

**OMB Clearance Package
Focus Group Testing of IRS Tax Issues for
Limited Liability Companies**

Introduction

The Tax Forms and Publications (TF&P) Office of the Internal Revenue Service (IRS), Wage and Investment division, creates tax forms, instructions, and related publications to enable taxpayers to understand and fulfill their filing and reporting obligations under the tax laws of the United States. Many of the provisions of the tax laws are complex. The forms, instructions, and publications developed by TF&P necessarily reflect this complexity and may be lengthy, complex, and difficult for taxpayers to understand.

TF&P has used focus groups, laboratory testing, and other methods in the past to determine the usability by taxpayers of various forms, instructions, and publications. These focus groups have resulted in the adoption of various specific suggestions for improvement to specific products. TF&P requires the continued use of such tools to improve the materials it produces.

Background

TF&P has used focus groups in the past to determine the usability by taxpayers of various forms, instructions, and publications. These focus groups have resulted in the adoption of various specific suggestions for improvement to specific products. TF&P requires the continued use of such tools to improve the materials it produces.

Objectives of Research

The objective of these focus groups is to gather input from small business owner Limited Liability Company (LLC) taxpayers, small business owners who are interested in becoming a LLC, and tax professionals about their tax-related information needs.

The specific business questions to be explored by this project are to—

- Develop a deeper understanding of Limited Liability Company (LLC) taxpayers to capture insights about their attitudes and understanding as it relates to their tax reporting and filing obligations.
- Determine the met and unmet federal income tax-related information needs of small business owners, who operate or would like to operate as LLCs.
- Determine if there is a need for specific IRS publications to assist LLCs or those who would like to use such a business structure.

This information will assist the division in developing clear tax products that assist LLC taxpayers in voluntarily meeting their tax reporting and filing obligations. To achieve these objectives, the division plans to conduct a total of 8 focus groups, (2 per city) in 4 separate cities. Each focus group will consist of at least 8 participants, with 10 being the ideal number of participants. Upon arrival, participants will be re-screened to confirm their eligibility.

TF&P also expects to gain knowledge of participants' reactions to IRS Publication 3402: Tax Issues for Limited Liability Companies and discover whether the publication answers questions about tax issues for LLCs. TF&P also expects that taxpayers and tax professionals will provide specific suggestions for improving the publication and well as thoughts and suggestions regarding the need for a new, more comprehensive publication for LLCs. Upon completion of this project, Macro International Inc.'s (Macro's) moderator will submit a report of findings to TF&P to assist in determining the need for a new IRS publication and the types of information that should be included.

Methodology

Sample design

The population for this study consists of small business owner LLC taxpayers, small business owners who are interested in becoming LLCs, and tax professionals who file tax returns for LLC clients. All participants must be fluent in reading, writing and speaking English. The maximum number of participants per focus group will be 10. A screener guide has been prepared for professional recruiters to use to recruit participants for each of the focus groups (see Attachment 1).

The focus groups will be held in geographically dispersed cities in the country, with two groups in each city. The cities are Calverton, MD; Austin, TX; Kansas City, MO; and San Francisco, CA.

Data collection date

Data will be collected in February 2009.

Data to be collected

Data gathered will be taxpayers' and tax professionals' reactions to IRS Publication 3402 and the need for a new more comprehensive publication for LLCs. Data will be gathered on the following:

- Ease of use
- Readability

- Overall content
- Usefulness
- Clarity of language
- Layout and organization
- Order of presentation
- Types of information that should be included in a new publication.

How the data will be used

The goal of a focus group is to solicit general opinions about a topic. An important aspect of focus groups is that they give rise to insights and solutions that may not be derived from other methods. Focus group interviews are qualitative research, meaning no statistical difference between groups can be determined. Specifically, they are a directed discussion with small groups of 10 to 12 people on a specific topic.

Experienced moderators from Macro will conduct the focus groups using a moderator guide that has been developed (see Attachment 2).

Audiotapes and scribes' notes will be used to assist with feedback documentation during the focus groups.

Who is conducting the research?

Macro will conduct the research for TF&P.

Location—region/city and facilities

Macro will conduct 8 focus groups (two per city) in the following cities:

- Calverton, MD
- Austin, TX
- Kansas City, MO
- San Francisco, CA.

Facilities to conduct the focus groups will be provided by the vendor.

Stipend

The purpose of the stipend is to encourage participation, and to thank participants for sharing their time and contributions to the discussion. The amount of the stipend varies by location of the focus group and target audience(s). Tax professionals and small business owners are the target audiences for these focus groups. Participants in Austin, TX will each receive \$100 for a 2-hour session. Participants in Calverton, MD and Kansas City, MO

will receive a \$125 stipend, and those in San Francisco, CA, will receive \$150 for a 2-hour session. These stipends are typical for the locations of the groups, type of individuals recruited, and are in line with the industry standard.

Recruitment efforts

Using the screener guide, a vendor in each city will recruit participants for the focus groups (see Attachment 1).

Efforts to not duplicate research

Direct interaction with taxpayers through focus groups has been a research design used by the IRS for a number of years. The IRS has not tested Publication 3402 and therefore there is no duplication of research.

Test structure/design

After some general introductory questions, participants will review Publication 3402: Tax Issues for Limited Liability Companies. The moderator will lead a discussion about the publication, asking if participants are familiar with it and questions specific to the content and usefulness of the publication. Next, participants will be told that the IRS is considering creating a new publication for LLCs. Participants will be asked if another publication is needed. For those who respond affirmatively, participants will be asked a series of questions about the suggested content for the new publication. Information will also be gathered about how participants like to receive information.

Sampling Plan

Each focus group will have 10 to 12 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.

The screener guide will be used to qualify and select focus group participants. Macro will gather qualitative data only, which will not be, nor presented to be, representative of the population.

Participants Criteria

To participate in the study, participants must have the following characteristics:

- Fluent in reading, writing and speaking English
- Small business owner—either an LLC or interested in becoming an LLC— or a tax professional who has prepared at least 25 federal tax returns in Tax Year 2007 for LLC clients

- At least 18 years old
- Diverse in terms of age, gender, race/ethnicity, and education.

Privacy, Security, and Disclosure

The data returned to IRS TF&P will have no identifying information relating specific records to individual taxpayers. Nonetheless, TF&P will ensure that privacy and security of the aggregated results will receive the utmost attention. Public and official access to the information will be tightly controlled. The computer files containing this tabulated information will remain password protected at all times. Data security approaching level C-2 will be accomplished using the Windows XP operating system.

Audiotapes used to record testing sessions will be destroyed when the project is completed and there is no further need for the data.

We will apply fair information and record-keeping practices to ensure protection of all taxpayers. The criterion for disclosure laid out in the Privacy Act, the Freedom of Information Act, and section 6103 of the Internal Revenue Code, provides for the protection of taxpayer information as well as its release to authorized recipients.

Estimated Burden Hours

The estimated time to complete the participant screening is 5 minutes. The estimated time for each reminder call is 1 minute, with each testing session lasting 2 hours. We estimate that 10 percent of the taxpayers contacted for the study will qualify and be willing to participate. Using this percentage, a total of 960 individuals will need to be screened to recruit the needed 10 participants (10 study participants and 2 back-up participants) for each focus group. We estimate that 16 people will be sent home because we will only need 80 to stay for the focus groups. Of those being sent home, we estimate 30 minutes of travel time.

Total number of potential participants screened	960
Estimated time to complete screening	5 minutes
Reminder phone calls	96
minutes	
	(96 x 1 minute/call)

Estimated participant screening burden	81.6 hours
(960 x 5 + 96 minutes)	
Number of participants (80)	80
Time to conduct study (including 30 minutes for travel) hours	2.5
Travel time (16 x .5 hours)	8 hours
Estimated study burden (80 x 2.5 + 8)	208 hours
Estimated total project burden hours	289.6 hours

Focus Group Arrangements

Macro will manage every aspect of recruitment. They will use professional recruitment firms in Washington, DC; Austin, TX; Kansas City, MO; and San Francisco, CA. Focus groups will be held in the respective facilities in Austin, TX; Kansas City, MO; and San Francisco, CA. The Calverton, MD focus groups will be held at Macro's headquarter office, which has professional focus group and observation rooms. Using the screener guide Macro provides, each firm will recruit 12 participants for each focus group with a goal of having 10 participants for each group.

Macro will ensure that:

- Each participant receives directions to the focus group room.
- Each participant is re-screened upon arrival at the facility to confirm eligibility.
- Each participant signs an informed consent before participating in the focus group (see Attachment 3)
- All materials are ready for use in the focus group session, including tables and chairs, newsprint, colored markers, note pads, calculators, pencils, and audiotapes.
- Complimentary 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 are NOT available to IRS personnel.

Estimated Costs

The total estimated cost associated with this study is \$94,984.

Special Tallies and Other Information

Within 60 days after the completion of the focus groups, Macro will provide the following information:

- 1) Findings
- 2) Actions taken or lessons learned
- 3) Number of requests or attempts for taxpayer participation
- 4) Number of focus group participants
- 5) Date the data collection began
- 6) Date the data collection ended
- 7) Actual burden hours
- 8) Cost
- 9) Transcripts and audiotapes.

Attachments

Attachment 1 Screener Guide

Attachment 2 Moderator's Guide

Attachment 3 Informed Consent