

Supporting Statement
Information Collection Request (ICR) Approval Request to Conduct Cognitive & Psychological Research – Focus Groups/Interviews (OMB# 1545-1349)

Title: Due diligence documentation requirements for EITC, CTC, AOTC and HOH, and the recertification process after a disallowance/reduction of credits

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

A. JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

The Refundable Credits Program Management (RCPM) office which is part of Return Integrity and Compliance Services (RICS), communicates and monitors policy, procedures and guidance on tax preparer due diligence requirements for the Earned Income Tax Credit (EITC), Child tax Credit (CTC), American Opportunity Tax Credit (AOTC), credit for other dependents (ODC), and Head of Household filing status (HOH).

As set by Section 6695(g) of the Internal Revenue Code, paid preparers must follow the following four due diligence rules for their clients to claim the above credits, and/or HOH filing status:

1. Complete and submit Form 8867: *Paid Preparer's Due Diligence Checklist*
2. Compute the credits based on the facts
3. Ask all the right questions (Knowledge requirement)
4. Keep records

During speakers' question and answer sessions, round tables, and focus groups conducted at the 2018 and 2019 IRS Tax Forums, RCPM heard multiple reports of tax preparers requesting and retaining taxpayer documentation for due diligence beyond what is outlined in Treasury Department Circular No. 230: *Regulations Governing Practice before the Internal Revenue Service*. From these sessions, tax professionals were uncertain what documentation were necessary to prove credit and HOH eligibility, and further uncertain which documents retain. Both practices can lead to significant frustration and burden on the part of tax preparers.

To uncover the uncertainty and misunderstanding of the knowledge and record keeping requirements, RCPM has partnered with Wage and Investment Strategies & Solutions (WISS) to conduct focus groups with tax preparers during the 2020 IRS Tax Forums. The focus groups will seek to gather information regarding the standard practices paid preparers use in meeting their due diligence requirement.

2. Purpose and Use of the Information Collection

The purpose of this project is to gather information from tax professionals regarding due diligence documentation requirements for EITC, CTC, ACTC, AOTC and HOH. Participants will provide input on the documentation they inspect, which they retain (i.e., copy), and the

reasoning for these decisions. Additionally, participants will provide input on how they serve clients who are required to recertify prior to claiming certain refundable credits. Focus group findings will be utilized and distributed by RCPM as part of their ongoing effort to provide the most up-to-date and accurate resources on due diligence requirements.

3. Consideration Given to Information Technology

Data collection for this project will be completed during in-person or virtual focus groups coinciding with the 2020 IRS Nationwide Tax Forums. These are currently scheduled to be held:

City, State	Dates
Dallas, TX	July 14-16
New Orleans, LA	July 28-30
Atlanta, GA	August 4-6
National Harbor, MD	August 18-20
San Diego, CA	August 25-27
Orlando, FL	September 15-17

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 2020 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 requirement is not approved, RCPM will not receive valuable feedback from tax preparers regarding the documentation they review and retain for refundable credits and Head of Household filing status. As such, RCPM will not know what information is beneficial in helping tax professionals meet their due diligence requirements, or what additional information may help make this process less burdensome.

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 on the IRS website, within Publication 4687: *Paid Preparer Due Diligence*, and Form 8867: *Paid Preparer's Due Diligence Checklist*.

8. Consultation with Persons Outside the Agency

This project is being completed in partnership with the RCPM 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 288 Tax Forum attendees, to fill 72 total participant spots (12 attendees for each focus group session at six Tax Forums).

The contact time needed to recruit for participants could take up to two minutes, with the resulting burden being $288 \times 2 \text{ minutes} = 576 / 60 \text{ minutes} = 9.6 \text{ burden hours}$.

For participants, total participation time in focus groups is 60 minutes. The time burden for participants is $72 \times 60 = 4,320 / 60 \text{ minutes} = 72 \text{ burden hours}$.

The total burden hours for the focus group is $9.6 + 72 = 81.6 \text{ burden hours}$

Category of Respondent	No. of Respondents	Participation Time (in minutes)*	Burden (in hours)
Soliciting Potential Participants	288	2	9.6
Expected participants	72	60	72
Totals			81.6

Estimated Response Rate: 25%

Total Burden Estimate = 81.6 hours

13. Costs to Respondents

There is no dollar cost to respondents. The total estimated annual cost burden to respondents is \$2,038.37. The surveys take place across the United States with all cross-sections of society. This estimate was created using the mean hourly wage for all occupations (\$24.98) from the BLS May 2018 National Occupational Employment and Wage Estimates - United States.

14. Cost to Federal Government

The estimated cost is \$9,000.

15. Reason for Change

No change is being requested. This is a new request.

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

IRS is seeking approval to not display the expiration date for OMB approval, as this is a one-time, limited-duration collection occurring between July 14, 2020 and September 17, 2020.

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 14, 2020 through September 17, 2020

B. STATISTICAL METHODS

1. Universe and Respondent Selection

Focus group participants will be solicited in-person or virtually from individuals attending the 2020 IRS Nationwide Tax Forums.

2. Procedures for Collecting Information

A WISS researcher will serve as the moderator for the focus group sessions. A RCPM 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 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 RCPM 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:

Howard Rasey
Social Scientist
W&I Strategies & Solutions (WISS)
Research Group 2
678.332.7874
Howard.W.Rasey@irs.gov