

Attachment 1 - Screener Guide

TAS ET Project STP0143

Proposed Questions (draft)

Hello, I am contacting you on behalf of the Internal Revenue Service for a research study they are conducting to test understanding of employment taxes and evaluate the impact of outreach messages. My name is \_\_\_\_\_ from Consumer Opinion Services and if you have a few minutes I would like to ask you some questions to see if you qualify for participation in the IRS study. If you do qualify and participate, you will be paid (\$125 for tax professionals and \$100 for businesses) to complete the study at a local IRS facility. This study is designed to test your current knowledge about employment taxes and will not involve your personal tax return or financial information. All results are anonymous. Your participation will help the IRS create and disseminate effective informational messages for taxpayers. Do you have a few minutes to see if you qualify for the study?

Yes \_\_\_\_\_, No \_\_\_\_\_

**If No, schedule a time to call back. If Yes, continue.**

1. Are you a tax professional? (they can be certified public accountants, enrolled agents, tax preparers, tax lawyers, or individuals in the practice of offering tax assistance)

Yes \_\_\_\_\_, No \_\_\_\_\_

**If No, proceed to Question 2. If yes, they qualify, proceed to Summary.**

**We require 35 tax professionals.**

2. Are you a small business owner or do you have household help in your house? (they can be privately owned corporations and LLC's, partnerships, sole proprietors, household businesses, etc...)

Yes \_\_\_\_\_, No \_\_\_\_\_

**If No, they do not qualify for the study. Terminate call. If Yes, continue.**

3. Do you prepare your own taxes and make your own tax deposits when required?

Yes \_\_\_\_\_, No \_\_\_\_\_

**If No, they do not qualify – we already have tax professional as a group. Terminate call. If Yes, they do qualify, continue.**

3. How long have you been a small business owner? Less than two years? More than two years?

Less than two years\_\_\_\_\_, More than two years\_\_\_\_\_

**We require 35 business owners with less than two years of existence and 35 business owners with more than two years of existence. Proceed to next question.**

4. What type of business do you own?

\_\_\_\_\_

**Answers are exploratory in nature but may be nice to have a cross breed of business types (for example – restaurant, retail shop, beauty salon, courier, dentist/doctor, construction, daycare, etc...).**

To summarize recruit the following participants:

**Tax Professionals – 35**

**Business Owners in existence less than two years – 35**

**Business Owners in existence more than two years – 35**

Thank you for answering our questions. As I mentioned before, we are conducting a paid research study and have determined your responses indicate you do qualify for this study. Your participation will help the IRS create and disseminate effective informational messages for taxpayers. This is strictly a research project. We want you to know that the IRS will not in anyway use your information for anything other than the strict use of this study. They will not record your full name or personal information. The IRS is just interested in finding out your knowledge about employment taxes. And most importantly your assistance will help other taxpayers.

In this study, you will be placed in a room and asked to take a short test followed by a short experiment. After the experiment there will be an activity followed by a debriefing. There will be moderators available to answer questions. You may be audio or video taped so that your test can be referred back to for future development. The whole process will take approximately 90 minutes of your time at a local IRS facility. You will receive (\$100 for businesses or \$125 for tax professionals) simply for sharing your knowledge and participating in this study. Would you be interested in participating in this study?

**Yes\_\_\_\_\_ , No\_\_\_\_\_**

**If Yes, continue. If No, Terminate call.**

The following time slots are available (DATE, TIME) and will last approximately 90 minutes. Are you available for this particular date and time?

*The dates and time will be provided as they are determined.*

Day 1

Time

Time

Time

Time

Day 2

Time  
Time  
Time  
Time

Day 3

Time  
Time  
Time  
Time

Day 4

Time  
Time  
Time  
Time

Yes \_\_\_\_\_, No \_\_\_\_\_

**If No, politely discontinue. If yes, continue.**

The sessions are being held at

Do you have any questions?

Do you have any special needs?

If respondent asks for an address to send comments, please provide the following:

Ogden, IRS  
1973 North Rulon White Blvd.  
Ogden, UT 84201  
MS 6502  
Attention: \_\_\_\_\_

Again, let me thank you for your participation. This research is important to all of us and your help is much appreciated. Here are the steps in the process:

1. Please arrive at least 15 minutes early. **If you arrive too late after the start time of the research interview, we are not obligated to allow you to participate, or to pay you**
2. Please make sure your cell phone/pager is not on while you are in the Usability Lab.
3. Do not bring friends, relatives or children with you to the Usability Lab. We do not have accommodations for them. Please bring picture ID, and reading glasses if you wear them.

4. Please call Shawn Tafoya at 801-620-4060 or 801-725-3481 should you have any questions or need to cancel for any reason.

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. **The time estimated for your participation is 1 hour.** 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.

Attachment 2 – Test Questions

TAS ET Project STP0143

Understanding the Knowledge of Small Business Employment Tax Requirements

Proposed Questions (draft)

1. What is the IRS website address?

[www.irs.gov](http://www.irs.gov)

2. Do you know there are IRS Help Line phone numbers for practitioners or business and specialty tax?

You may contact the IRS through the Practitioner Priority Phone Service at 866-860-4259.

You may contact the IRS through the Business and Specialty Tax Help Line at 800-829-4933 or call 1-800-829-1040 and press “3”.

3. When are you required to have an Employer Identification Number?

If you are required to report employment taxes or give tax statements to employees or annuitants, you need an employer identification number (EIN).

4. What form do you use to apply for an EIN?

SS-4

5. How do you apply for an EIN?

- Online at the IRS website [www.irs.gov](http://www.irs.gov). Click on the *Apply for an Employer Identification Number (EIN) Online* link.
- By phone
- By fax or mail to the IRS

6. What are trust fund taxes?

Trust fund taxes are the portion of money withheld from an employee's wages (income tax, social security, and Medicare taxes) by an employer and held in trust until paid to the Treasury.

7. As a business owner, partner, or officer of a corporation, could you be held personally liable for the trust fund recover penalty?

Yes

8. What IRS publication are you aware of that could provide guidance in answering an employment tax question? For instance, if you were looking for a list of employment tax deposit due dates, what IRS publication should you use?

Circular E (Employer's Tax Guide), Publication 15

9. What form does the employee use to indicate how much to withhold in taxes?

The Form W-4, Employee's Withholding Allowance Certificate

10. What form is generally used to report federal withholding tax?

Form 941

11. How often is the Form 941 filed?

Quarterly

12. For a 941 filer, what determines if they are required to make deposits monthly or semi-weekly?

The look back period.

13. What period of time covers the look back period?

July 1 – June 30

14. If an employer hires a third party to prepare payroll taxes, turns the money over to the third party to pay the taxes, but the money is not turned over to the Internal Revenue Service, who is liable?

Employers are ultimately responsible for the payment of income tax withheld and both the employer and employee portions of social security and Medicare taxes.

15. Can you hire someone with an Individual Taxpayer Identification Number (ITIN)?

No. Do not accept an ITIN in place of an SSN for employee identification or for work. An ITIN is only available to resident and nonresident aliens who are not eligible for U.S. employment and need identification for other tax purposes. You can identify an ITIN because it is a 9-digit number, beginning with the number "9" with either a "7" or "8" as the fourth digit and is formatted like an SSN (for example, 9NN-7N-NNNN).

16. If you are employing your spouse, are they subject to withholding of employment taxes?

Yes. The wages for the services of an individual who works for his or her spouse in a trade or business are subject to income tax withholding and social security and Medicare taxes, but not federal employment (FUTA) tax.

17. Under common law what constitutes an employee status?

Generally, a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done even if they have the freedom of controlling their own action.

18. Have you heard of the proposed regulations requiring all federal employment tax deposits to be made through Electronic Federal Tax Payment System (EFTPS)? *(This question is only valid if proposed legislation is implemented before testing)*

Yes or no, question is marginal for testing but is fact finding for customer dependent upon state of regulations.

19. If you have heard of the proposed regulations, how did you hear about them?

Not a gradable question, answer is fact finding for customer dependent upon Q.18..

## Attachment 3 - Scenarios

TAS ET Project STP0143

Proposed Outreach Scenarios (draft)

### **Scenario 1**

You pay Dan Blutarski a base salary on the 1<sup>st</sup> of each month. He is single and claims one withholding allowance. In January 2010, he is paid \$2,000. Using the wage bracket tables, you withhold \$164 from this amount. In February 2010, he receives a salary of \$2,000 plus a sales commission of \$1,500, which you include with regular wages.

What is the correct withholding amount for February 2010?

**Answer: \$405**

### **Scenario 2**

Lookback Period	
1st Qtr 2007	\$ 18,000
2nd Qtr 2007	\$ 18,000
3rd Qtr 2007	\$ 16,000
4th Qtr 2007	\$ 15,000
1st Qtr 2008	\$ 15,000
2nd Qtr 2008	\$ 15,000
3rd Qtr 2008	\$ 12,000
4th Qtr 2008	\$ 12,000
1st Qtr 2009	\$ 9,000
2nd Qtr 2009	\$ 9,000
3rd Qtr 2009	\$ 9,000
4th Qtr 2009	\$ 8,000

Using the quarterly information provided, identify the lookback period for both 2009 and 2010 and calculating the tax liability determine if the taxpayer is a monthly depositor or a semiweekly depositor for both years?

**Answer: 2009 – \$61,000, semiweekly  
2010 – \$42,000, monthly**

### **Scenario 3**

Tom's Accounting has a new client, Smith LLC, a single member LLC owned by Bob Smith. Smith LLC did not elect to be taxed as a corporation or an S Corporation. Smith LLC operates a landscaping business and has twenty full-time employees.

- In whose name and TIN will the income and expenses of Smith LLC be reported and why?
- In whose name and EIN and on what form are employee withholding and FICA taxes reported?



- Is Bob Smith considered an employee of the LLC ?

**Answers:**

- Because Smith LLC is a single member LLC that did not elect to be taxed as a corporation or an S Corporation, it is a disregarded entity for income tax purposes. Thus, Smith LLC's income and expenses will be reported on Bob Smith's Form 1040, U.S. Individual Income Tax Return, Schedule C. (Publication 3402, Tax Issues for Limited Liability Companies, pg. 2)
- Smith LLC is not disregarded for employment tax purposes. Thus, Smith LLC should file Forms 941, Employer's Quarterly Federal Tax Return, in the name and EIN of Smith LLC. (Publication 3402, Tax Issues for Limited Liability Companies, pg. 2)
- No. Even though Smith LLC is not disregarded for employment tax purposes, the owner of the LLC cannot be treated as an employee - he would be considered self-employed.