

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

**Title: 2017 IRS Nationwide Tax Forum Focus Groups:
EITC Audit Process**

Wage & Investment Division
Wage & Investment Strategies & Solutions (WISS)

A. JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

The Earned Income Tax Credit (EITC), originally enacted in the 1970's, is a refundable tax credit that supplements the earned income of low-income workers. As a work-oriented credit, the amount of the credit received by a taxpayer initially increases as earnings increase, then, after reaching a plateau, begins to decrease as earnings increase. Unfortunately, while designed primarily to help working taxpayers with children keep themselves out of poverty, the "lucrative" nature of the credit has resulted in the EITC becoming a credit rife with fraud. In order to assure only qualified taxpayers receive the credit the IRS conducts approximately 500,000 pre-refund correspondence audits every year.

Many taxpayers, however, call the IRS in response to an audit notice, seeking clarification about documents required to prove EITC eligibility. Additionally, some taxpayers fail to submit all the required documents or provide no response to the audit letter, a concern raised by the National Taxpayer Advocate (NTA). Further, the NTA has previously expressed concerns that some taxpayers who are qualified to receive EITC may not be getting the credit due to communication barriers and difficulties navigating the audit process.

In FY2014, Return Integrity and Compliance Services (RICS) collaborated with Wage and Investment (W&I), Small Business Self Employed (SBSE), and NTA to increase participation and simplify the audit process by providing a variety of tools for the taxpayer. The goal was to see fewer repeat phone calls, more complete documentation packages submitted the first time, and a quicker resolution to the audit resulting in reducing cycle time and increased taxpayer satisfaction.

In FY2015, the team implemented the following audit process improvements:

1. Revised Form 886-H-EIC, *Documents You Need to Prove You Can Claim the Earned Income Credit on the Basis of a Qualifying Child or Children*,
2. Created a video to educate the taxpayers on the correspondence exam process,
3. Included Teletax topics on EITC correspondence exam process which includes an explanation of the consequences of not responding to the audit letter, and

4. Created an automated message on the exam toll-free number to include information similar to the Teletax topics.

In an effort to assess the changes to the EITC correspondence audit process, Wage & Investment Strategies & Solutions (WISS) has partnered with RICS to conduct focus groups with tax preparers to explore the impact of the implemented changes, and assess the potential effects on taxpayers and tax preparers. Additionally, the groups will seek to brainstorm new changes that could further improve the audit process.

2. Purpose and Use of the Information Collection

The purpose of this project is to gather information from tax professionals about the EITC correspondence audit process; assessing recently implemented changes to the process, and generating additional ideas that could have beneficial effects. Focus group findings will be utilized and distributed by RICS as part of their ongoing effort to continuously improve the EITC correspondence audit process.

3. Consideration Given to Information Technology

Data collection for this project will be completed during in-person focus groups coinciding with the following 2017 IRS Nationwide Tax Forums:

City	Dates
Orlando	July 11-13
Dallas	July 25-27
National Harbor (D.C.)	August 22-24
Las Vegas	August 29-31

4. Duplication of Information

This focus group project will provide valuable information that has not been collected during previous focus group projects, and is not available in any internal IRS data source.

5. Reducing the Burden on Small Entities

Participants for this project will be recruited from individual attendees at the 2017 IRS Nationwide Tax Forums. No small entities will be contacted or recruited for participation in these focus groups.

6. Consequences of Not Conducting Collection

If the request is not approved, RICS will not receive valuable feedback from tax preparers regarding the effect of changes to the EITC correspondence audit process. As such, RICS will not know which change has had a positive or negative effect, or what change could benefit from an adjustment to have a greater impact.

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 regarding the inclusion of additional information within the instructions used to complete IRS tax forms.

8. Consultations with Persons Outside the Agency

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

9. Payment or Gift

There will be no incentives given for participating in the focus groups.

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 192 Tax Forum attendees, to fill 48 total participant spots (12 attendees for each focus group session at four Tax Forums).

The contact time needed to recruit for participants could take up to two minutes, with the resulting burden being $192 \times 2 \text{ minutes} = 384 / 60 \text{ minutes} = 6.4 \text{ burden hours}$.

For participants, total participation time in focus groups is 60 minutes. The time burden for participants is $48 \times 60 = 2,880 / 60 \text{ minutes} = 48 \text{ burden hours}$.

The total burden hours for the focus group is $6.4 + 48 = \mathbf{54.4 \text{ burden hours}}$

Category of Respondent	No. of Respondents	Participation Time (in minutes)*	Burden (in hours)
Soliciting Potential Participants	192	2	6.4
Expected participants	48	60	48
Totals			54.4

Estimated Response Rate: 25%

Total Burden Estimate = 54.4 hours

13. Costs to Respondents

There is no cost to respondents resulting from the collection of information.

14. Cost to Federal Government

The estimated cost is \$11,000.

15. Reason for Change

This is a new request to collect information.

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.

17. Display of OMB Approval Date

The IRS is seeking approval to not display the expiration date for OMB approval. 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 will begin and end

July 11, 2017 through August 31, 2017

B. STATISTICAL METHODS

1. Universe and Respondent Selection

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

2. Procedures for Collecting Information

A WISS researcher will serve as the moderator for the focus group sessions. An additional WISS or other IRS employee will serve as a note taker/scribe for the sessions.

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

Focus groups are an established and tested qualitative research method. Questions contained within the moderator's guide will be reviewed by the RICS program office to assure the included topics meet the stated project goals. Only minor changes to the moderator's guide are expected following submission of this supporting statement.

5. Contacts for Statistical Aspects and Data Collection

For questions regarding the study or the research and statistical methodology, contact:

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