

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

**Affordable Care Act (ACA) Premium Tax Credit (PTC) Noncompliance
Among Paid Practitioners at 2016 IRS Tax Forums
*Tax Forum Focus Groups***

A. JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

Provision § 36B, a refundable credit for coverage under a qualified health plan (also known as the Premium Tax Credit (PTC)), is a major provision under the Affordable Care Act (ACA) legislation which went into effect in tax year (TY) 2014. Filing season 2015 was the first time taxpayers claimed the credit. Due to the complex nature of the legislation, the IRS anticipated that taxpayers and practitioners would experience difficulty with ACA compliance and proactively planned to monitor compliance through analysis of PTC error rates. During and after the 2015 filing season, the IRS conducted analysis of PTC returns and the associated error rates on a weekly basis. Tax year 2014 (filing season 2015) had 4.2 million PTC returns filed, with 2.2 million errors assigned. IRS is continuing to monitor error rates in filing season 2016 as well. Entering the filing season, IRS expected to see lower rates of some errors due to improvements to key issues that dominated the first filing season with PTC returns, most notably problems receiving data from state exchanges and the issuance of incorrect Forms 1095-A to taxpayers.

As outlined in the IRS Strategic Plan for 2014-2017¹, Goal 1 states that the IRS will “deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance.” Additionally, Objective 1 of the first goal states the IRS will “deliver clear and focused outreach, communications and education programs to assist taxpayer understanding of tax responsibilities and awareness of emerging tax laws.” Whether intentional or not, returns with errors are noncompliant. A key strategy under Objective 1 in support of Goal 1 is to identify top compliance risks and develop proactive communications and education campaigns to help taxpayers understand and comply with tax responsibilities and reduce errors.

The first goal of the strategic plan concerns both self-preparing individuals and tax preparers. Objective 7 of the first goal commits the IRS to “enhance the quality of tax services by strengthening the outreach, education and tools provided to the tax professional community.”

Throughout the first year of the implementation of Provision § 36B, the IRS engaged in research efforts to anticipate the needs of taxpayers, tax professionals, and various government agencies for understanding how to comply with the new, complex ACA legislation and how to plan for its administration in subsequent years. The IRS closely monitored and compiled tax data to identify trends and issues and continues to do so during filing season 2016. Additional research is being conducted, in support of the *IRS Strategic Plan*, to take “proactive steps to better understand issues from the taxpayer’s perspective” through techniques such as focus groups, surveys, and individual interviews.

Throughout the first filing season in which Provision § 36B was in effect, IRS researchers performed weekly data analysis on tax return errors flagged by two systems -- ACA Verification

¹ Internal Revenue Service, Strategic Plan FY 2014-2017, page 22,
<http://core.publish.no.irs.gov/pubs/pdf/p3744--2014-06-00.pdf>

System (AVS) and Dependent Database (DDb). While this provided the IRS with counts of the types of mistakes, it shed little light on their causes.

The IRS proposed to conduct both qualitative and quantitative research to learn the causes for the errors, in a phased approach. IRS completed Phase 1, which involved interview sessions with both taxpayers that self-prepared their tax returns and professional return preparer practitioners. This OMB Supporting Statement is intended to cover part of Phase 2 of the project: focus groups with paid practitioners attending the IRS Nationwide Tax Forums who prepared PTC returns for clients.

2. Purpose and Use of the Information Collection

Wage and Investment Strategies and Solutions (WISS) sought and received OMB approval for Phase 1² of this study, the results of which gave the IRS a stronger understanding of causes of noncompliance with PTC. IRS researchers identified patterns and circumstances contributing to PTC-related errors on returns from the interview findings; but gaps in knowledge still exist, particularly where paid preparers are concerned.

The IRS will use the findings from this research to:

1. Inform recommendations for improvements to communication with and education of self-preparers and tax professionals
2. Reduce self-preparers' and tax professionals' compliance burden by providing them with more helpful information to prepare returns accurately
3. Reduce IRS downstream costs and workload by mitigating the occurrence of errors

To achieve these objectives, the IRS will use information collected from the phone interviews conducted in Phase 1 of the study to inform the development of a focus group moderator's guide for sessions to be conducted with paid practitioners to fill gaps in knowledge and understanding not obtained in Phase 1 of the research study.

IRS researchers did not obtain sufficient information from interviews with paid practitioners to confidently inform the development of a survey for that population. In order to fill those gaps, WISS researchers plan to conduct additional focus groups with these individuals to get more information about their experiences with PTC returns in the second year of filing and major issues facing the practitioner community, as well as challenges they anticipate for the third filing season for PTC returns (calendar year 2017).

3. Consideration Given to Information Technology

Data collection for this project will be completed during in-person focus groups coinciding with the 2016 IRS Nationwide Tax Forums. IRS employees will recruit paid practitioners in-person to invite them to participate after considering their answers to a series of screener questions.

4. Duplication of Information

The IRS has used direct interaction with taxpayers to better understand taxpayer preferences and experiences for a number of years. As this is the second year of implementation for Provision § 36B and the second year for taxpayers to comply with the law, these specific research questions have not been studied in-depth. The focus groups, while similar to the Phase 1 interviews, are not duplicative of information. IRS will ask different questions of

² Affordable Care Act (ACA) Noncompliance among Self Preparers and Paid Practitioners: Understanding Circumstances Leading to Premium Tax Credit Errors

different participants and results will fill gaps in knowledge identified during analysis of Phase 1 results.

While similar focus groups will be held via telephone, the participants in those sessions will be paid practitioners who prepared returns for clients that were later assigned a PTC error by AVS. In contrast, participants at the Tax Forum focus groups will be paid practitioners who prepared PTC returns for their clients, regardless of whether an AVS error was later assigned to their returns.

5. Reducing the Burden on Small Entities

Small Entities are not involved.

6. Consequences of Not Conducting Collection

Without feedback, the IRS is unable to fully achieve the goals and objectives stated in the Strategic Plan regarding the consideration of taxpayer perspectives while working to improve products and services, reduce taxpayer burden, and encourage voluntary compliance.

7. Special Circumstances

There are no special circumstances. The information collected will be voluntary. The findings from this project could be used in making management decisions such as in business improvement opportunities.

8. Consultations with Persons Outside the Agency

This project is being completed in partnership with the ACA office. There will be no consultation with persons outside the agency.

9. Payment or Gift

No payment or gift will be provided to participants.

10. Confidentiality

The IRS will apply and meet fair information and record-keeping practices to ensure privacy to the extent allowed by law. 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.

Focus group participants will not be identified in any of the documents or files used for this project. The IRS will limit and control the amount of information we collect to those items that are necessary to accomplish the research questions. We will carefully safeguard the security of data utilized as well as the privacy to the extent allowed by law of the focus group participants

11. Sensitive Nature

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

12. Burden of Information Collection

The focus group will be designed to minimize burden on participants, with each session lasting 60 minutes.

Participant recruitment will take place among attendees at the IRS Nationwide Tax Forums. We anticipate a 25% recruitment acceptance rate, thus we will talk to 96 Tax Forum attendees, to fill 24 total participant spots (12 attendees for each focus group session at two Tax Forums).

The contact time needed to recruit for participants could take up to two minutes, with the resulting burden being $96 \times 2 \text{ minutes} = 192 / 60 \text{ minutes} = 3.2 \text{ burden hours}$.

For participants, total participation time in focus groups is 60 minutes. The time burden for participants is $24 \times 60 = 1,440 / 60 \text{ minutes} = 24 \text{ burden hours}$.

The total burden hours for the focus group is $3.2 + 24 = 27.2 \text{ burden hours}$

Category of Respondent	No. of Respondents	Participation Time (in minutes)*	Burden (in hours)
Soliciting Potential Participants	96	2	3.2
Expected participants	24	60	24
Totals			27.2

Estimated Response Rate: 25%

Total Burden Estimate = 27.2 hours

13. Costs to Respondents

There is no cost to respondents..

14. Costs to Federal Government

The anticipated cost to the Federal Government is \$4,200. This includes the travel, lodging, and per diem costs for two analysts to Chicago, IL and New Orleans, LA for the Tax Forums

15. Reason for Change

This is a new collection.

16. Tabulation of Results, Schedule, Analysis Plans

This project will use a constant comparison analysis to analyze focus group data. This analysis initially groups data into smaller units, and identifies each with a unique descriptor or code. Next, codes are placed into broader categories with the final goal of uncovering overall themes.

Information from the focus groups will not yield data that can be generalized to the overall population. As such, the findings will be used for general service improvement, but are not for publication or other public release. Although the IRS does not publish its findings, information will be shared (when appropriate) with organizations within the IRS, and will include specific discussion of the limitation of the data as described above.

17. Display of OMB Approval Date

IRS is seeking approval to not display the expiration date for OMB approval, as this is a one-time, limited-duration collection.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

These activities comply with the requirements in 5 CFR 1320.9.

19. Dates Collection of Information will Begin and End

Focus group sessions will be held on July 13, 2016 in Chicago, IL and on July 27, 2016 in New Orleans, LA.

B. STATISTICAL METHODS

1. Universe and Respondent Selection

Focus group participants will be solicited in-person from individuals attending the IRS Nationwide Tax Forums.

To participate in the focus groups, participants must have the following characteristics:

- Person must be a tax professional attending the Tax Forum in Chicago, IL or New Orleans, LA.
- Person must have prepared tax returns with PTC during the 2015 and 2016 filing seasons.
- Person must be at least 18 years of age.

2. Procedures for Collecting Information

A Wage and Investment Strategies and Solutions (WISS) researcher will serve as the moderator for the focus group sessions. An additional WISS researcher will serve as a note taker/scribe for the sessions.

An outline of the areas of the focus group is discussed below.

Introduction

- Moderator introduces who is gathering the information and why, gives very brief overview of issues of interest/questions(s) that will be asked, and covers how to answer questions

Section 1 – General Information Regarding Issues with PTC Compliance

- Practitioners will be asked to respond to questions regarding their biggest challenges with filing PTC returns for Tax Year 2015.

Section 2 – Specific Information Regarding Issues with PTC Compliance

- Practitioners will be asked to respond to questions about more specific PTC compliance issues during Tax Year 2015.

Section 3 – Information Regarding Issues with PTC Compliance for Next Filing Season

- Practitioners will be asked to respond to questions about their biggest perceived PTC compliance issues for next tax year, Tax Year 2016.

3. Methods to Maximize Response

The focus group sessions will be limited to one hour in length, and the session topic will be clearly communicated to potential participants in order to maximize participation. Participants will be assured anonymity of their responses, thus being free to express their thoughts and opinions.

4. Testing of Procedures

Pretesting of the focus group moderator guide will be done with internal IRS staff.

5. Contacts for Statistical Aspects and Data Collection

The expertise of social scientists within the IRS will be sufficient for the needs of the data collected from this project.

For questions regarding the study, its associated materials, or the methodology, contact:

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