

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

**Affordable Care Act (ACA) Noncompliance among Paid Practitioners 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 and practitioners 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 the plan 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: focus groups with paid practitioners who prepared returns for clients that were later assigned a PTC error by AVS.

## **2. Purpose and Use of the Information Collection**

Wage and Investment Strategies and Solutions (WISS) 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 findings; but gaps in knowledge still exist, particularly where paid preparers are concerned.

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

To achieve these objectives, the IRS will use information collected from the phone interviews conducted in Phase 1 of the study to inform the development of a focus group moderator's guide for sessions to be conducted with paid practitioners to fill gaps in knowledge and understanding not obtained in Phase 1 of the research study.

IRS researchers did not obtain sufficient information from interviews with paid practitioners to confidently inform the development of a survey for that population. In order to fill those gaps, WISS researchers plan to conduct additional focus groups with these individuals to get more information about their experiences with PTC returns in the second year of filing and major issues facing the practitioner community, as well as challenges they anticipate for the third filing season for PTC returns (calendar year 2017).

## **3. Consideration Given to Information Technology**

Potential participants will be directed to the Tax Acts website which explains the research and reiterates the fact that the participation is voluntary. Paid practitioners will be recruited by contractors by telephone to invite them to participate after recruiters consider their answers to a series of screener questions. If they agree to participate, participants will call a provided phone line at a pre-determined date and time to join the remote focus group with other practitioners led by an IRS researcher.

#### **4. Duplication of Information**

The IRS has used 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. The focus groups, while similar to the Phase 1 interviews, are not duplicative of information. IRS will ask different questions of different participants and results will fill gaps in knowledge identified during analysis of Phase 1 results.

#### **5. Reducing the Burden on Small Entities**

The focus groups with paid practitioners have been carefully considered to minimize burden on paid practitioners selected to participate in the study. IRS researchers worked diligently to limit the sample to only those practitioners who have made a PTC-related error on their returns and with subject matter experts to account for factors that could falsely identify them as having made an error in an attempt to prevent contacting potential respondents that do not actually qualify to participate.

The two focus group sessions will not exceed one hour and thirty minutes in length. IRS will plan to recruit for a maximum of 18 participants (9 for each focus group, anticipating that as many as 4 individuals who agree to participate ultimately will not). According to background research, the IRS estimates 60% of tax preparers from the potential participant pool will be classified as a small entity. As it will take an estimated 900 calls to recruit 18 preparers (assuming a 2% response rate), the IRS estimates 540 calls will be made to preparers considered a small entity (900 total calls \* .60). Additionally, the IRS estimates 11 preparers considered a small entity will be participants in the study (18 total preparers in study \* .60).

#### **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**

Not applicable.

## **9. Payment or Gift**

Practitioners who participate in the focus groups will be paid an honorarium. These payments encourage participation, and are a token of gratitude given to participants for their time and contributions to the discussion. These stipends are typical for the time spent in the session, the type of individuals recruited, and in line with the industry standard. A contracting firm IRS researchers have previously consulted with, Westat, uses data to show that an incentive amount lower than \$75 can lead to increases in taxpayer burden (as a \$50 incentive is shown to require twice the amount of recruiting time as a \$75 incentive, which would mean more taxpayers called to meet recruiting requirements) and can impact the necessary number of participants for the study (no-show rates were shown to be over 50% for a study offering a \$30 incentive versus a 0% no-show rate for studies with an incentive \$75 or more). To further encourage study participation, the IRS will be offering a \$75 incentive to focus group participants, to be paid by the contractor. WISS has attached additional information justifying an increased stipend amount to this submission.

## **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 focus group findings will not contain tax return or taxpayer information. Focus group 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**

Focus group participants will be recruited through screening calls made by the contractor to determine willingness and eligibility for practitioners to participate in the study. In addition, calls will be made by the contractor to scheduled participants to remind them of the upcoming focus group. The IRS will not be aware of who chooses to participate.

The estimated time to complete the participant screening is 10 minutes. The estimated time for each reminder call is two minutes, with each focus group session lasting 90 minutes. The IRS will conduct two 90 minute sessions. Past similar focus group studies have shown the need to recruit alternates to achieve the target number of participants; hence the IRS will have the contractor recruit 9 participants for each study, assuming up to 4 participants may fail to show for each focus group session after agreeing to participation during a phone screening and reminder call with the contractor.

Based on a sample of potential participants of 900 and a response rate of 2%, we expect 18 **participants** (9 total participants: 5 participants, 4 alternates/ group \*2 groups=total 18 participants) leaving **882 non-participants**. The contact time to determine non-participants could take **up to two minutes per call**, with the resulting burden for recruiting 882 non-participants being  $882 \times 2 \text{ minutes} = 1,764/60 = 29$  burden hours.

The contact time to determine participants could take **up to 10 minutes per call**, with the resulting burden for recruiting 18 participants being  $18 \times 10 \text{ minutes} = 180/60 = 3$  burden hours.

For participants, participation time in the focus group sessions is **90 minutes each**, with the resulting burden for participation of 18 participants being  $18 \times 90 \text{ minutes} = 1,620/60 = 27$  burden hours.

The total burden hours for the focus groups are  $(29+3+27) = 59$  **burden hours**

Category of Respondent	No. of Respondents	Participation Time (in minutes)*	Burden (in hours)
Recruiting 882 non-participants	882	2	29
Recruiting 18 participants	18	10	3
Participation by 18 participants	18	90	27
<b>Totals</b>			<b>59</b>

### 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 \$16,592.60. This includes payments to the contractor for project planning tasks, screening and reminder calls to obtain focus group participants, and payment of \$75 stipends to each of the focus group participants. 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

Not applicable.

### 16. Tabulation of Results, Schedule, Analysis Plans

The focus group data is collected by IRS researchers during remote sessions with participants using a moderator guide. Data will be qualitative in nature. The contractor shall hold the identities of the taxpayers participating in the focus groups private to the extent permitted by law. The contractor ensures that practitioners participating in the focus groups are guaranteed anonymity. The contractor will not provide the IRS with recruiting status updates that are linked to individual respondents or include any individually identifying information such as name, address, or practitioner identification number.

Information from the focus groups will be useful, but will not yield data that can be generalized to the overall population. As such, the findings will be used for general service improvement, but are not for publication or other public release. Although the IRS does not publish its findings, information will be shared (when appropriate) with organizations within the IRS, and will include specific discussion of the limitation of the data as described above.

#### **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**

Focus group sessions will be held during the month of May, specific dates are to be determined.

### **B. STATISTICAL METHODS**

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

To participate in the focus groups, participants must have the following characteristics:

- Person must be a tax professional with a valid IRS PTIN for Filing Season 2015 and 2016
- Have had a PTC-related error associated with at least one of their clients' tax returns in Filing Seasons 2015 and 2016 (WISS will provide sampling pool)
- Be person most familiar with the preparation of the returns with the PTC-related errors in 2015 and 2016 (in cases where multiple tax preparers assisted in the completion of the return and/or in cases in which a tax professional allowed other tax professionals to file returns under their PTIN)
- At least 18 years of age
- Diverse in terms of the number of years preparing tax returns, number of returns prepared during current filing season, and number of employees working for the company of the participant.

Focus group participants will be pulled randomly from the known populations of tax preparers who prepared a return with a PTC-related error for tax year 2015. Participants who fit the above criteria will be called and screened for participation in the focus group and receive a reminder call to ensure participation.

#### **2. Procedures for Collecting Information**

The contractor will call and screen potential participants for the focus group sessions. Sending consent forms ahead of phone focus groups to be signed and then mailed or faxed back is very time and resource-intensive. The IRS requests permission to obtain a waiver of the documentation of informed consent and instead obtain verbal consent at the start of each focus group session by following all standard guidelines to assure participants their participation is entirely voluntary. This was approved for the phone interview in Phase 1 of our study.

Standard procedures will be used in order to ensure the target number of focus group participants is achieved. These will include: 1) a reminder call to participants who have agreed to participate in the focus groups, and 2) recruiting of 4 alternates for each focus group session. Focus groups will require 90 minutes for participants to complete. In both the initial screening and reminder calls, potential participants will be notified their participation in the focus group is voluntary with a supporting statement.

An outline of the areas of the focus group is discussed below.

#### Introduction

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

#### Section 1 – General Information Regarding Issues with PTC Compliance

- Practitioners will be asked to respond to questions regarding their biggest challenges with filing PTC returns for Tax Year 2015.

#### Section 2 – Specific Information Regarding Issues with PTC Compliance

- Practitioners will be asked to respond to questions about more specific PTC compliance issues during Tax Year 2015.

#### Section 3 –Information Regarding Issues with PTC Compliance for Next Filing Season

- Practitioners will be asked to respond to questions about their biggest perceived PTC compliance issues for next tax year, Tax Year 2016.

### **3. Methods to Maximize Response**

IRS researchers will use the Compliance Data Warehouse (CDW) to identify practitioners 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 Accurint to identify contact information for taxpayers and practitioners meeting the criteria and provide this information to the contractor who will coordinate. The contractor will use the provided recruiting lists to screen and identify practitioners for participation. The screener guide is minimized to reduce potential participant burden. Moderator guides have been streamlined to ensure reduced burden for those participating in the focus group. Both potential participants and participants are assured anonymity of their responses.

### **4. Testing of Procedures**

Pretesting of the focus group moderator guide will be done with internal IRS staff.

### **5. Contacts for Statistical Aspects and Data Collection**

The expertise of Social Scientist 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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