

**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**

**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 past IRS Nationwide Tax Forums, the Refundable Credits Program Management (RCPM) office, responsible for communicating and monitoring policy on tax practitioner due diligence requirements, heard multiple reports of tax practitioners requesting and retaining taxpayer documentation for due diligence beyond what is required.

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 the Refundable Credits Program Management

(RCPM) office 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 through conference call focus groups coinciding with the 2021 Virtual IRS Nationwide Tax Forums held between July 20, 2021 and August 19, 2021.

### **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 2021 Virtual 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 through an email solicitation to all registered attendees of the 2021 Virtual IRS Nationwide Tax Forums. The email will contain information on all available focus groups.

We anticipate a 10% recruitment acceptance rate; thus 500 Tax Forum attendees will read the email solicitation for this focus group with 50 attendees agreeing to participate (10 attendees for each focus group session at five virtual Tax Forums).

The contact time needed to recruit participants could take up to two minutes, with the resulting burden being  $500 \times 2 \text{ minutes} = 1,000 / 60 \text{ minutes} = 16.7 \text{ burden hours}$ .

For participants, total time reading reminder emails is 2 minutes. The time burden for participants is  $50 \times 2 = 100 / 60 \text{ minutes} = 1.7 \text{ burden hours}$ .

For participants, total participation time in focus groups is 60 minutes. The time burden for participants is  $50 \times 60 = 3,000 / 60 \text{ minutes} = 50 \text{ burden hours}$ .

The total burden hours for the focus group is  $16.7 + 1.7 + 50 = 68.4 \text{ burden hours}$

Category of Respondent	No. of Respondents	Participation Time (in minutes)*	Burden (in hours)
Soliciting potential participants	500	2	16.7
Participant reminders	50	2	1.7
Expected participants	50	60	50
<b>Totals</b>			<b>68.4</b>

**Estimated Response Rate: 10%**

**Total Burden Estimate = 68.4 hours**

## 13. Costs to Respondents

There is no dollar cost to respondents. The total estimated annual cost burden to respondents is \$1,851.59. The surveys take place across the United States with all cross-sections of firms that represent IRS contractors (e.g. large firms, small firms to multiple socioeconomic designations, etc.). This estimate was created using the mean hourly wage for all occupations (\$27.07) from the BLS May 2020 National Occupational Employment and Wage Estimates - United States.

#### **14. Cost to Federal Government**

The estimated cost is \$0.00. There is no travel for this project. All focus group sessions will be conducted using a conference phone line.

#### **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 20, 2021 and August 19, 2021.

#### **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 20, 2021 through August 19, 2021

### **B. STATISTICAL METHODS**

#### **1. Universe and Respondent Selection**

Focus group participants will be solicited in-person from individuals attending the 2021 Virtual 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:

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