

Supporting Statement
Information Collection Request (ICR) Approval Request to Conduct Cognitive and
Psychological Research (OMB #1545-1432)

**Affordable Care Act (ACA) Noncompliance among Self Preparers
Understanding Circumstances Leading to Premium Tax Credit Errors**

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 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 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 2014-2017, 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 Goal 1 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 a weekly data analysis on tax return errors flagged by two systems -- ACA Verification 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, a quantitative survey administered online to eligible participants (self-preparers who filed a return that was later assigned a PTC error by AVS). Wage and Investment Strategies and Solutions (WISS) will submit a separate OMB statement for the part of the project pertaining to paid practitioners.

2. Purpose and Use of the Information Collection

Wage and Investment Strategies and Solutions sought and received OMB approval for Phase 1 of this study, the results of which gave the IRS a stronger understanding of causes of non-compliance with PTC. IRS researchers identified patterns and circumstances contributing to PTC-related errors on returns from the interview finding.

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

The IRS is using the data collected from Phase 1 of the research to develop a survey for a larger sample of self-preparers (to analyze with inferential statistics).

To achieve this objective, the IRS will use information collected from the phone interviews conducted in Phase 1 of the study to develop reasonable and appropriate response options for a web-based survey to be administered to individuals who make errors self-preparing returns in the second year of PTC implementation (using the results to quantify the population of self-preparers with PTC errors inferentially).

An online survey allows the research team to get in-depth information on a wide range of issues pertaining to PTC errors and to cover a wide base of participants for relatively low cost per respondent. IRS researchers have developed and submitted for review, as part of this OMB package, the letters and postcards that will be mailed to eligible participants to invite them to take the survey online. IRS researchers also submit as part of this OMB package the survey instrument used for data collection.

3. Consideration Given to Information Technology

Taxpayers will be invited to participate via a letter delivered by U.S. mail which will contain information necessary to access the online survey (hosted by the contractor for this project – Fors Marsh Group). The letter will contain the eligible participants' User ID and provide the web address they must navigate in order to take the survey during a specific range of time.

4. Duplication of Information

The IRS has used survey research methodologies and 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. Some of these questions were explored in the first phase of the study, but the results are qualitative in nature and cannot be used to quantify the magnitude of the causes inferentially. Duplication of the study questions was anticipated and intentional. Questions and issues investigated in Phase 1 were imperative

for the development of a survey in Phase 2; the legislation and taxpayers' experiences complying with it were new and the IRS needed to conduct interviews to determine reasonable and relevant survey response options for questions to be asked of a wider audience. This survey will provide valuable information that is not available in any internal IRS data source.

5. Reducing the Burden on Small Entities

The survey administration in Phase 2 of this study does not impact paid practitioners, so there should be no impact on small entities for that phase of the research.

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. These statistics could be used in making management decisions such as in business improvement opportunities.

8. Consultations with Persons Outside the Agency

There were no consultations with persons outside the Agency.

9. Payment or Gift

There will be no payment or gift for participating in this survey.

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.

The survey findings will not contain tax return or taxpayer information. Survey participants will be identified using IRS and third party systems (Accurant) for the purposes of recruitment, but will not be identified in any other documents or files. The IRS will limit and control the amount of information collected for those items that are necessary to accomplish the research questions and carefully safeguard the security of data utilized, as well as privacy to the extent allowed by law.

11. Sensitive Nature

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

12. Burden of Information Collection

The survey is designed to minimize burden on the respondent. The time that a respondent takes to complete the survey is carefully considered and only the most important areas are being surveyed. The average time of survey completion is expected to be 20 minutes.

Potential participants will be sent invitations to participate in an online survey and a reminder notification. The invitations to participate and reminder notifications will contain log in information that willing participants will utilize to access and complete the survey online. The IRS will not be aware of who chooses to participate.

Based on a sample of potential respondents of 40,000 and a response rate of 5%, we expect **2,000 survey participants**, leaving **38,000 non-participants**. The contact time to determine non-participants could take **up to two minutes to read the survey invitation letter and reminder postcard**, with the resulting burden being **40,000 x 2 minutes/60 = 1,333 burden hours**.

For participants, total survey completion time is 20 minutes. The time burden for participants is 2,000 x 20 minutes/60 = 667 burden hours.

The total burden hours for the survey is (1,333 + 667) = **2,000 burden hours**

Category of Respondent	No. of Respondents	Participation Time (in minutes)*	Burden (in hours)
Participant Invitations	40,000	2	1,333
Expected participants	2,000	20	667
Totals			2,000

13. Costs to Respondents

No costs are anticipated.

14. Costs to Federal Government

The anticipated cost to the Federal Government is a one-time cost of \$46,761.40. This includes payments to the contractor (project planning, setting up the survey, survey administration, and preparing and delivery the survey data to the IRS) as well as the mailing costs for the survey (through the Government Publishing Office). It should be noted that the majority of the time spent on project planning by the contractor occurred during Phase I of this study.

15. Reason for Change

This is a new request for OMB approval.

16. Tabulation of Results, Schedule, Analysis Plans

The survey data is collected via an online questionnaire and is an established and tested survey instrument. If changes are made to the questionnaire, they are expected to be minor. Data will be quantitative in nature. All survey responses will be released only as summaries. The contractor shall hold the identities of the taxpayers responding to the survey private to the extent permitted by law. The contractor ensures that taxpayers responding to the survey are guaranteed anonymity. The contractor will not provide the IRS with data or status updates that are linked to individual respondents. Upon completion of data collection and cleaning, the contractor will provide de-identified survey data to the IRS. This data will not include any individually identifying information such as name, address, or taxpayer identification number.

The findings from the survey analysis will be used to generalize the result of themes (found in the interviews during the first phase of the project) to the overall population. Information will be shared (when appropriate) with organizations within the IRS, and will include specific discussion of any limitations of the data.

17. Display of OMB Approval Date

We are requesting no exemption.

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

Survey data collection will begin on 06/01/2016 and end on 07/01/2016. Collection may end sooner if the required number of responses is obtained.

B. STATISTICAL METHODS

1. Universe and Respondent Selection

To participate in this survey, participants must have the following characteristics:

- Taxpayer or spouse filed a Federal income tax return for tax year 2015 (calendar 2016) with PTC elements
- Participant must be the person most familiar with the preparation of the return filed in 2015
- Self-prepared their return
- At least 18 years of age
- Not a tax professional
- Have had a PTC-related error associated with their return in Filing Season 2016 (WISS will provide sampling pool) (first priority in recruiting is to deliver set number of participants based on PTC error code type)
- Diverse in terms of household income, age, gender, filing status, and filing method (second priority in recruiting is to diversify recruiting, by error code, based on demographic factors)

Survey participants will be pulled randomly from the known populations of taxpayers who prepared a return with a PTC-related error for tax year 2015. Participants who fit the above criteria will be sent both an invitation to participate in an online survey and a reminder notification prepared by IRS researchers.

2. Procedures for Collecting Information

The contractor will administer the survey online. Standard procedures will be used in order to obtain the highest response rate possible for the survey. These will include: 1) a pre-notification invitation letter about the survey, and 2) a postcard reminder. Each survey is estimated to require no more than 20 minutes for any participant to complete. In both the survey invitation letter and reminder postcard, potential participants will be notified their participation in the survey is voluntary with the following statement: "Your participation in this survey is voluntary, but your responses are very important to the accuracy and usefulness of the results. It should take about 20 minutes to complete." The invitations to participate and reminder notifications will contain log in information that willing participants will utilize to access and complete the survey online. The IRS will not be aware of who chooses to participate. IRS researchers facilitate the

posting of information for individuals to verify the validity of the study, either through Tax Stats or another IRS website.

An outline of the areas of the survey is discussed below.

Introduction

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

Section 1 – Background Information

- Survey asks taxpayers to provide basic demographic background information that will be used to quantify differences in findings based on population segmentations.

Section 2 – General Information Regarding Issues with PTC Compliance

- Survey asks taxpayers to provide answers to questions surrounding PTC compliance.

Section 3 – Specific Information Regarding Issues with PTC Compliance

- Skip-patterns will be used to send each survey participant to questions based specifically on the compliance issue regarding a return they prepared and filed.

Section 4 – Taxpayer Suggestions for Improvements to Avoid Mistakes in the Future

- Piping will be used to insert the relevant type of mistake into the follow up survey questions about minimizing errors in the future.

3. Methods to Maximize Response

IRS researchers will use the Compliance Data Warehouse (CDW) to identify taxpayers who filed returns that fit the specific criteria required for the study -- those that made specific errors related to the PTC on their tax return. Once identified, the researchers will use the third-party data source Accurant to identify contact information for taxpayers meeting the criteria and provide this information to the contractor who will coordinate. The contractor will then coordinate with the Government Publishing Office (GPO) for mailing of both the survey notification letter and reminder postcard. The survey length is minimized to reduce respondent burden; thereby, tending to increase response rates. Respondents are assured anonymity of their responses. Also, weighting procedures can be applied to adjust aggregated data from those who do respond.

4. Testing of Procedures

The survey is being based on previous survey models that have successfully solicited taxpayers' input.

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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