

**Test the Impact and Effectiveness of Alternative Web-based Outreach Materials on
Employment Tax Understanding
SB/SE Research Project – STP0170
Test Questions**

Welcome and thank you for participating in this study. The goal of this exercise is to help the Internal Revenue Service better understand how to get information to businesses that may have employment tax responsibilities. What we learn today will help the IRS improve the information provided to taxpayers and tax professionals about employment tax requirements.

Please complete this exercise from the perspective of a business owner with employees.

Scenario 1

The IRS identifies a business by its name and how it is organized. A unique identifying number, Employer Identification Number (EIN), may also be assigned by Internal Revenue Service. This number may be used for tax reporting, banking, and other purposes.

1. Under what circumstances are you required to have a federal Employer Identification Number? (EIN)
 - A. You operate your business as a sole proprietor.
 - B. You have contract workers.
 - C. You have employees.
 - D. All of the above.

Answer: C.

Scenario 2

Trust fund taxes are money withheld from an employee's wages and held in trust until paid to the Treasury. They include several types of taxes.

(Intro to Q2-Q5) Is each of the following included in trust fund taxes?

- Income tax
- Unemployment tax
- Employee's share of Social Security and Medicare taxes
- Employer's share of Social Security and Medicare taxes

2. Do Trust Fund taxes include Income Tax?
 - A. Yes
 - B. No

Answer: A

3. Do Trust Fund taxes include Unemployment Tax?
 - A. Yes
 - B. No

Answer: B

4. Do Trust Fund taxes include Employees' share of Social Security and Medicare taxes?

- A. Yes
- B. No

Answer: A

5. Do Trust Fund taxes include Employers' share of Social Security and Medicare taxes?

- A. Yes
- B. No

Answer: B

(Intro to Q6-Q7) If trust fund taxes are not paid to the United States Treasury, a trust fund recovery penalty (TFRP) may be imposed against which of the following people?

- Any person who is responsible for collecting trust fund taxes
- Any person who is responsible for paying trust fund taxes
- Any person who willfully neglects to pay the trust fund taxes
- The employee whose taxes were not paid by the employer

6. Any person who is responsible for paying trust fund taxes?

- A. Yes
- B. No

Answer: A

7. The employee whose taxes were not paid by the employer?

- A. Yes
- B. No

Answer: B

Scenario 3

In general, employers are responsible to report employment taxes on Form 941. Employers with an employment tax liability of \$2,500 or more must make either monthly or semi-weekly deposits. The frequency of tax deposits is based on the total tax reported on Form 941 during a lookback period.

8. How often is Form 941 filed?
- A. Once a month.
 - B. Once a year.
 - C. Every pay period.
 - D. Once a calendar quarter.
 - E. None of the above.

Answer: D

9. For 2010, what period of time does the lookback period cover?
- A. July 1, 2009 to June 30, 2010
 - B. January 1, 2009 to December 31, 2009
 - C. July 1, 2008 to June 30, 2009
 - D. July 1, 2009 to December 31, 2009
 - E. None of the above.

Answer: C

Scenario 4

Many employers choose to outsource payroll responsibilities or hire a third party to prepare payroll taxes. This can help assure filing deadlines and deposit requirements are met.

10. Who is ultimately liable for ensuring the IRS is paid payroll taxes?
- A. The third party.
 - B. The employee.
 - C. The employer.
 - D. The bookkeeper.
 - E. None of the above.

Answer: C

Scenario 5

Imagine you are hiring new employees and are required to verify that each new employee is legally eligible to work in the United States.

(Intro to Q11-Q14) Which of the following documents can you use to verify eligibility?

- Form I-9
- Social Security Card
- Individual Taxpayer Identification Number (ITIN)
- U.S. Passport

11. Can you use Form I-9 to verify eligibility?

- A. Yes
- B. No

Answer: A

12. Can you use Social Security Card to verify eligibility?

- A. Yes
- B. No

Answer: A

13. Can you use Individual Taxpayer Identification Number (ITIN) to verify eligibility?

- A. Yes
- B. No

Answer: B

14. Can you use U.S. Passport) to verify eligibility?

- A. Yes
- B. No

Answer: A

Scenario 6

Some business owners employ their spouse. In some situations there are different requirements for spouse employees.

15. A spouse is subject to income tax withholding and social security and Medicare taxes, but not to federal unemployment (FUTA) if you are employing your spouse, and are operating as which type of business:
- A. Sole Proprietor.
 - B. Partnership.
 - C. Corporation.
 - D. S-Corporation.
 - E. None of the above.

Answer: A

Scenario 7

Business owners must correctly determine whether the individuals providing services are employees or independent contractors. The determination is made based on the business relationship that exists between the business owner and the person performing the services.

Every employer who pays wages to an employee must withhold income tax from the employee's gross wages. An employer is required to withhold taxes only when an employee-employer relationship exists.

(Intro to Q16-Q20) Review the following examples and determine in each case whether the person performing services is an employee or independent contractor.

16. At a local car dealership, the salespeople working in the showroom are treated as independent contractors. They are paid on a commission basis and have the right to negotiate prices for the cars they sell. Additionally, the salespeople
- work five days a week.
 - must be in the showroom on assigned days and times.
 - can negotiate prices, but many transactions require sales manager approval
 - receive group health and life insurance paid by the owner.

Based on the facts, are the salespeople employees or independent contractors?

- A. Employees.
- B. Independent Contractors.

Answer: A

17. Sam Scott repairs automobiles in the repair department of a car dealership. He works regular hours and is paid on a percentage basis. He has no investment in the repair department. The dealership
- supplies all facilities, repair parts, and supplies;
 - issues instructions on the amounts to be charged, parts to be used, and the time for completion of the job; and
 - checks all estimates and repair orders.

Based on the facts, is Sam Scott an employee or independent contractor?

- A. Employee.
- B. Independent Contractor.

Answer: A

18. Matthew Radford performs work for a sole proprietor. Mr. Radford receives a flat fee for his services and expects to incur some expenses for which he is not reimbursed. When Mr. Radford invested money in the business a written contract was signed showing that both parties intended for Mr. Radford to be an independent contractor.

Based on the facts, is Mr. Radford an employee or independent contractor?

- A. Employee.
- B. Independent Contractor.

Answer: B

19. Flint Stone has an agreement with Wilma to supervise the remodeling of her house. Wilma makes direct payments to the suppliers for all necessary materials. She carries liability insurance covering Flint and the other workers he found to assist him. Wilma pays an hourly wage to each worker and exercises almost constant supervision over the work.

Based on the facts, is Flint an employee or independent contractor?

- A. Employee.
- B. Independent Contractor.

Answer: A

[NOTE: if on separate screen from previous question, need to repeat the scenario]

Based on the facts, are the workers employees or independent contractors?:

- A. Employees.
- B. Independent Contractors.

Answer: A

20. Carson Yellow rents a cab from Timely Cab Co. for \$150 per day. He pays the costs of maintaining and operating the cab. Carson keeps all fares that he receives from customers. The two-way radio equipment, dispatcher and advertising are provided by Timely Cab Co.

Based on the facts, is Carson Yellow an employee or independent contractor?

- A. Employee.
- B. Independent Contractor.

Answer: B

The remaining questions have no right or wrong answers. We are simply interested in how you typically get information about Employment Taxes.

21. Have you heard of the proposed regulation that eliminates federal tax deposit coupons effective January 1, 2011?

- A. Yes
- B. No

22. (Ask if yes to Q21 or add answer option if cannot automatically skip): How did you hear about the proposed regulation?

- A. Internet
- B. IRS
- C. Bank
- D. Tax Professional
- E. Other
- F. Did not hear about regulation

23. Before you came here today, did you know that you could get information about employment taxes on IRS.gov?
- A. Yes
 - B. No
24. (Ask if yes to Q23, or add answer option if cannot automatically skip) Before you came here today, did you ever use IRS.gov to get employment tax information?
- A. Yes
 - B. No
 - C. Did not know I could use IRS.gov to get information about employment taxes
25. Have you ever gotten employment tax information from the IRS by any other method, aside from IRS.gov?
- A. Yes
 - B. No
26. (Ask if yes to Q25 or add answer option if cannot automatically skip) What method was that?
- A. Phone line
 - B. Mailing
 - C. Publication
 - D. In person from an IRS employee
 - E. Other
 - F. Did not use any other method
27. Have you ever gotten employment tax information by any non-IRS method?
- A. Yes
 - B. No
28. (Ask if yes to Q28 or add answer option if cannot automatically skip) What method was that?
- A. Tax Preparer/Accountant
 - B. Tax software
 - C. Paid tax service
 - D. Professional Organization
 - E. Other
 - F. Did not use any other method