

**Supporting Statement  
Approval Request to Conduct Cognitive and Psychological  
Research (OMB #1545-1349)**

**Publication 523, Selling Your Home**

**A. JUSTIFICATION**

**1. Circumstances Making the Collection of Information Necessary**

The Tax Forms and Publication (TF&P) Division of the IRS hired a vendor to develop a process for standardizing publication language and formatting these documents for ease of use for taxpayers. Formatting redesign addressed style/layout, the elimination of boiler plate language, and compliance with the Plain Language Act requirements. The vendor developed prototypes for products as template in compliance of Plain Language Act. Focus group testing is needed to determine what taxpayer's reaction is to the new format of Pub 523.

**2. Purpose and Use of the Information Collection**

The objective of these focus groups is to gather input from individual taxpayers and practitioners who use Publication 523, Selling Your Home, to determine their reaction to the redesigned publication and the potential impact of the proposed changes.

The specific business questions to be explored by this project are to determine:

- Taxpayers and practitioner's reaction to the redesigned Pub 523.
- Taxpayer's and tax practitioner suggestions for improvement to the Pub 523, layout, design and wording.

This information will assist the division in developing clear tax products that assist taxpayers in voluntarily meeting their tax obligations and reporting their income and deductions accurately. 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 completion of this project the vendor will submit a report of findings to TF&P to determine improvements that could be made. The feedback received will not institute new policy, yet enable the Service to effectively meet taxpayer needs

**3. Consideration Given to Information Technology Sample Design**

The focus groups will be administered in person during vendor led sessions.

#### **4. Efforts Not to Duplicate Research**

No focus group testing of Publication 523 has been done in the past. There is no duplication of effort.

#### **5. Reducing the Burden on Small Entities**

N/A

#### **6. Consequences of Not Conducting Collection**

Without this type of feedback, IRS will not have timely information to determine how best to redesign Publications 523 and other Publications to adhere to the Plain Language Act.

#### **7. Special Circumstances**

There are no special circumstances. The information collected will be voluntary and will not be used for statistical purposes

#### **8. Consultations with Persons Outside**

N/A

#### **9. Payment of Gift**

IRS will provide a stipend of \$75 to each focus group participant to participate in a 2 hours session. IRS is offering an incentive to insure that qualified participants are recruited that will be able to provide meaningful and actionable comments to the focus group sessions that will improve the form and make it easier for taxpayers to comply with the tax laws.

#### **10. Confidentiality**

All participants will be subject to the provisions of the Taxpayer Bill of Rights II during this study and the M&P will ensure that all participants are treated fairly and appropriately.

The security of the data used in this project and the privacy of taxpayers to the extent allowed by law will be carefully safeguarded at all times. Security requirements are based on the Computer Security Act of 1987 and Office of Management and Budget Circular A-130, Appendices A & B. Physical security measures include a locked, secure office. Notes are stored in locked cabinets or shredded. Data security at the C-2 level is accomplished via the Windows NT operating system. Systems are password protected, users profiled for authorized use, and individual audit trails generated and reviewed periodically.

The IRS will apply and meet fair information and record-keeping practices to ensure privacy protection to the extent allowed by law of all taxpayers. This includes criteria for disclosure—laid out in the Privacy Act of 1974, the Freedom of Information Act, and

Section 6103 of the Internal Revenue Code—all of which provide for the protection of taxpayer information as well as its release to authorized recipients.

We will carefully safeguard the security of data utilized as well as the privacy of the focus group participants to the extent allowed by law. We will apply the fair information and record-keeping practices to ensure protection of all survey respondents. 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 information as well as its releases to authorized recipients.

The focus group sessions will be audio taped so that the vendor can use the tapes to prepare the report. No names will be associated with any information and data will be reported out in aggregate so that no response can be linked to any one particular individual.

**11. Sensitive Nature**

No questions will be asked that are of personal or sensitive nature.

**12. Burden of Information Collection**

We expect to contact 900 potential participants to recruit 96 (12/city) actual participants. We expect 10 participants to show for each focus group session. We are recruiting 2 additional participants in case some participants do not show or cancel at the last minute. If more than 10 participants show at any session, they will be paid the honorarium and be told their participation is not required.

Category of Respondent	No. of Respondents	Participation Time (In Minutes)	Burden (In Hours)
Recruitment	900	5	75
Follow-up Phone Call	96	1	1.6
Participants	80	120	160
Totals			236.6

**Estimated Response Rate: 10%**

**13. Costs to Respondents**

N/A

**14. Costs to Federal Government**

The anticipated cost to the Federal Government to conduct this focus group is approximately \$90,000. These costs are comprised of: hiring a vendor to recruit participants, secure facilities, pay honorarium, moderate focus group, analyze data and prepare report. It also includes travel expenses for the vendor and IRS employees to

travel to the focus group sites. IRS employees will serve as observers to ensure the focus group is conducted in accordance to the moderator’s guide.

**15. Reason for Change**

N/A

**16. Tabulation of Results, Schedule, and Analysis Plans**

The vendor will prepare a report that will include the recommendations of the focus group participants. The recommendations will be shared with the program owner for follow-up action.

**17. Display of OMB Approval Date**

N/A

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

These activities will comply with the requirement in 5 CFR 1320.9.

**19. Dates collection will begin and end**

Data collection will begin April 2013 and end May 2013.

**B. STATISTICAL METHODS**

**1. Universe and Respondent Selection**

The plan includes hiring ICF Macro to recruit 12 participants for each focus group with the expectation of 10 participants to show. The vendor will perform all recruiting based on the following criteria.

Demographics Chart

<b>Gender</b>	Mix
<b>Race/Ethnicity</b>	Mix
<b>Filing Status</b>	Mix
<b>Income</b>	Mix
<b>Age</b>	Mix
<b>Education</b>	Mix
<b>Individual</b>	Filed a 2011 Individual tax return (1040) and used the Pub 523 to report the sale of a home in the last 12 months.

<b>Tax Preparer</b>	File at least 25 2011 Individual tax return (1040) that claimed a sale of a home in the last 12 months
<b>Special characteristics</b>	Individual taxpayers should meet the following criteria: <ul style="list-style-type: none"><li>• at least 18 years old</li><li>▪ 100% of individual participants should have filed their own return. Fifty percent of these taxpayers must have filed their return using paper and pencil.</li></ul>

**2. Procedures for Collecting Information**

IRS plans to hire a vendor to conduct 8 focus groups for this project. A moderator’s guide will be used by the vendor to obtain information from participants.

**3. Methods to Maximize Response**

To maximize response rate, we will hire a recruiting firm that is highly experienced in recruiting qualified participants for various types of focus groups. We will also offer an incentive to all qualified participants which should increase our response and participation rate.

**4. Testing of Procedures**

Pretesting will not be conducted.

**5. Contacts for Statistical Aspects and Data Collection**

The vendor hired by the IRS will perform all statistical analysis for this project.