the telephone interviews will be used to determine why business taxpayers did not request the Telephone Excise Tax Refund and what the IRS could have done differently to notify them of this refund for which they were qualified to receive. This information will help the IRS to learn how to best notify taxpayers of changes to the tax code.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

NOT APPLICABLE

¹ Five circuit court cases have held that a telephonic communication for which there is a toll charge that varies with elapsed transmission time and not distance (time only service) is not taxable toll telephone service as defined in Section 4252(b)(1) of the Internal Revenue Code.

4. EFFORT TO IDENTIFY DUPLICATION

We have researched current and prior TIGTA audits and have found no other collections gathering the same or similar information.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The telephone calls will be kept brief and will allow the taxpayer to offer their opinions of the best methods to inform them of changes.

6. CONSEQUENCE TO FEDERAL PROGRAM OR POLICY ACTIVITIES IF COLLECTION IS NOT CONDUCTED

If the collection of this data is not conducted, it will preclude us from providing insight on actions that could be taken to better educate taxpayers and tax practitioners of tax law changes.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTANT WITH OMB GUIDELINES

All information collected through the use of confirmation letters will be conducted in a manner consistent with 5 C.F.R. 1320.8(d).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

Not Applicable

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not Applicable

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Assurance of confidentiality will be communicated to the taxpayer during the telephone conversation in compliance with the Privacy Act and Paperwork Reduction Act Notice.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not Applicable

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The basis for the average number of hours per response is based on the interview questionnaire. Each questionnaire gathers information from the taxpayers concerning the Telephone Excise Tax Refund. We will contact approximately 385 taxpayers and estimate the calls to take from 5 to 15 minutes; therefore our total estimated burden time is 65 hours.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

Expenditures for capital or start-up costs of operation, maintenance, and purchase of services to provide information will not be required.

14. ESTIMATED ANNULIED COSTS TO THE FEDERAL GOVERNMENT

We estimate that the annual costs for telephone interviews to cost the government less than \$100.

15. REASONS FOR PROGRAM CHANGES OR ADJUSTMENTS

Not Applicable

16. PLANS FOR TABULATION STATISTICAL ANALYSIS AND PUBLICATION

The collection of information will occur between July and September. A report containing the results of our telephone interview program will be published and distributed in November 2007 to the appropriate IRS officials.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

Not Applicable

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not Applicable