

## VII. Appendices

### Appendix 1

#### **Questionnaire for Previous 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 1545-1432. 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*

## Appendix 2

### **Questions for Cash Economy Web-based Survey: Survey Paid Tax Preparers for Their Input on Rating Education Strategies and Procedural and Legislative Initiatives for Improving Small Business/Self-Employed Tax Compliance in the Cash Economy**

**Cash Economy Survey** OMB # 1545-1349

**Thank you in advance for your time and ideas. When you have completed the questionnaire, please click the **SUBMIT ANSWERS** button at the bottom of the page.**

**Introduction / Background:**  
The IRS is trying to better understand the tax-related behaviors of business owners and independent contractors dealing in cash (otherwise referred to as the "Cash Economy"). The IRS has two specific goals for this survey:

- To develop more effective communication and educational activities by learning about the relationship between practitioners and their "Cash Economy" clients.
- To identify tax law or procedural changes that might result in a significant improvement in compliance.

**Definition of the Cash Economy:**  
For the purpose of this survey, the Cash Economy is defined as "Income from legal activities that is not subject to information reporting or withholding," from the TAS 2007 Annual Report to Congress, Section One, Page 4.

**Protection of Privacy:**  
MITRE, the IRS FFRDC hosting this survey, assures you that your responses are completely anonymous. No identifying information will be captured and only summary information will be compiled. There will be no further follow-up questions to you. Your participation is greatly appreciated.

**NOTE:** This web-based survey does use a cookie, which expires automatically after 30 days, to ensure that only one response per participant is received.

**Intended Participants:**  
Respondents should be tax practitioners who prepare Form 1040 returns with a Schedule C.

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**1a. Are you a paid preparer of tax returns with clients who file a Form 1040 Schedule C?**  
 Yes  No

**1b. On average, how many Form 1040s with Schedule C do you prepare on behalf of your clients in a year?**  
 1-50  51-100  
 More than 100  Not a paid preparer

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**2. What selection describes you best?**  
 Certified Public Accountant (CPA)  Enrolled Agent (EA)  Attorney  
 Other Tax Professional - Please Specify:

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**3. What region of the country do you practice in?**  
 Northeast  Southeast  Midwest  Southwest  Northwest  
 Other:

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**4. How many years have you been in practice?**  
 Less than 1 year  1 - 5 years  
 6 - 10 years  11 - 20 years  
 More than 20 years  Not a paid preparer

**5. The IRS can improve compliance in the Cash Economy by offering workshops for new sole proprietorship taxpayers on how to meet their tax obligations.**

Strongly Disagree  Somewhat Disagree  Neutral (No Opinion)  Somewhat Agree  Strongly Agree

**6. What training modules should be included in workshops for new small business owners? You may select more than one and provide your suggestion under Other.**

Definition of income/gross receipts  How to keep adequate records of gross receipts  
 "Why is it your responsibility to report all your income?"  Verifying Taxpayer Identification Numbers (TIN or SSN) for information reporting purposes  
 Fines/penalties for non-compliance  
 Other:

**7. What services can the IRS provide to you, the tax preparer, to assist in educating cash based taxpayers? You may select more than one and provide your suggestion under Other.**

Advertising / publicizing enforcement results  Toll-free line to report improper preparer behavior  
 Educational toolkits on tax obligations  One page handout with penalty consequences for failure to report properly  
 Other:

**8. Small business owners understand their filing responsibility regarding retaining independent contractors.**

Strongly Disagree  Somewhat Disagree  Neutral (No Opinion)  Somewhat Agree  Strongly Agree

**9a. What percentage of small business taxpayers believe they do not have to report cash income if they did not receive a Form 1099-MISC?**

0 - 25%  26 - 50%  
 51 - 75%  76 - 100%  
 Neutral (No Opinion)

**9b. What could the IRS do, through education and outreach activities, to help payors better understand their obligations to file 1099-MISC? Please provide your answers in the text box below: (Please avoid using ampersands [&] in your answer)**

**10. Better education on payment options would improve compliance.**

Strongly Disagree  Somewhat Disagree  Neutral (No Opinion)  Somewhat Agree  Strongly Agree

**11. The IRS can improve compliance in the Cash Economy by clarifying the rules defining who is an employee and who is an independent contractor.**

Strongly Disagree  Somewhat Disagree  Neutral (No Opinion)  Somewhat Agree  Strongly Agree

**12. A requirement to register preparers would improve compliance.**

Strongly Disagree  Somewhat Disagree  Neutral (No Opinion)  Somewhat Agree  Strongly Agree

**13a. Including two lines on Schedule C, one line for "Gross Receipts for Which a Third Party Information Reporting Document was Received" and one line for "Gross Receipts from All Other Sources" would be effective for improving income reporting compliance.**

Strongly Disagree  Somewhat Disagree  Neutral (No Opinion)  Somewhat Agree  Strongly Agree

**13b. Separating Gross Receipts into two lines as suggested in 13a would create a burden for taxpayers.**

Strongly Disagree  Somewhat Disagree  Neutral (No Opinion)  Somewhat Agree  Strongly Agree

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**14. Please provide any other ideas you have for increasing compliance in the Cash Economy. You can enter multiple ideas for improvement in the text box including education and outreach, policy changes, or legislative changes. (Please avoid using ampersands [&] in your answer)**

[Submit Answers](#)

[Clear All](#)

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**Paperwork Reduction Act Notice**

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SE:W:CAR:MP:T:T:SP  
1111 Constitution Ave. NW  
Washington, DC 20224

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## Appendix 3

### **Small Business/Self-Employed Example Web-based Survey Web Site Invitation with Link**

#### **Web-Based Cash Economy Survey**

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**Click to Participate!**