

# 2009 Multi City Study of the Effect of Assistance on Compliance

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The 2009 Multi City Study of the Effect of Assistance on Compliance was designed to examine Internal Revenue Service (IRS) service usage and the relationship between IRS service and compliance in a controlled environment. This research effort was modeled after a 1989 Price Waterhouse study conducted to measure the effect of assistance on voluntary compliance in which participants completed hypothetical tax situations.<sup>1</sup> Use of assistance in the Price Waterhouse study was high with a usage rate of 65 percent. Results from the Price Waterhouse study indicated that participants with assistance available had lower absolute error (i.e., commit fewer errors and/or increase tax revenue collections) than those without assistance and revealed no significant difference between types of assistance.

In July and August of 2006, Wage & Investment Research & Analysis (WIRA) conducted a pilot study in Atlanta, GA with 176 participants. Utilizing an experimental design in which participants completed a mock tax return similar in content to their own tax situation, the pilot study tested the compliance impact of the following IRS service channels: 1) telephone, 2) walk-in assistance, and 3) IRS.gov internet assistance. The pilot resulted in low service use (24 percent), low overall accuracy (20 percent), and the research was unable to establish a positive relationship between service and compliance. This current research effort expands and improves on the Price Waterhouse study and WIRA pilot by:

- Increasing motivation by changing the incentive structure from a flat rate compensation to a flat rate plus bonus for accuracy.
- Instituting higher quality recruiting by using participants who self-prepared their own tax return at least once in the last three years. For the pilot, participants were required to have completed their own tax return only once in the last five years.
- Increasing the number of participants and conducting the study in cities across the country to more thoroughly investigate and ascertain potential regional differences in the relationship between IRS service usage and compliance and to ensure accurate representation of the W&I taxpayer population.

## Objectives

The objective of the research study was to quantify and measure customer preference for IRS service channels and the relationship between IRS service and compliance in a controlled environment for five types of tax scenarios: Taxable Social Security, Earned Income Credit (EIC), Itemized Deductions, Deductions that Could Not Be Itemized, and Standard Deduction scenarios.

Analysis of the findings was conducted in four phases, beginning first with overall analysis of all Multi City participants,<sup>2</sup> following with analysis of only Taxable Social Security participants,<sup>3</sup> then of EIC and CTC participants,<sup>4</sup> and finally of Schedule A participants.<sup>5</sup> The current report follows a similar structure, beginning first with overall analysis of all Multi City participants' use of service and accuracy on tax returns, followed by Taxable Social Security, EIC and CTC, and Schedule A participants' use of service and accuracy on tax returns.

## Research Methodology

The research study utilized an experimental design in which participants, during two hour long sessions, completed a mock tax return similar in content to their own tax situation. All participants were screened for eligibility and asked about their personal tax situations prior to being assigned to a scenario group (see Appendix

A: Screener). During the study, participants were provided with an orientation to the study, a packet with instructions, mock tax scenarios, calculators, and pencils (see Appendix B: Session Instructions).

The IRS service channels tested included telephone assistance, which involved speaking with an IRS representative via 1-800-829-1040; walk-in assistance, which was modeled after IRS Taxpayer Assistance Centers using trained research staff members to provide assistance on site; and internet assistance, which was restricted to the use of [www.irs.gov](http://www.irs.gov) only. All participants were provided with IRS forms and publications applicable to their scenarios. Participants were randomly assigned to one of five groups 1) walk-in assistance, 2) telephone assistance, 3) internet assistance, 4) assistance from any or all of the previously mentioned channels, or 5) no assistance.<sup>6</sup> All participants had access to forms and publications applicable to their tax scenarios. Participants' interactions with service were recorded in order to better understand their needs. The recordings were analyzed to determine which questions or topics from the mock tax scenarios taxpayers asked and how those questions and answers related to taxpayer errors.

The study design included a variable honorarium rate—between \$60 and \$100. Participants were instructed during their study orientation that more accurate responses would earn the higher honorarium amount. The rationale for the variable honorarium rate was based on the pilot study's unexpectedly low accuracy rates. Since real-life taxpayers are highly motivated to represent their tax liability accurately because a clear financial incentive exists, it was hypothesized that a variable incentive level could potentially increase accuracy rates to more closely approximate real-life motivation levels. In practice, all participants who demonstrated an effort to complete their forms with a reasonable degree of accuracy received the full \$100 stipend.

Lastly, upon completion of the mock tax scenario, participants were given a debrief questionnaire to complete. The objective of the debrief questionnaire was to facilitate an understanding of the participant experience based on three phases:

- Systematic reflection and analysis of the Multi City experiment.
- Strengthening and personalization of their experience with the experiment to their own tax situation.
- Generalization and application of their tax situations to their broader financial situations.

More specifically, the debrief questionnaire addressed topics such as ability to complete the tax scenario, satisfaction with the provided IRS publications and forms, confidence in the accuracy of assistance received, confidence in the accuracy of tax return completed, past resources and/or services used to complete tax return, and attitudes concerning their financial situations (see Appendix C: Multi City Study Debrief Survey).

### ***Sample Design***

The population for this study consisted of taxpayers over the age of 18 who completed their own Federal income tax return with the form 1040 (1040EZ, 1040A, or 1040) series in the past three years. Participants were targeted based on a mix of demographic characteristics including gender, age, income, and internet access and use to ensure the taxpayer population was broadly represented. To the extent possible, recruitment also focused on representing participants as broadly as possible with respect to education, ethnicity, and tax filing status.

Testing sessions for the research study were conducted during the period of March to July 2009 in four geographically dispersed cities across the country (see Appendix D: Testing Locations). Selection was limited to cities with IRS facilities or IRS-approved federal facilities that could accommodate the following requirements:

- The availability to host 25-30 participants at each 2-hour session, with at least two sessions being held in the early evening.
- The ability to provide a minimum of six separate rooms for a) phones; b) computers; c) walk-in assistors; d) completion of mock tax scenarios; e) waiting; and f) greeting, debriefing, and provision of incentives.
- A minimum of three outgoing phone lines with a minimum of three phones.
- Internet access for three different computers.

## PHASE 1: Overall Analysis of Multi City Participants

### Participant Demographics

Participants were given one of five different scenario types which included: taxable Social Security, Earned Income Credit (EIC), itemized deductions, standard deductions, and deductions that could not be itemized. After adjusting for anomalies,<sup>7</sup> there were a total of 1,027 individuals who participated in the study. The following is a breakdown of participants by testing location:

- Atlanta, GA: 223 participants
- St. Louis, MO: 293 participants
- Boston, MA: 272 participants
- Seattle, WA: 239 participants

The sample consisted of an equal proportion of males and females. Participants were a majority Caucasian (71 percent), followed by 22 percent African American, and 7 percent of participants classified as some other race.

Most of the participants reported having completed an Associate's Degree or higher. Table 1 shows the distribution of participants reported education level.

**TABLE 1: Participant Reported Education**

Reported Education Level	Percentage
Bachelor's Degree	37%
Advanced Degree	25%
Some College, No Degree	18%
Associate's Degree	10%
High School Diploma/GED	9%
Trade/Vocational School Certificate	1%
Some High School	<1%

Over half of the participants reported working either full time or part time. Table 2 shows the distribution of participants' reported employment status.

**TABLE 2: Participant Reported Employment Status**

Reported Employment Status	Percentage
Employed Full Time	39%
Not Employed, but Looking	18%
Retired, Not Employed	17%
Employed Part Time, Not a Student	15%
Other	3%
Not Employed, Not Looking	3%
Retired, Employed Part Time	3%
Full Time Student, Not Employed	1%
Full Time Student, Employed Part Time	1%
Part Time Student, Not Employed	<1%
Part Time Student, Employed Part Time	<1%

The majority of participants (84 percent) reported having internet available in their home.<sup>8</sup> Ninety-five percent of participants said they use the internet at least occasionally and 93 percent of participants reported using email at least occasionally.

### ***Participant Tax History***

Forty-seven percent of participants electronically filed their Tax Year (TY) 2008 return using software, 30 percent filed using hand-prepared paper forms, nine percent filed v-coded returns,<sup>9</sup> seven percent had their return checked by a professional, and seven percent had a professional complete their 2008 return.<sup>10</sup> With respect to the type of Form 1040 participants used for their TY 2008 return, 70 percent filed a Form 1040 (70 percent), 16 percent filed a Form 1040A, and 14 percent filed a Form 1040EZ. Additionally, as reported in the debrief questionnaire, the majority (96 percent) of participants reported being the person in their household who was most familiar with tax preparation.

### **Participant Use of Service**

Participants were randomly assigned to one of five service conditions: walk-in assistance (n=200), telephone assistance (n=208), internet assistance (n=197), assistance from any or all of the channels (n=209), and no assistance (n=213). All participants had access to IRS forms and publications applicable to their scenarios.

In total, 814 participants were eligible to use service. A total of 217 (27 percent) participants were recorded using service 283 times, with 43 of these participants using service more than once. Walk-in assistance was the most popular channel for seeking assistance; participants used this channel 186 times. Telephone assistance was used by participants 59 times, and internet assistance was used by participants 35 times. Among participants who had access to all three IRS service channels, walk-in assistance was again the most popular channel. When considering this groups' initial instance of service used, 68 percent chose to use walk-in assistance, 22 percent used telephone assistance, and 10 percent used internet assistance.

Of the 43 participants who sought service more than once,<sup>11</sup> 36 participants used walk-in assistance, five participants used telephone assistance, and two participants used internet assistance. Although 15 of these participants had the option to use any of the service channels, only five switched to a different service channel.<sup>12</sup> Of the five participants who were recorded using multiple service channels, three switched from telephone assistance to walk-in assistance, one switched from walk-in assistance to internet assistance, and one switched from walk-in assistance to telephone assistance.

Among those eligible to receive assistance but reported not using any assistance on their debrief form, 93 percent stated that they did not use assistance because they did not need the help. One percent reported that the wait time was too long, one percent reported not having help available to them, two percent said they did not know how to get help, and three percent gave some other reason for not seeking help. Nearly all participants (98 percent) reported using the IRS forms and publications that were provided to them in their scenario packages.

### ***Service Questions and Issues by Scenario Type***

When participants received service, their main question or issue was recorded by one of the research staff. Since questions differed by scenario type, Table 3 shows the top five questions/issues by scenario type.

Among Taxable Social Security participants, the most frequently asked question understandably related to Social Security benefits. For those given an Earned Income Credit (EIC) scenario, the most frequently asked questions pertained to Child Tax Credit (CTC) or EIC. For participants with Itemized Deductions and Could Not Itemize scenarios, the top questions or issues related to itemized deductions. Among participants who received a scenario with standard deductions, questions most often related to interest income, such as taxable interest on a banking account.

**TABLE 3: Top Service Questions or Issues by Scenario Type**

Taxable Social Security	EIC	Itemized Deductions	Could Not Itemize <sup>13</sup>	Standard Deduction
Social Security Benefits (n=18)	Child Tax Credit (n=10)	Itemized Deductions (n=20)	Itemized Deductions (n=33)	Interest Income (n=11)
Assistance with 1040 (n=10)	EIC (n=10)	CTC (n=10)	Standard Deduction (n=7)	Assistance with 1040A (n=9)
Standard Deductions (n=10)	Miscellaneous (n=6)	ACTC (n=7)	ESP (n=6)	ESP (n=7)
Taxable Income (n=8)	Assistance with 1040 (n=5)	Advanced EIC (n=6)	Assistance with 1040 (n=5)	Tax Tables (n=7)
Miscellaneous (n=7)	Advanced EIC (n=5)	Interest Income (n=4)	CTC (n=4)	Miscellaneous (n=6)
	ACTC (n=5)			
Total Issues (n=87)	Total Issues (n=75)	Total Issues (n=71)	Total Issues (n=75)	Total Issues (n=66)

NOTE: ACTC refers to Additional Child Tax Credit, CTC refers to Child Tax Credit, EIC refers to Earned Income Credit, and ESP refers to Economic Stimulus Payment.

### ***Participant Confidence in the Accuracy of Assistance***

Participants were asked to rate their confidence in the accuracy of the assistance they received on a scale of 1 to 8, where 1 is not at all confident and 8 is very confident.<sup>14</sup> Overall, participants reported being confident in the accuracy of the service they received. Among all participants who reported using service, the confidence in the service received had a mean of 6.8. However, there existed a statistically significant difference in the reported confidence level by the type of service first used. For those participants who used walk-in assistance, the mean confidence in the accuracy of the service received was 7.1. Participants who used telephone assistance on average rated their confidence in the accuracy of the service received as 6.6 while those participants using internet assistance reported a mean of 5.7. Consequently, participants who used either walk-in assistance or telephone assistance were significantly more confident in the accuracy of the assistance they received when compared to participants who used internet assistance.

### **Participant Accuracy on Tax Returns**

Ninety-eight percent of participants reported on their debrief form that they were able to complete their scenario. Participants' completed scenarios were evaluated based on five critical lines of Form 1040 or Form 1040A including adjusted gross income (AGI), taxable income, total tax, total payments, and overpaid or amount owed. If the amount calculated on the critical line was within \$1, it was considered correct to account for rounding.

Most participants (80 percent) correctly calculated AGI. Table 4 shows the overall accuracy rate for each critical line as well as the accuracy rate for each line when the graded line preceding it was correct.

### ***Participant Accuracy Rates by Scenario***

Accuracy rates varied depending on the scenario type (i.e., Taxable Social Security, EIC, Itemized Deductions, Could Not Itemize, or Standard Deductions). Table 5 shows the accuracy rates for the five critical lines by scenario type. Overall, participants who completed a Standard Deduction scenario were the most accurate, with 46 percent correctly completing all five critical lines on their tax returns. Additionally, Itemized Deductions participants were significantly more accurate than Taxable Social Security, EIC, and Could Not Itemize participants.

**TABLE 4: Accuracy Rates by Critical Line on Tax Form**

Critical Line	Percentage Correct	Participant Percentage Correct when Previous Line was Correct
Adjusted Gross Income	80%	N/A
Taxable Income	44%	53%
Total Tax	35%	73%
Total Payments	76%	76%
Overpaid/Amount Owed	28%	36%*

\*Percentage correct when total payments was calculated correctly.

**TABLE 5: Accuracy Rates by Scenario Type**

Scenario Type	Correct AGI	Correct Taxable Income	Correct Total Tax	Correct Total Payments	Correct Refund/ Balance Due	100% Accurate
	Percentage Correct					
Itemized Deductions	89%	60%	45%	91%	45%	40%
Standard Deductions	92%	64%	51%	90%	49%	46%
Could Not Itemize	88%	19%	16%	92%	16%	14%
EIC	87%	66%	59%	18%	17%	13%
Taxable Social Security	42%	15%	10%	72%	8%	7%
<b>All Scenario Types</b>	<b>80%</b>	<b>44%</b>	<b>35%</b>	<b>76%</b>	<b>28%</b>	<b>25%</b>

In addition to scenario type effects, there were also significant differences in accuracy within each scenario type. Table 6 shows accuracy rates by scenario. Some of the fictional tax scenarios within scenario types appeared to have been more difficult to complete compared to other scenarios. The Madison, Jackson, and Grant scenarios had significantly higher accuracy rates compared to other scenarios in their respective categories (see Appendix E: Multi City Scenarios for a complete description of research scenarios by scenario name).

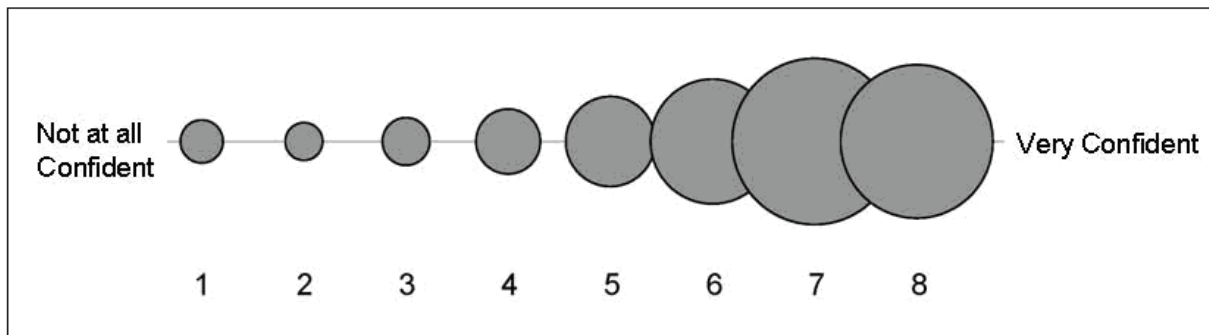
Results also show that participants with fictional scenarios without dependents completed more accurate returns than those with fictional scenarios with dependents. Of those participants with scenarios that had no dependents, 34 percent correctly completed their tax return, compared to 16 percent of participants with scenarios that had dependents.

### ***Participant Confidence in Return Accuracy***

Although only approximately one in four participants correctly completed their fictional tax return (i.e., correctly calculated all five critical lines), the majority participants reported feeling somewhat or very confident in the accuracy of their return. Eighty-eight percent of participants rated their confidence as a 5 or higher, somewhat confident to very confident, and 60 percent of participants reported being very confident in the accuracy of their return (i.e., 7 or 8 on the scale). Refer to Figure 1 on the next page.

### **Overall Effect of Assistance on Compliance**

After controlling for race, city, employment status, scenario type, and education effects, the use of IRS services was not a significant predictor of accuracy.<sup>15</sup> This is true for both overall accuracy rates as well as the accuracy of individual critical line items (see Appendix F: Effect of Service on Return Accuracy). Additionally, group assignments to a particular service channel were not predictors of accuracy.

**FIGURE 1: Participant Confidence in Return Accuracy**

Participants who reported on their debrief form using IRS forms and instruction booklets to complete their most recent tax return did significantly better on correctly completing their tax form when compared to participants who reported not using forms and instructions. Among those taxpayers who reported using IRS forms and instructions for TY 2008 to complete their tax return, 31 percent correctly completed their scenario compared to 19 percent of those participants who reported not using IRS forms and instructions. This result suggests that prior familiarity with IRS forms and publications may yield better accuracy rates among taxpayers. Additionally, participants who reported using [www.irs.gov](http://www.irs.gov) to complete their previous tax return had higher accuracy rates compared to participants who did not report using [www.irs.gov](http://www.irs.gov); 31 percent compared to 20 percent accurately completed their scenarios respectively.

**TABLE 6: Accuracy Rates by Scenario**

Scenario Type	Scenario Name	Percentage Completely Accurate	Number of Participants
Taxable Social Security	McCook	9%	128
	Thornton	7%	14
	Brown	2%	62
EIC	Madison	31%	49
	Hood	4%	70
	Harrison	6%	33
	Adams	*	*
Itemized Deductions	Jackson	46%	104
	Washington	38%	99
	Pierce	19%	21
	Truman	*	*
Standard Deduction	Grant	54%	147
	Wilson	24%	37
	Taft	22%	18
	Fillmore	*	*
Could Not Itemize	Hayes	15%	103
	Chapman	13%	103
	Polk	5%	19
	Tyler	*	*

\* Number of participants with scenario type equal to or less than 10 and not reported.



## PHASE 2: Taxable Social Security Scenarios

Twenty percent of the Multi City population completed a scenario with taxable social security benefits. In total, 204 participants completed one of three taxable social security scenarios: 63 percent completed scenario McCook, 30 percent completed Brown, and 7 percent completed scenario Thornton. Most of these participants (83 percent) indicated to the screener before the experiment that their most recent tax return included taxable social security.

Seventy-one percent of Taxable Social Security participants were 65 years of age or older. This figure is significantly higher than the percentage of all Multi City participants of age 65 or higher (21 percent). Additionally, 58 percent of Taxable Social Security participants reported being retired and not employed, compared to 17 percent of all Multi City participants who reported the same employment status.

### *Taxable Social Security Participant Accuracy on Tax Returns*

As stated previously, Taxable Social Security participants were least likely to complete an accurate return compared to other participants in the study; only seven percent of Taxable Social Security respondents completed an accurate return.

With respect to line 20b or 14b for taxable social security on Form 1040 or Form 1040A, 41 percent of Taxable Social Security participants entered the correct value. One common mistake among these participants was that they incorrectly recorded that either all or none of their social security income was taxable.

Although accuracy rates were very low for Taxable Social Security participants, most participants felt that they had completed an accurate return. The majority of participants (83 percent) rated their confidence in the return they completed as a 5 or higher, somewhat confident to very confident, and 51 percent of participants reported being very confident in the accuracy of their return (i.e., 7 or 8 on the scale).

### *Social Security Benefits Worksheet*

One hundred and fifty-seven Taxable Social Security participants (77 percent) were recorded using the Social Security Benefits Worksheet that was available to them in the 1040 and 1040A instruction booklets (i.e., they made at least one entry on the worksheet; see Appendix G: Social Security Benefits Worksheet). Of these 157 participants, 82 percent completed lines 1 and 18 of the worksheet, indicating that they had completed the entire worksheet.

Of the participants who completed the Social Security Benefits Worksheet, 57 percent recorded a correct amount on lines 20b or 14b of Form 1040 or Form 1040A, respectively, the lines for taxable social security benefits. However, from the worksheet data we find that 60 percent of participants who completed the worksheet calculated the last line of the worksheet correctly. The difference between the two is attributable to errors when participants transferred the numbers from worksheet to 1040 or 1040A, and from participants recording the taxable social security amount on another line on the 1040 or 1040A. Table 7 shows the results of the line-by-line analysis of the Social Security Benefits Worksheet. In general, the errors made by participants can be grouped into two categories: calculation errors and decisions errors.

Accuracy rates for line 5 of the worksheet, which should be the sum of lines 1 through 4, drop significantly due to participants either incorrectly carrying down the value from line 1, 2, or 3 without adding them, or adding incorrect amounts together. At line 16, another addition line, there is another drop in accuracy.

For those participants who did not complete the worksheet provided, only 16 percent correctly calculated their taxable Social Security. Results from a chi-squared analysis showed a significant difference with regard to accuracy of taxable Social Security between those who completed the worksheet and those who did not complete the worksheet, in that participants who completed the worksheet were significantly more likely to calculate the correct taxable Social Security amount.



**TABLE 7: Common Errors on the Social Security Benefits Worksheet**

Line #	Percent Correct	Common Mistakes
1	90%	Only entered one SSA-1099
2	88%	Carryover mistakes from line 1
3	94%	Incorrect amounts from other lines on 1040/1040A
4	100%	
5	78%	Carryover mistakes from previous lines, brought down line 2 or 3, and calculation error on line 5
6	98%	Entered adjustment amounts that did not exist
7	78%	Same mistakes as line 5
8	96%	Took wrong amount or put a zero
9	77%	Carryover mistakes from lines 7 & 8
10	98%	Took wrong amount
11	75%	Subtracted line 10 from 9 incorrectly
12	80%	Carryover calculation mistakes from previous lines
13	79%	Carryover calculation mistakes from previous line
14	80%	Carryover calculation mistakes from previous line
15	70%	Entered zero on line 15, carryover mistakes from line 11
16	65%	Carryover calculation mistakes from lines 14 and 15
17	72%	Carryover error from line 1
18	60%	Carryover mistakes from line 1 and line 11

### ***Taxable Social Security Participant Use of Service***

Taxable Social Security participants were randomly assigned to one of five groups; walk-in assistance (n=44), telephone assistance (n=34), internet assistance (n=46), assistance from any or all of the channels (n=47), and no assistance (n=33). All participants had access to IRS forms and publications applicable to their scenarios.

In total, 171 Taxable Social Security participants were eligible to use service. A total of 47 participants (27 percent) were recorded using service 66 times, with 12 of these participants using service more than once. Walk-in assistance was the most popular channel for seeking assistance; participants used this channel 49 times. Telephone assistance was used by participants 11 times and internet assistance was used by participants six times. Among participants who had access to all three IRS service channels, walk-in assistance was again the most popular channel. When considering participants in this group who used service, 75 percent chose to use walk-in assistance, 17 percent used telephone assistance, and nine percent used internet assistance.<sup>16</sup>

As shown previously in Table 3, the most frequently asked question among Taxable Social Security participants pertained to taxable Social Security benefits. Other popular topics included questions about standard deductions and taxable income. The majority of Taxable Social Security participants (84 percent) reported being somewhat to very confident in the accuracy of the service they received.

Among those eligible to receive assistance who reported not using any assistance on their debrief form, 93 percent reported that they did not use assistance because they did not need the help. Two percent said they did not know how to get help, and five percent stated another reason for not seeking help. All participants reported using the IRS forms and publications that were provided to them in their scenario packages.

Analysis showed no significant difference between those who used service and those who did not use service with respect to correctly computing taxable Social Security. Among those who used service, 42 percent correctly computed the Social Security amount. For those who did not use service, 45 percent recorded the correct taxable Social Security amount.

### ***Recommendations for Taxable Social Security***

Although use of IRS service channels did not have a significant effect on compliance for Taxable Social Security participants, those participants who used the Social Security Benefits Worksheet were significantly more likely to compute the taxable portion of their Social Security. This finding highlights the importance of the Social Security Benefits Worksheet in completing a more accurate return. A potential factor for participants not using the worksheet could have been that participants did not recognize or follow the instructions listed on the Form 1040 or Form 1040A directing them to calculate the taxable portion of their benefits. Additionally, participants may have felt that the instructions did not apply to them or to the completion of their scenario. Therefore, WIRA recommended identifying methods to increase taxpayer awareness and use of the Social Security Benefits Worksheet.

One method for increasing awareness and use of the worksheet would be to partner with the Social Security Administration (SSA) to mail the Social Security Benefits Worksheet with the SSA-1099 statement that taxpayers receive. Additionally, WIRA suggested partnering with Stakeholder Partnerships, Education, and Communication (SPEC) to develop workshops on how to compute portions of social security benefits. By leveraging partnerships with groups such as AARP, SPEC could raise awareness of the Social Security Benefits Worksheet through these workshops.

Furthermore, since the line-by-line analysis indicated drops in accuracy at certain lines, WIRA suggested giving taxpayers visual cues to prompt expected taxpayer behavior, such as adding or subtracting. The worksheet currently has stop signs which alert taxpayers that a decision must be made at these junctions. By including additional visual cues near the lines to the right of the form, taxpayers may be more aware of what steps are next required to accurately complete the worksheet.

Finally, since the majority of taxpayers who use the Social Security Benefits Worksheet are 65 years of age or older, WIRA suggested using larger print so that these taxpayers have an easier time reading and understanding the worksheet.

### **PHASE 3: Earned Income Credit (EIC) Scenarios**

A total of 155 participants (15 percent of all Multi City participants) were given an EIC scenario type. These participants were provided with one of four different scenarios, each with set fictional tax data with which to prepare the returns. The fictional individuals whose tax returns were being prepared were eligible for EIC, Child Tax Credit (CTC), or Additional Child Tax Credit (ACTC), or had collected Advance Earned Income Credit (AEIC) payments. See Table 8.

**TABLE 8: Scenario Breakdown of EIC Participants**

Scenario Name	Percentage	Credit Eligibility/Payments Made
Madison	32%	EIC
Harrison	21%	EIC, ACTC
Hood	45%	EIC, AEIC, CTC, ACTC
Adams	2%	AEIC, CTC, ACTC

Of these participants, 71 percent indicated to the screener that they had claimed EIC payments on their most recent tax return. Additionally, 26 percent of participants reported having claimed CTC on their 2008 return.

The majority of EIC participants (46 percent) indicated that their filing status for TY 2008 was Head of Household. Thirty-one percent indicated their filing status as Single, 21 percent as Married Filing Jointly, and two percent as Married Filing Separately.

With respect to employment, the majority of EIC participants were employed full-time (39 percent), employed part-time and not a student (26 percent), or not employed but looking for work (22 percent). The latter two of these three percentages differ significantly from those for the entire Multi City population; 39 percent of

all Multi City participants reported being employed full-time, 15 percent reported being employed part-time and not a student, and 18 percent were not employed but looking for work.

### ***EIC Participant Accuracy on Tax Returns***

Based on the accuracy of the five critical lines mentioned previously, only 13 percent of EIC participants completed their returns correctly. Accuracy was especially low for total payments and refund/balance due: 18 percent and 17 percent respectively.

The significantly higher accuracy rates for EIC participants on the lines for AGI, taxable income, and total tax compared to non-EIC participants can likely be attributed to the EIC participants' lack of any adjustments to total income and to lack of any taxes paid, other than AEIC for eligible scenarios. Conversely, EIC participants' significantly lower accuracy rates for total payments and overpaid/amount owed can likely be attributed to failure to correctly calculate EIC and ACTC; these two credits are entered on two of 11 lines that are used to calculate total payments and overpaid/amount owed.

Despite low return accuracy rate, an overwhelming majority of EIC participants rated confidence in the return they completed as somewhat to very high. Based on a scale of 1 to 8, only 15 percent of participants rated their confidence as somewhat to very low (1 through 4), while 85 percent marked 5 through 8 on the scale to indicate somewhat to very confident. Fifty percent of EIC participants rated their confidence as very high (7 or 8).

### ***Earned Income Credit***

Of the 155 EIC participants, 152 were eligible to claim EIC on their fictitious return. Of these participants, 48 percent entered the correct value of this credit on their tax return, 26 percent entered an incorrect value, and the remaining 26 percent entered "0" on this line or left it blank. The percentage of EIC participants in the Multi City study who claimed any amount of the credit on their fictional return (74 percent) is similar to actual filing estimates of the number of taxpayers who receive EIC payments as compared to the number of all taxpayers who are eligible to receive payments; eligible taxpayer participation rate for EIC is estimated to be 75 percent and appears to be relatively stable over time.<sup>17</sup>

Instructions for determining EIC eligibility could be found within standard 1040 instruction booklets that were distributed to all participants (see Appendix H: EIC Instructions). Of all EIC participants, 44 percent were recorded having used the instructions, and of this sample, 75 percent were recorded as having entered the correct EIC value on their Form 1040 or Form 1040A. Of the 56 percent of EIC participants who did not use the instructions, only 27 percent correctly calculated EIC. Table 9 provides the distribution of EIC accuracy between groups that did and did not use the instructions for those participants who were eligible to receive the credit.

**TABLE 9: EIC Participant Use of Instructions and EIC Accuracy**

EIC Instructions Used	Percentage	EIC Calculation	Percentage
Yes	44%	Correct	75%
		Incorrect	25%
No	56%	Correct	27%
		Incorrect	73%
Total	100%	Correct	48%
		Incorrect	52%

Results from statistical analyses again show that those participants who used the EIC instructions were significantly more likely to correctly calculate EIC than those participants who did not use the worksheet.

EIC Worksheet A, consisting of six questions, was included in the instruction booklet that was distributed to all participants as well (see Appendix I: EIC Worksheet A). Of those participants who were eligible to claim EIC on their return, 40 percent were recorded as having used Worksheet A, and of this sample, 80 percent

correctly entered the EIC value on their tax return. Conversely, 27 percent of participants who did not use the worksheet to determine their EIC correctly calculated the amount of the credit (see Table 10).

**TABLE 10: EIC Participant Use of Worksheet A and EIC Accuracy**

EIC Worksheet A Used	Percentage	EIC Calculation	Percentage
Yes	40%	Correct	80%
		Incorrect	20%
No	60%	Correct	27%
		Incorrect	73%
Total	100%	Correct	48%
		Incorrect	52%

Results from statistical analyses again showed that those participants who used Worksheet A were significantly more likely to correctly calculate EIC than those participants who did not use the worksheet.

In order to claim EIC with qualifying children, taxpayers must fill out and submit Schedule EIC with their returns. Two of the three scenarios eligible for EIC required this schedule to be completed and attached to the tax return. Ninety-five percent of participants in these two scenarios were recorded as having filled out this worksheet; that is, these participants were recorded as having entered any value on any line of the worksheet.

### ***Advance Earned Income Credit***

Taxpayers who qualify for EIC can elect to receive a portion of the credit in advance as a part of the paycheck that is issued by their employer, instead of receiving all of the credit at once as a part of their income tax refund. The amount of AEIC received by the employee is reported on his or her Form W-2, in box 9, and this value must be entered onto line 60 of Form 1040 or line 36 of Form 1040A.

Two scenarios from the present study, Hood and Adams, received AEIC payments, the values of which were recorded on their fictional Forms W-2. Seventy-one percent of these participants correctly entered the AEIC value on their tax returns; the remaining 29 percent either entered “0” or left this line blank on their return.

### ***Child Tax Credit***

Within the EIC scenario type, 47 percent of participants with two scenarios, Hood and Adams, were eligible to claim CTC on their tax returns. Of these eligible participants, 22 percent claimed the correct amount of CTC, 34 percent claimed the incorrect amount of CTC, and 44 percent did not claim the credit on their return. Eight ineligible EIC participants claimed the CTC credit in error.

Five of the 16 Multi City scenarios other than those included in the EIC scenario type were eligible to claim CTC: Thornton, McCook, Washington, Chapman, and Taft. Of the 362 eligible participants in these five scenarios, 56 percent entered the correct value for CTC on their Form 1040 or Form 1040A, nine percent entered the incorrect value for CTC, and 36 percent failed to claim the credit on their return.<sup>18</sup> Among all Multi City participants who were not eligible, four percent (22 participants) claimed the CTC credit in error.

The CTC Worksheet, included in the instruction booklet that was available to all participants, helps taxpayers to determine both the amount of CTC they can claim on their return as well as whether they may be able to claim the Additional Child Tax Credit (ACTC) on their return (see Appendix J: CTC Worksheet).

Of EIC participants who were eligible to claim CTC on their returns, 80 percent used the worksheet. However, overall accuracy of these participants in calculating CTC was low: only 26 percent of participants who used the worksheet entered the correct CTC value on their Form 1040 or Form 1040A. This low accuracy rate can likely be attributed to a failure to correctly add total tax on their Form 1040 or Form 1040A, as this value was also to be entered on line 2 of the CTC worksheet.

Among non-EIC participants who were eligible to claim CTC, 74 percent used the worksheet to calculate the amount of credit for which they were eligible, and of these participants, 71 percent claimed the correct amount of CTC on their returns. All eligible non-EIC participants were allowed to claim exactly \$1,000 for CTC, whereas eligible participants within the EIC scenario type were allowed to claim \$613 and \$900, respectively. The additional calculation to determine total tax for eligible EIC participants may have contributed to lower accuracy rates for this group as compared to accuracy rates for non-EIC participants.

### ***Additional Child Tax Credit***

In total, 106 (68 percent) of the 155 EIC participants were eligible to claim ACTC. Thirteen percent of participants who were eligible to claim ACTC on their returns entered the correct value for this credit on either line 66 of Form 1040 or line 41 of line 1040A, 17 percent claimed an incorrect amount of this credit, and 70 percent of eligible participants failed to claim this credit on their returns.<sup>19</sup>

Taxpayers may be eligible to claim ACTC payments despite being ineligible to claim CTC payments on their returns. In order to determine how much, if any, of the credit they are able to claim, taxpayers with at least one qualifying child are invited to use the ACTC worksheet, Form 8812 (see Appendix K: Form 8812).

Of those participants who were eligible to claim ACTC, 73 percent used Form 8812. Accuracy rates, however, for these participants were low; 18 percent of those who used the worksheet entered the correct ACTC value on their tax returns, while none of the participants who did not use the worksheet entered the correct amount. Table 11 shows line-by-line accuracy and likely reasons for errors made by those who completed Form 8812. Lines 4b and 7 through 12 are not included in the table as these lines were not applicable to any of the scenarios in the study.

**TABLE 11: Line-by-line Accuracy for Form 8812, ACTC Worksheet**

Line Number	Percentage Correct	Likely Reason for Error
1	34%	Incorrect number of qualifying children
2	43%	Incorrect calculation of CTC
3	20%	Math error (subtraction of line 2 from line 1)
4a	31%	Incorrect calculation of earned income
5	20%	Math error (subtraction of \$8,500 from line 4a)
6	20%	Carryover error from line 5
13	17%	Decision error

### ***Earned Income Credit Participant Use of Service***

Participants with EIC scenarios were randomly distributed across one of the five service groups: walk-in assistance (23 percent), telephone assistance (21 percent), internet assistance (14 percent), assistance from all three channels (19 percent), or no assistance (23 percent). All participants were provided access to IRS publications and forms that were applicable to their scenarios.

Of those with EIC scenarios, 77 percent were eligible to use service. Thirty-seven of these individuals (31 percent) were recorded using service 52 times, with nine participants electing to use service more than once. Participants were most likely to use walk-in assistance, as 40 out of the 52 service uses (77 percent) were through this channel. Telephone assistance was used six times (12 percent), as was internet assistance.<sup>20</sup> Walk-in assistance was the most popular channel for those participants who had access to all three service types, and it was the only channel for those who used service for a second, third, or fourth time.

Among EIC participants who were recorded as having used service, 88 percent rated their confidence in the accuracy of assistance received as somewhat to very high, with 68 percent of participants rating confidence in assistance as very high. These percentages are comparable to the entire Multi City population's confidence levels in accuracy of assistance; of those participants who were recorded as having used service, 84 percent rated their confidence in accuracy as somewhat to very high, with 55 percent of participants rating confidence as very high.



As stated earlier, 31 percent of the EIC sample that was eligible to use service was recorded as having used one of the three service channels. This percentage is significantly higher than that of Multi City participants not in the EIC scenario that used service; of the 692 participants in the other four scenarios who were eligible to use service, 180 participants (26 percent) elected to use service.

Participants who were eligible to receive assistance but indicated that they did not use any of the channels on their debrief form cited “Did not need help” as the reason for not using service 86 percent of the time. Nine percent stated that they did not use service due to “Other” reasons. Three percent did not use service because they “Did not know how,” and two percent did not use service due to “Wait time too long/too many other people in line.” Ninety-seven percent of EIC participants cited that they used IRS publications or instruction booklets to complete their returns.

Consistent with findings from the Taxable Social Security participants, use of service failed to denote an indicator of return accuracy. No significant difference emerged between participants who used service and those who did not use service with respect to entering correct EIC values on tax returns and to completing an overall more accurate return.<sup>21</sup>

### ***Recommendations for Earned Income Credit and Child Tax Credit***

Although use of walk-in, internet, and telephone assistance did not significantly impact compliance for EIC participants, the findings highlight the importance of completing the EIC instructions and worksheets. A potential factor for participants not using the instructions and worksheets could be that participants were not aware of the existence of these two tools within the 1040 instruction booklets that were provided to them. Additionally, participants may have felt that the instructions did not apply to them or to the completion of their scenario. As the cost of increasing awareness is less than the cost of processing errors and amended returns, WIRA recommended identifying methods to increase taxpayers’ awareness and use of both the EIC instructions and Worksheet A. Preemptive messages in instruction booklets and on forms should be direct enough to prompt taxpayers to use worksheets that apply to their situations. Emphasis should also be placed on outreach to individuals filing as Single and with no children, as individuals in this scenario were particularly unaware of their eligibility for claiming EIC.<sup>22</sup>

Simplification of the steps needed to accurately claim EIC is also advisable. As having to complete several steps in the EIC instructions, Worksheet A, and if applicable, Schedule EIC, in order to claim this credit is burdensome to taxpayers, WIRA recommended exploring options to reduce taxpayer burden associated with calculating EIC. For example, two different types of EIC instructions can be included in 1040 and 1040A instructions booklets: one for taxpayers with qualifying children, and one for taxpayers with no qualifying children. The third step of the 2008 EIC instructions, which let taxpayers know whether they have qualifying children, can be a preliminary step that would lead taxpayers to either one of the two types of instructions. A breakdown of this type could potentially increase the proportion of taxpayers with no qualifying children who claim this credit.

Because sample sizes were not large enough to conduct statistical analysis of the accuracy rates of the CTC and ACTC worksheets, WIRA recommended comprehension testing to examine the effectiveness of these worksheets and the value of different types of preemptive messages through publications, phone scripts, and online scripts. Comprehension testing would involve participants filling out worksheets and being exposed to these messages, and subsequently completing debriefs to explain their thought processes. These responses would allow for the determination of how to increase accuracy and to alleviate difficulties that taxpayers face when trying to understand instructions.

Lastly, since several participants filled out unnecessary forms when completing their scenarios, WIRA suggested having a check sheet for paper filers to avoid undue burden when completing a tax return. Much like tax software does, this check sheet would list life events and situations, and would prompt the taxpayer that they may be eligible for a certain credit and give information on steps to complete the process. This type of check sheet could potentially reduce taxpayer burden by informing taxpayers up front which forms or worksheets apply to their tax situation.



## PHASE 4: Schedule A Scenarios

A total of 460 participants (45 percent of the entire sample) were tasked with one of two scenario types that required the use of Schedule A to correctly determine deductions (refer to Appendix L: Schedule A).<sup>23</sup> Descriptions of the fictional individuals in these scenario types included paragraphs stating that although these individuals had not itemized their deductions last year, they may be able to itemize this year. This narrative was followed by a list of potentially applicable receipts for expenses that are deductible on Schedule A. If a fictional individual's itemized deduction was less than his or her standard deduction, the participant should have entered the standard deduction on his or her return instead of the itemized deduction that was calculated using Schedule A. See Table 12 for a breakdown of Schedule A scenario types.

**TABLE 12: Schedule A Scenarios**

Scenario Type	Scenario Name	Percentage of Schedule A Participants
Itemized Deductions	Jackson	23%
	Washington	22%
	Pierce	5%
	Truman	1%
Could Not Itemize	Chapman	22%
	Hayes	22%
	Polk	4%
	Tyler	1%
Total		100%

When asked if they had itemized deductions on their most recent tax return, 49 percent of Schedule A participants indicated to the screener that they had itemized.<sup>24</sup> Conversely, when asked if they had taken a standard deduction on their most recent tax return, 30 percent of Schedule A participants affirmed that they had. Twenty-one percent of Schedule A participants did not indicate what type of deduction they had taken the previous year, and less than one percent indicated that they did not know what type of deductions they had taken on their most recent return.

Seventy-one percent of Schedule A participants reported having completed a Bachelor's Degree or higher. In comparison, 52 percent of participants in non-Schedule A scenarios (Standard Deductions, Taxable Social Security, and EITC) reported having completed a Bachelor's degree or higher. Also, while 50 percent and nine percent of Schedule A participants reported being employed full-time and retired/not employed, respectively, 30 percent and 24 percent of non-Schedule A participants reported being employed full-time and retired/not employed, respectively.

### *Schedule A Participant Accuracy on Tax Returns*

Overall, participants with Itemized Deductions scenarios were significantly more likely to complete an accurate return when compared to Could Not Itemize participants. See Table 13 for Schedule A participants' accuracy by the five critical lines.

Accuracy for Could Not Itemize participants fell significantly for taxable income, total tax, and overpaid/amount owed when compared to Itemized Deductions participants. This difference can likely be attributed to the significantly lower accuracy of deductions for Could Not Itemize participants. Sixty-eight percent of participants with the Itemized Deductions scenario type took the correct deduction on line 40 of Form 1040, while only 22 percent of participants in the Could Not Itemize scenario type took the correct deduction on either line 40 of Form 1040 or line 24 of Form 1040A.<sup>25</sup> The value of deductions subsequently affects the amount of taxable income, total tax, and overpaid/amount owed that participants calculated.

**TABLE 13: Schedule A Participant Accuracy on Tax Returns**

Critical Line	Percentage Correct	
	Itemized Deductions	Could Not Itemize
Adjusted Gross Income (AGI)	89%	88%
Taxable Income	60%	19%
Total Tax	45%	16%
Total Payments	91%	92%
Overpaid/Amount Owed	45%	16%
Completely Accurate	40%	14%

An overwhelming majority of participants in both scenario types rated confidence in the accuracy of the return they had prepared as somewhat to very high on an eight-point scale, despite the especially low return accuracy rates for participants with Could Not Itemize scenarios. Only five percent of Itemized Deductions participants and Could Not Itemized participants rated their confidence as somewhat to very low (1 through 4), while 95 percent rated their confidence as somewhat to very high (5 through 8).

### *Itemized Deductions on Schedule A*

Schedule A, a worksheet allowing taxpayers to calculate the amount of their itemized deductions, is divided into eight sections: medical and dental expenses; taxes paid; interest paid; gifts to charity; casualty and theft losses; job expenses and certain miscellaneous deductions; other miscellaneous deductions; and total itemized deductions. If the amount of itemized deductions on Schedule A is higher than the taxpayer's standard deduction, he or she can deduct the itemized amount on Form 1040, line 40.

Ninety-seven percent of all Schedule A participants were recorded as having used Schedule A; that is, these participants made any entry on any of the lines on the form. The percentage of participants in both scenarios who correctly calculated critical lines<sup>26</sup> from each of the eight sections on the worksheet can be seen in Table 14.

**TABLE 14: Line-by-line Accuracy for Schedule A**

Line Number	Section Description	Percentage Correct
4	Medical and dental expenses	90%
9	Taxes paid	83%
15	Interest paid	97%
19	Gifts to charity	97%
20	Casualty and theft losses	100%
27	Job expenses and certain miscellaneous deductions	97%
28	Other miscellaneous deductions	97%
29	Total itemized deductions (sum of lines 4, 9, 15, 19, 20, 27, and 28)	74%

While accuracy for critical lines on Schedule A was relatively high, participants made a number of common errors worth noting. First, two of the eight scenarios involved fictional individuals with receipts for medical premiums that had been payroll deducted pre-tax. Because these premiums had been deducted pre-tax from the individuals' paychecks, these premiums should not have been deducted again as a medical expense on Schedule A. However, 49 of the 111 participants (44 percent) with these two scenarios made the error of adding these medical premiums on line 1 of Schedule A, which is the line for medical and dental expenses.

In the second section of Schedule A, "Taxes You Paid," 14 percent of participants incorrectly entered line 7, the line for personal property taxes. Typically, taxes paid on motor vehicles can be entered on this line, and taxes paid on home properties can be entered on line 6, which is the line for real estate taxes.<sup>27</sup> However, par-

ticipants' confusion regarding lines 6 and 7 caused 42 percent of those who incorrectly entered line 7 to enter real estate taxes here (see Figure 2 below).

**FIGURE 2: Taxes You Paid on 2008 Schedule A**

<b>Taxes You Paid</b> (See page A-2.)	<b>5</b>	State and local (check only one box):					
		a <input type="checkbox"/> Income taxes, or					
		b <input type="checkbox"/> General sales taxes					
	<b>6</b>	Real estate taxes (see page A-5)					
	<b>7</b>	Personal property taxes					
	<b>8</b>	Other taxes. List type and amount					
	<b>9</b>	Add lines 5 through 8				<b>9</b>	

For line 9 of Schedule A, the sum of deductible taxes paid, 17 percent of participants incorrectly entered this value. The most common error among these participants was that 35 percent did not add motor vehicle taxes into this sum, an error carrying over from line 7.

Line 29, the line with the sum of all itemized deductions, had a significantly lower accuracy rate than that of the previous seven critical lines<sup>28</sup>; 74 percent of participants who filled in line 29 entered the correct amount. This lower accuracy rate in comparison to accuracy on previous lines may be attributed to the situation in which a participant correctly calculated five or six of the previous seven lines, with his or her final sum on line 29 being incorrect because of the one or two miscalculated lines. In fact, 73 percent of participants who used Schedule A had correctly entered all seven critical lines, and 95 percent of these participants also correctly entered line 29. Twenty-three percent of participants who used Schedule A correctly calculated six of the seven critical lines, with 25 percent of these participants correctly entering line 29. Lastly, five percent of participants who used Schedule A correctly entered five or fewer of the seven critical lines, and just two of these participants correctly entered line 29.

### ***Schedule A Participant Use of Worksheets and Deduction Accuracy***

Of participants with Itemized Deductions scenarios, 98 percent used Schedule A. Table 15 shows the accuracy of participants with Itemized Deductions scenarios who did and did not use Schedule A.

Of participants with Could Not Itemize scenarios, use of Schedule A had no effect on accuracy of the standard deduction entered on tax returns (see Table 16).

Ninety-five percent of participants with Could Not Itemize scenarios were tasked with filing the return of a fictional individual who had paid real estate taxes. These participants should have used the Standard Deduction Worksheet in the instruction booklet to account for real estate taxes paid that were added into their standard deductions (see Appendix M: Standard Deduction Worksheet). However, only 23 percent of these participants used the Standard Deduction Worksheet, and these participants were significantly more likely to calculate the correct standard deduction than those who did not use the worksheet.<sup>29</sup> See Table 17 for accuracy of participants with scenarios in which the fictional individuals paid real estate taxes.

### ***Schedule A Participant Use of Service***

Participants with Schedule A scenarios were randomly assigned to one of the five service conditions: walk-in assistance (18 percent), telephone assistance (21 percent), internet assistance (19 percent), assistance from all three channels (20 percent), and no assistance (22 percent). All participants were provided with IRS instruction booklets and forms that were applicable to their scenarios.

**TABLE 15: Use of Schedule A and Itemized Deduction Accuracy**

Schedule A Used	Percentage	Itemized Deduction on Form 1040	Percentage
Yes	98%	Correct	69%
		Incorrect	31%
No	2%	Correct	0%
		Incorrect	100%
Total	100%	Correct	68%
		Incorrect	32%

**TABLE 16: Use of Schedule A and Standard Deduction Accuracy**

Schedule A Used	Percentage	Standard Deduction on Form 1040 or 1040A	Percentage
Yes	96%	Correct	22%
		Incorrect	78%
No	4%	Correct	22%
		Incorrect	78%
Total	100%	Correct	22%
		Incorrect	78%

**TABLE 17: Use of Standard Deduction Worksheet and Standard Deduction Accuracy**

Standard Deduction Worksheet Used	Percentage	Standard Deduction on Form 1040 or 1040A	Percentage
Yes	23%	Correct	69%
		Incorrect	31%
No	77%	Correct	6%
		Incorrect	94%
Total	100%	Correct	21%
		Incorrect	79%

Of the 78 percent of all Schedule A participants who were eligible to receive assistance, 76 percent chose to not use service, and the remaining 24 percent used service 101 times. Fifteen percent of the individuals who used service elected to use service more than once. The modest incidence of multiple contacts implies that participants who used service felt confident in applying the information they received, even though accuracy did not increase for these participants.

As stated previously, 24 percent of Schedule A participants who were eligible to use service took advantage of one or more of the three service channels. In contrast, 29 percent of participants with other scenario types (Standard Deduction, Taxable Social Security, and EITC) who were eligible to receive assistance took advantage of available service.

Participants were most likely to use walk-in assistance, as 58 of the 101 (57 percent) service uses were through this channel. Telephone assistance was used 30 percent of the time, and internet assistance was used 13 percent of the time. Of participants who were eligible to receive assistance but did not, 82 percent cited “Did not need help” as the reason for not using service.

The majority of Schedule A participants (89 percent) who used service rated confidence in the accuracy of the assistance they received as somewhat to very high on an eight-point scale, with 88 percent of these participants rating confidence in accuracy of assistance as very high.

Consistent with results from Taxable Social Security and EIC participants, use of walk-in, telephone, and internet assistance failed to be an indicator of accuracy for Schedule A participants. No significant difference emerged between those participants who used service and those who did not use service (see Table 18).

**Table 18: Use of IRS Service Channels and Deduction Accuracy**

Scenario Type	IRS Service Used	Percentage with Correct Deduction
Itemized Deduction Participants	Yes	70%
	No	68%
Could Not Itemize Participants	Yes	17%
	No	23%
All Schedule A Participants	Yes	42%
	No	46%

### ***Schedule A and Non-Schedule A Participant Financial Situations***

With respect to personal financial situations, participants rated six statements on the debrief form according to an eight-point scale, with 1 indicating “Strongly disagree” and 8 indicating “Strongly agree.” Table 19 compares Schedule A participant responses to non-Schedule A participant (Standard Deductions, EITC, and Taxable Social Security participants) responses for statements.

**TABLE 19: Comparison of Schedule A and Non-Schedule A Participant Financial Situations**

Statement	Percentage of Participants who Somewhat to Strongly Agree*	
	Schedule A Participants	Non-Schedule A Participants
I enjoy managing my household finances.	88%	85%
I usually pay my bills on time.	95%	90%
I usually use an online bill paying service(s).	63%	51%
I wish I had a better understanding of my finances.	36%	39%
I feel confident in my ability to solve financial problems that come up in my everyday life.	92%	88%
I wish I had better English reading and writing skills.	10%	13%

\*“Somewhat to Strongly Agree” indicates that these participants marked 5 through 8 on the scale.

Schedule A participants consistently rated agreement higher than non-Schedule A participants on all dimensions, except for the two statements describing participants’ wish for a better understanding of finances and English skills; for both of these statements, Schedule A participants rated agreement lower than non-Schedule A participants. Additionally, for the two statements “I wish I had a better understanding of my finances” and “I wish I had better English reading and writing skills,” Schedule A participants’ agreement was lowest overall on these in comparison to both groups’ agreement on all of the other statements. These results indicate that Schedule A participants in general have higher confidence in their ability to manage financial situations than participants in other scenarios.

### ***Recommendations for Schedule A***

Participants with Itemized Deductions scenarios who completed Schedule A and participants with Could Not Itemize scenarios who completed the Standard Deduction Worksheet were significantly more likely to take the correct deduction. This finding is similar to results for participants in other scenarios, in which participants who completed supplemental worksheets applicable to their scenarios were significantly more likely to prepare their returns accurately than those who did not utilize these service resources. Again, these findings highlight the importance of both increasing awareness of these worksheets and of making the worksheets easier to understand.

With respect to the first line of Schedule A, “Medical and dental expenses,” 111 participants had a scenario that involved a fictional individual who had medical premiums that were deducted from their paycheck pre-tax; 44 percent incorrectly deducted these premiums again on Schedule A. Due to the lack of clarification relating to medical premiums that have been payroll deducted pre-tax, WIRA recommended adding a bullet

detailing this type of payment under the section “Examples of Medical and Dental Payments You Cannot Deduct” in Appendix A of the 1040 instruction booklet. Further, above line 1 on Schedule A is a “Caution” statement with the description: “Do not include expenses reimbursed or paid by others.” WIRA recommended adding a clause to this “Caution” statement that warns against including expenses that have been payroll deducted pre-tax.

Alerting taxpayers with pre-tax medical premiums that they cannot deduct these expenses on Schedule A via a more rigorous outreach plan may or may not be beneficial to the IRS in terms of cost if only small proportion of taxpayers face this scenario. For this reason, WIRA recommended initiating a research study in association with the National Research Program (NRP) with the goal of determining whether the benefits of a pre-tax outreach plan that enables the IRS to prevent this type of noncompliance will outweigh the cost of this outreach plan. By measuring line-item compliance of line 1 on Schedule A, the IRS can better understand the percentage of taxpayers who make the error of incorrectly deducting this expense on Schedule A. Answers for the study’s questions can be pre-defined to avoid ambiguous narrative responses.

The ability to increase standard deductions by the state and local real estate taxes paid by up to \$500 (\$1,000 if married filing jointly) was new for TY 2008. Since awareness was low for this additional deduction, a over half of participants with this fictional situation (54 percent) made the error of not including real estate taxes paid with their deductions. This indicates that the instructions and forms were not effective enough to make taxpayers aware of this new clause and prevent them from incorrectly calculating their standard deduction. Here, an opportunity exists to improve the manner in which new clauses are highlighted in instruction booklets and on tax forms. WIRA therefore recommended that a greater effort be made to highlight the new clauses of the tax law in instruction booklets and on tax forms to effectively alert the relevant segment of taxpayers.

With respect to providing outreach before and during filing season to taxpayers who will likely be affected by new clauses in the tax law, WIRA recommends the development of more rigorous and far-reaching pre-tax communication materials via the Wage & Investment (W&I) Communications & Liaison (C&L) office for intended audiences. Communication material should ideally follow the “what, why, how” marketing communication approach that has been proposed for the Stakeholder Partnerships, Education, & Communications (SPEC) outreach model<sup>30</sup> and should be distributed through multiple channels, such as [www.irs.gov](http://www.irs.gov) and SPEC for partners to distribute to taxpayers.

Lastly, an implication of the difference between Schedule A and non-Schedule A participants’ financial situations is that Schedule A participants have invested more resources to maximize the utility of their finances. Accordingly, these taxpayers may adapt to complex tax issues more readily than taxpayers who are less likely to itemize deductions. Additionally, Schedule A participants were more likely to use an online bill paying service, to have access to the internet, and to use the internet and email more frequently than non-Schedule A participants. Therefore, taxpayers who are more likely to itemize their deductions can potentially be a targeted population for transferring their primary communication channel with the IRS from more traditional, expensive channels, such as mail and telephone, to more cost-effective, interactive channels, such as web platforms on [irs.gov](http://irs.gov).

## Conclusion of Multi City Study

### *Evaluating Effect of Assistance on Compliance*

In assessing the lack of impact that telephone, internet, and walk-in assistance had on accuracy rates for participants in all scenario types, a number of factors emerge as possible explanations.

Completing an accurate return according to the five critical lines on Form 1040 and Form 1040A was dependent on a number of factors, such as use of IRS publications, use of supplemental worksheets that were applicable to each scenario, and correctly calculating lines that required mathematical computation. Because accuracy, evaluated as a single measure, was dependent on multiple factors, measuring the effectiveness of an isolated factor has a diluted impact. This inference carries over to the impact of telephone, internet, and walk-in service on accuracy; since use of each service channel is an isolated variable, the ability to effectively



measure the impact of just one of these variables on accuracy is improbable given the effect of numerous other factors on accuracy.

The nature of the participant's inquiry and his or her application of the assistor's response while using one of the three service channels pose another challenge in evaluating impact of service use. Assuming the inquiry was correctly stated, it cannot be automatically presumed that the participant accurately applied the response. Also, although unlikely, professionally-trained IRS staff may have misunderstood the participant's question, consequently giving misguided information and leading the participant to enter incorrect information on his or her tax return.

Confounding variables, interpretation and application of information, and potentially misguided assistance can likely be mitigated by the use of tax preparation software. Software can mitigate the problem of confounding variables by relating all of the extraneous variables, such as completing supplemental worksheets and mathematical computations, together through a probe-and-response application for the taxpayers. Tax software would also be useful to provide the correct information and application of data that the taxpayer provides, and would thereby eliminate the need for third-party assistance. Again, the probe-and-response feature of the software essentially limits the taxpayer's role to posing questions, such as "Am I eligible?," and supplying the required information to answer the question. Therefore, future research on the impact of service on accuracy should consider the application of tax preparation software to alleviate the difficulties that arise when evaluating the two educational models.

With respect to service channel preference, the majority of Multi City participant initial service uses were through the walk-in channel (62 percent of all service uses), followed by telephone assistance (23 percent), and lastly internet assistance (15 percent). The lower incidence of telephone and internet assistance in the Multi City study can likely be attributed to the convenience of walk-in assistance at the time, for which participants simply walked to an adjacent room and waited for five minutes or less to speak with a research staff member. In fact, results from the Taxpayer Experience Survey showed that 56 percent of individuals from a sample of local IRS office visitors would be somewhat or very likely to continue to wait for service if wait time increased by a half-hour. This number dropped to 43 percent when wait time increased to an hour. Additionally, 53 percent stated they would use a computer or phone at the local IRS office instead of talking with a representative.<sup>31</sup> This percentage is significantly higher than that of Multi City participants who initially used a computer or phone for their service needs (38 percent).

### ***Multi City Participant Confidence in the Accuracy of Tax Returns***

Overall, results from the four phases of the Multi City study shed light on the significant challenge of making taxpayers aware that, for more common errors on tax returns, their confidence in accuracy may be misplaced. As stated previously, of all Multi City participants, 88 percent rated confidence in the accuracy of their return as somewhat to very high. See Table 20 for mean confidence scores of participants who scored poorly, moderately, and exceptionally well on their fictional returns.

**TABLE 20: Multi City Participant Confidence in Accuracy of Tax Return**

Overall Performance on Tax Return	Number of Correct Critical Lines*	Mean Confidence Score**
Poor	Zero or one	5.7
Moderate	Two or three	6.4
Exceptional	Four or five	7.0

\*"Critical Lines" refers to the five critical lines that were evaluated to determine overall accuracy of tax returns: adjusted gross income (AGI), taxable income, total tax, total payments, and overpaid/amount owed.

\*\*Confidence in accuracy of return was rated on an eight-point scale, with 1 indicating "Not at all confident" and 8 indicating "Very confident."

Participants who scored poorly had significantly lower confidence in the accuracy of their return than participants who scored moderately and exceptionally well. However, these participants' mean confidence score was in the "somewhat confident" range (a rating of 5 or 6 on the eight-point scale), signifying inflated confidence relative to these participants' actual performance.

Research from psychological literature suggests that this type of inflated confidence is also apparent among people in general who assess themselves in other domains, such as their health, education, and careers. According to Dunning, Heath, and Suls (2004), the correlation between people's self-assessment of skills and actual performance in several domains is moderate to meager. The following quote provides insight into this predicament:

People overrate themselves. On average, people say that they are “above average” in skill (a conclusion that defies statistical probability), overestimate the likelihood that they will engage in desirable behaviors and achieve favorable outcomes ... and reach judgments with too much confidence.<sup>32</sup>

To curtail the inflated confidence taxpayers have in the accuracy of their returns, the initiation of preemptive communication can draw taxpayers' attention to areas with high error potential and the increased risk of inaccuracy associated with these errors. Clear options for resolving uncertainty and obtaining accurate information must be provided preemptively via web platforms, telephone communication, media outreach, and publications. Additionally, outreach pilots should be designed to test the value and effectiveness of these new communication approaches and to identify additional ways to continuously improve the model.

### ***Merit of the Multi City Study***

The merit of the Multi City study lies in the potential for significant operational change of outreach strategies, forms, and publications based on recommendations from each group of participants: Taxable Social Security, EIC, and Schedule A. Understanding the unique barriers faced by taxpayers with different situations will allow the IRS to increase voluntary compliance for those who self-prepare their tax returns by targeting and alleviating these challenges, thereby improving the preparation experience for the over 56 million taxpayers who prepare their own returns each year.

## **Endnotes**

- <sup>1</sup> Source: *Study of the Effect of Taxpayer Assistance on Voluntary Compliance*, IRS Management Briefing and Executive Summary. Price Waterhouse, July 28, 1989.
- <sup>2</sup> Source: *Phase 1: 2009 Multi City Study of the Effect of Assistance on Compliance*, W&I Research & Analysis Group 4, Project Number 3-08-07-S-032T, April 2010.
- <sup>3</sup> Source: *Phase 2: 2009 Multi City Study of the Effect of Assistance on Compliance—Taxable Social Security*. W&I Research & Analysis Group 4, Project Number 3-08-07-S-032T, June 2010.
- <sup>4</sup> Source: *Phase 3: 2009 Multi City Study of the Effect of Assistance on Compliance—Earned Income Credit and Child Tax Credit*. W&I Research & Analysis Group 4, Project Number 4-10-09-S-052, September 2010.
- <sup>5</sup> Source: *Phase 4: 2009 Multi City Study of the Effect of Assistance on Compliance—Schedule A*. W&I Research & Analysis Group 4, Project Number 4-10-09-S-065, December 2010.
- <sup>6</sup> WIRA acknowledges that the experimental design does not address taxpayer burden when choosing a service channel (i.e., channel preference). The experiment was designed to test the compliance impact of the IRS service channels if all service was equally available (i.e., service usage).
- <sup>7</sup> Examples of anomalies included participants who said to a research staff member that they had never done their own taxes or used tax preparers, and participants who did not complete the back of their Form 1040 or Form 1040A.
- <sup>8</sup> Seventy-seven percent of taxpayers who participated in the 2009 Benchmark Survey indicated that they had internet access at home. Source: *2009 Benchmark Survey, Phase 1—Analysis of Generational and Income Segments*, May 2010, page 18.
- <sup>9</sup> V-coded tax returns are returns that were prepared using tax software, and were subsequently printed and mailed in to the IRS.

- <sup>10</sup> For TY 2008, 40 percent of taxpayers self-prepared their returns. Of those who self-prepared, 60 percent filed electronically, 23 percent filed hand-prepared paper forms, and 18 percent filed v-coded paper returns. Source: *Compliance Data Warehouse (CDW) Electronic Tax Administration Marketing Database (ETA MDB)*.
- <sup>11</sup> Seventeen participants were recorded using service three times, while three participants were recorded using service four times. No participants were recorded using service more than four times.
- <sup>12</sup> Results from the Taxpayer Experience Survey showed that 63 percent of respondents who contacted the IRS more than once used the same service channel for multiple contacts. Source: *2009 W&I Taxpayer Experience National Report, Tax Year 2008* (also known as *Market Segment Survey*), July 2010, Slide 14.
- <sup>13</sup> Similar to participants with Itemized Deductions scenarios, participants with Could Not Itemize scenarios were given a list of potential deductions that could be itemized. However, if they had correctly completed Schedule A, Could Not Itemize participants would have found their total itemized deduction amount to be less than their standard deduction amount.
- <sup>14</sup> On the Taxpayer Experience Survey, respondents who had contacted the IRS in the past 12 months were asked to rate their confidence in the completeness and accuracy of information and assistance received from the IRS. Ninety-one percent of respondents rated confidence as somewhat to very high, with 66 percent of these respondents rating confidence as very high. Source: *2009 W&I Taxpayer Experience National Report, Tax Year 2008* (also known as *Market Segment Survey*), July 2010, Slide 66.
- <sup>15</sup> Exploratory descriptive statistics reveal the existence of demographic effects on accuracy. Applying chi-squared analysis, the variables city, race, education, employment, and scenario type each resulted in a statistically significant difference in accuracy rates. To isolate whether the use of IRS services was a significant predictor of accuracy, these variables were controlled.
- <sup>16</sup> Totals more than 100 percent due to rounding.
- <sup>17</sup> Source: *Earned Income Tax Credit Participation Rate for Tax Year 2005*, Dean Plueger, Recent Research on Tax Administration and Compliance: Selected Papers Given at the 2009 IRS Research Conference, pages 151-195.
- <sup>18</sup> Stakeholder Partnership, Education, and Communications (SPEC) shopping review results through April of 2009 found that 78 percent of scenarios eligible for CTC that were prepared by volunteers had the correct amount of CTC entered on the tax returns. Source: *Ensuring the Quality Assurance Processes Are Consistently Followed Remains a Significant Challenge for the Volunteer Program*, Treasury Inspector General for Tax Administration, September 15, 2009.
- <sup>19</sup> SPEC shopping review results through April 2009 show that 78 percent of taxpayers who elected a volunteer to prepare their returns claimed the correct amount of ACTC on their returns. Source: *Ensuring the Quality Assurance Processes Are Consistently Followed Remains a Significant Challenge for the Volunteer Program*, Treasury Inspector General for Tax Administration, September 15, 2009.
- <sup>20</sup> Percentages add to 101 percent due to rounding.
- <sup>21</sup> With respect to accuracy of CTC and ACTC, differences between groups that did and did not use service could not be statistically analyzed due to the low number of participants who were eligible for these credits and who used service.
- <sup>22</sup> Fifty-three percent of participants with scenario Madison, a single fictional individual with no children, failed to claim any amount of EIC on their returns. In contrast, 40 percent and six percent of participants with scenarios Harrison and Hood, respectively, failed to claim any amount of EIC.
- <sup>23</sup> For the purpose of this report, Schedule A participants will refer to participants tasked with either an Itemized Deductions or Could Not Itemize scenario. Both scenario types required participants to use Schedule A to determine whether or not they could itemize deductions on their mock tax returns.
- <sup>24</sup> Of all Multi City participants, 34 percent indicated to the screener that they had itemized deductions for the previous tax year. This figure is in line with IRS estimates that, on average, one in three taxpayers itemizes their deductions.

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- <sup>25</sup> Itemized deductions can be taken only on Form 1040. Standard deductions, however, can be taken on either Form 1040 or Form 1040A. For this study, participants with an Itemized Deductions scenario must have used Form 1040 to correctly complete their scenario, while participants with a Could Not Itemize scenario could have used either a 1040 or 1040A to correctly complete their scenario.
- <sup>26</sup> Critical lines are the last lines of the eight sections on Schedule A, which contain the sum of deductions from previous lines of the section. Line 29 is the sum of all previous critical lines on Schedule A.
- <sup>27</sup> Each of the eight fictional scenarios that required the use of Schedule A involved individuals who paid motor vehicle taxes, and six of the eight scenarios involved individuals who paid home property taxes.
- <sup>28</sup> The seven critical lines refer to lines 4, 9, 15, 19, 20, 27, and 28.
- <sup>29</sup> The debrief form that was completed after the study did not include questions to determine why or why not participants used worksheets applicable to their scenario.
- <sup>30</sup> Source: *SPEC Outreach Study: Final Report*, Project # 4-09-01-S-019, W&I Research & Analysis Group 4, October 2010.
- <sup>31</sup> Source: *2009 W&I Taxpayer Experience National Report, Tax Year 2008* (also known as *Market Segment Survey*), July 2010, Slide 13.
- <sup>32</sup> Source: *Flawed Self-Assessment: Implications for Health, Education, and the Workplace*, David Dunning, Chip Heath, and Jerry Suls from Cornell University, Stanford University, and University of Iowa, respectively; American Psychological Society, Volume 5, 2004

## Appendix A: Screener

[SCRIPT FOR ANSWERING MACHINES]

Hello, this message is for \_\_\_\_\_, my name is \_\_\_\_\_, calling from Development Associates on behalf of the Internal Revenue Service regarding the research study in [city name].

I wanted to take a few minutes to ask you some questions to see if you might qualify. Please call me back at 1-800-443-5696. We appreciate your interest in this important study. Thank you.

Goodbye

[WHEN REACH POTENTIAL RESPONDENTS]

1. There is a confirmation code on the front of the postcard near your name and address. It would help me if you could read it to me. The number will start with STL, and be followed by something like G-E-N, I-N-C, or AG-E.

Please use the blank space to write your answers.

Confirm Code (Ex: STL-GEN1-99999-A):

2. May I please have your contact information, including your full legal name?

[INTERVIEWER INSTRUCTION—we need the legal name (no nicknames).]

Please use the blank space to write your answers.

First Name:

Last Name:

Address 1:

Address 2:

City:

State:

Zip:

Phone:

E-Mail:

3. How did you hear about this study [MARK ALL THAT APPLY]?

[INTERVIEWER INSTRUCTION—If you already know the answer, do not ask this question again. Fill in the response from your paper form.]

Please check all that apply and/or add your own variant.

Postcard

Web (Craigslist)

Word of Mouth

Print Advertisement

Radio Advertisement

Flyer

Other (Please Specify):

## 4. Are you over age 18?

Please pick one of the answers below.

YES

NO

## 5. What is your age? [Enter -99 if refuses to answer]

Please use the blank space to write your answers.

IF RESPONDENT DOES NOT GIVE EXACT AGE, READ OR PROVIDE THE FOLLOWING: If you would like, I could read some age categories; just stop me when I reach the one closest to your age.

Please pick one of the answers below.

18 to 24

25 to 34

35 to 44

45 to 54

55 to 64

65 to 74

75 to 84

85 and above

REFUSED

## 6. Gender of respondent

[INTERVIEWER INSTRUCTION: Unless there is some ambiguity, please complete without asking]

[SUGGESTED PHRASING: My apologies for asking the next question, but what is your gender?]

Please pick one of the answers below.

Male

Female

## 7. This question is about the language spoken in your home. Would you say that English is the primary language.

A language other than English is the primary language.

Refused

Other (Please specify):

## 8. Are you of Hispanic, Latino or Spanish origin?

Please pick one of the answers below.

Yes

No

Refused

## 9. I apologize for asking, but what is your race?

Are you: [MARK ALL THAT APPLY]



INTERVIEWER INSTRUCTION: If they answer Hispanic/Latino, please follow-up with “Would you categorize yourself as White, Black, or American Indian?”

Please check all that apply and/or add your own variant.

White or Caucasian  
Black or African American  
American Indian or Alaska Native  
Asian  
Native Hawaiian or Other Pacific Islander  
Refused  
Other (Please specify):

10. Are you currently employed?

Please pick one of the answers below or add your own.

Employed full-time  
Employed part-time, not a student  
Not employed, but looking for work  
Not employed, and not looking for work  
Full-time student, not working  
Full-time Student, working  
Part-time student, working  
Part-time student, not working  
Retired, working part-time  
Retired, not employed  
Other (Please specify):

11. I have seven categories for your total annual household income. If you feel comfortable, please stop me when I read the one that best describes your total annual household income.

Please pick one of the answers below or add your own.

Under \$17,000  
\$17,000 to \$25,000  
\$25,000 to \$35,000  
\$35,000 to \$50,000  
\$50,000 to \$75,000  
\$75,000 to \$100,000  
\$100,000 and over  
No Income  
Refused  
Other (Please specify):

12. What is the highest level of education you have completed?

[INTERVIEWER INSTRUCTION—If someone has multiple degrees and you can determine which degree is higher, then mark that category; if not, mark both.]

Please check all that apply and/or add your own variant.

Grade School  
Some High School  
High School Diploma/GED

Trade/Vocational School Certificate

Some College, No Degree

Associate's Degree

Bachelor's Degree

An advanced degree (INCLUDES MASTERS, DOCTORAL, AND PROFESSIONAL DEGREES)

Other (Please specify):

13. Do you have Internet access at home?

Please pick one of the answers below.

Yes

No

Don't Know

14. Do you use the internet, at least occasionally?

[INTERVIEWER INSTRUCTION—if person asks for clarification, ask them to “just use your best judgment.”]

Please pick one of the answers below.

Yes

No

15. Do you send or receive email, at least occasionally?

[INTERVIEWER INSTRUCTION—if person asks for clarification, ask them to “just use your best judgment.”]

Please pick one of the answers below.

Yes

No

16. Are you the adult in your household who is most familiar with preparing and filling out your federal income tax return?

[INTERVIEWER INSTRUCTION: Pause for response. Then tell respondent]

Please pick one of the answers below or add your own.

Yes, most familiar

Equally familiar

Neither most familiar nor equally familiar

Other (Please specify):

The computer is matching your responses with our targeted demographic to ensure we have a representative U.S. Population, if you can give me one moment.

17. [INTERVIEWER INSTRUCTION: Does this person still qualify based upon their demographic information?]

Please pick one of the answers below.

Yes

No

All right, the next set of questions are about how you filed your United States federal tax forms in each of the last three years. I'm going to ask you to think back to the last three tax years for which you filed. Most people will file their tax forms for tax year 2008 by April 15th of this year. So, when I say tax year 2008, I mean this year. When I say tax year 2007, I mean last year.

18. What method did you use or will you use to file your taxes this year--tax year 2008? We are interested in knowing whether you used tax software, paper forms, or a tax professional, for example. How about last year—2007? And tax year 2006?

[INTERVIEWER INSTRUCTION—probe to make sure you are able to place them correctly.]

Please fill in the answers in the table below (mark appropriate circles and squares and fill in the blank spaces).

2008 2007 2006

1. Filled out the paper forms without tax preparation software
2. Used tax preparation software, but mailed IRS paper forms
3. Used tax preparation software, and filed electronically
4. Hired a tax professional to check my work and make suggestions
5. Hired a tax professional who took all my tax information and completed my form
6. Not sure
7. Not required to file

19. The next thing we're interested in is your filing status for the last three tax years. I'm going to read some sample filing statuses.

Please let me know which one best describes you for this year—tax year 2008? And 2007? And 2006?

Please fill in the answers in the table below (mark appropriate circles and squares and fill in the blank spaces).

2008 2007 2006

1. Single
2. Single Head of Household
3. Married Filing Jointly
4. Married Filing Separately
5. Qualifying Widow(er) with dependent child
6. Not sure
7. Not required to file

20. Next, I'm going to read off some of the standard forms that are often filed. We'd like to know which forms you used or will use when you file your tax return this year—tax year 2008? And 2007? And 2006?

Please fill in the answers in the table below (mark appropriate circles and squares and fill in the blank spaces).

2008 2007 2006

1. Short form 1040EZ
2. Short form 1040A
3. Long form 1040 without other forms or schedules
4. Long form 1040, with other forms or schedules
5. Some other form
6. Not sure
7. Not required to file

21. You stated that you used or will use the 1040EZ form. Would you be comfortable completing the 1040A Short Form?

[INTERVIEWER INSTRUCTION—If respondent states “I don’t know”, mark “no”]

Please pick one of the answers below.

Yes  
No

22. I have just one additional set of questions about the most recent federal tax return you filed. We will use this information to help us place you into the right study group. I’m going to read a list of items that include things like tax deductions and tax credits. Did your most recent tax return include any of the following?

[INTERVIEWER INSTRUCTION: Please reference q18 to find the respondent’s most recently filed tax year.]

Please fill in the answers in the table below (mark appropriate circles and squares and fill in the blank spaces).

Yes    No    Don’t Know

Earned Income Credit (EIC)  
Social Security  
Benefits paid to you that were taxable  
Child Tax Credit  
Itemized Deductions  
Standard Deductions  
Dependents

The computer is going through your responses to see if you are eligible for the study. If you can bear with me for just a second . . .

23. Congratulations, you are eligible to participate! As you may know, we are assisting the IRS with its research to better understand how taxpayers complete their tax forms and what help people need. The study takes about two hours and you receive an honorarium of \$60 for filling in the form and up to an additional \$40 based upon the reasonable accuracy of your responses—so potentially \$100 total.

Would you like to participate?

Please pick one of the answers below or add your own.

Yes  
No  
Not Sure (Please specify):

24. The study will take place on DAY, MONTH, at TIME am/pm. Will that work for you?

[INTERVIEWER INSTRUCTION—Offer 5:15 PM sessions as a last resort. Note that the participant needs to show up 15 minutes beforehand.]

[INTERVIEWER INSTRUCTION—when you pick a session, write it down on a piece of paper so that you can read it back to the R at the end of the interview.]

Please pick one of the answers below.

TUES MAY 5—08:30 AM - 10:30 AM (8:15 AM)  
TUES MAY 5—11:00 AM - 01:00 PM (10:45 AM)

TUES MAY 5—03:00 PM - 05:00 PM (2:45 PM)  
TUES MAY 5—05:15 PM - 07:15 PM (5:00 PM)  
WED MAY 6—08:30 AM - 10:30 AM (8:15 AM)  
WED MAY 6—11:00 AM - 01:00 PM (10:45 AM)  
WED MAY 6—03:00 PM - 05:00 PM (2:45 PM)  
WED MAY 6—05:15 PM - 07:15 PM (5:00 PM)  
THURS MAY 7—08:30 AM - 10:30 AM (8:15 AM)  
THURS MAY 7—11:00 PM - 01:00 PM (10:45 AM)  
THURS MAY 7—03:00 PM - 05:00 PM (2:45 PM)  
THURS MAY 7—05:15 PM - 7:15 PM (5:00 PM)  
No Time will work

25. We will send you a confirmation letter with the place and time of your session. Is your mailing address the same as your contact address?

Please pick one of the answers below.

Yes  
No

26. Mailing Information:

Please use the blank space to write your answers.

ADDRESS 1:  
ADDRESS 2:  
CITY:  
STATE:  
ZIP:

The tax situation for the family or individual in your scenario will be very much like yours, so it should be like doing taxes for someone like yourself. To participate, you will need to come to your session to complete the hypothetical tax scenario. This session is located at [location]. We will include directions to the session in the materials you will receive in the mail.

[INTERVIEWER INSTRUCTION: If respondent insists on having directions while on the phone, please ask for their method of transportation, and reference the following:

Driving Directions: Plug in their address to either Mapquest or Google Maps, then relay the directions over the phone.

Public Transportation: Metrolink (subway) to location]

Now, let me tell you a little bit about what will happen when you arrive for your session ...

First, an employee from Information Experts will greet you in the lobby. He or she will check you in and out, and pay you the honorarium when you are finished. Only he or she will have your name. While you are there, you will be given a badge with a number on it. You will use this number during the study so that your name will not be associated with any of your responses. Your participation will be completely anonymous, and no one at the IRS will ever have your name. When you come, you will need to bring two things with you. One, a government-issued photo ID, such as a driver's license. This is so we can get you into the building. Two, your confirmation letter that we will mail to you one week prior to your session. This letter will contain your participant ID number, so it is important that you bring it with you. We will need these items, both photo ID and confirmation letter, so that we can pay you. We will also remind you to bring these items when we send

the confirmation letter in the mail. If you do not receive your confirmation letter by Monday, May 4th, please give us a call on our 1-800 number.

Also, we want to mention that if you need reading glasses, you will need to remember to bring them. We also want to mention that the temperature of the building in which the session is located varies, so please bring appropriate clothing. In addition, neither the IRS nor Information Experts will provide any childcare for any duration of the study. Please do not bring anything related to your own personal income taxes. Everything you need to complete the hypothetical tax scenario will be ready for you.  
Do you have any questions?

We're almost done, but we're required by law to read the following message to you.

The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Approval Number for this study is 1545-1349. Also, if you have any comments associated with this study or suggestions on making this process simpler, I have an address you can write to. Would you like that address?

I.R.S.  
Tax Products Coordinating Committee  
1111 Constitution Ave. NW  
Washington, DC 20224

Thank you for participating in this important study!

We look forward to seeing you on [DAY, MONTH, at TIME] am/pm. [END INTERVIEW]

I'm sorry. You are not eligible for this study. We appreciate you taking the time to see if you qualify. Thank you for your interest.

Ok. We appreciate your time. And thank you for your interest.

27. This survey had some issues that need to be clarified / researched.

Please use the blank space to write your answers.

Needs a follow-up call  
Problem present, not resolved  
Evening session desired, re-contact  
Referral Information present

28. Interviewer comments:

Please write your answer in the space below.

29. Primary Interviewer:

Please pick one of the answers below.

[Names of interviewers]

This survey is complete.

Don't forget to press SUBMIT!



## Appendix B: Session Instructions

I want to start by thanking you all for coming in today to help evaluate some tax forms. Our goal is to better understand how people complete their tax returns and how the IRS affects that process.

There are several other staff members here who are wearing badges indicating they are project staff. Please refer any questions you have to these staff members only.

When you came in, you each should have received a packet. There are several different packets, so please make sure the number on your badge matches the number on the packet. In your packet you will find a copy of the instructions for your participation in this project. Each packet has a brief description of the person you are going to pretend to be today for the purpose of completing a tax return. Each packet also contains the tax documents for that person, tax forms, and instruction booklets. We have a calculator and some pencils for each of you. If you need more pencils, just let me know.

**All the necessary tax information and relevant tax documents for your person are in the written description and/or the packet. So, if your scenario does not mention childcare expenses, you should assume your person did not have any childcare expenses. Some packets may contain information that is not necessary for completing the person's tax return. Use what you need.**

One thing we are looking at today is how people use help to complete their tax form. Each of you will have access to a certain type of help, if you need it. The type of help you can get is based on the color on your badge.

- Blue is for in person assistance,
- Red is for web,
- Yellow is for telephone,
- Green is a wild card for any or all of the three: in person assistance, web and telephone; and
- White is for instructions and forms only.

Now I'll explain how to request the different types of services you may be eligible for and what to expect for each type of service.

**For In-Person Assistance:** You may receive help by talking to an IRS customer service representative face-to-face. We call this person the "walk-in assistor." If you have a question you would like to ask a walk-in assistor about your person's tax return, please tell one of the staff members you would like walk in or face-to-face assistance. Before you see the walk in assistor, you will be given a piece of paper. Please write your participant number and the line number or topic that you want help with. Remember when you talk to the assistor to use your person's name, not yours. Please do not give the assistor your real name.

**For Web:** If you have a question about your person's taxes, you can use the website, called "IRS.gov." To use the website, please tell the escort you would like to use the website. At each computer you will find a piece of paper where you will need to enter your participant number and the line number or topic that you want help with. Please do not visit any other websites. A staff member will be at the computers to help you get started and to help you with the computers. Remember this person cannot answer any tax questions. The computers you will be using are set up to record where you go within IRS.gov to help us better understand how people navigate the IRS.gov website.

**For Telephone:** You can get help by calling the IRS toll-free line. If you have a question you would like to ask the IRS toll-free line, please tell one of the staff members you would like toll-free assistance. At each telephone you will find a piece of paper with the IRS toll-free assistance number on it. Please write your participant number on that piece of paper and the line number or topic that you want help with. A staff member will be

at the phones to help you complete this form and call the IRS toll-free line. When you call, the assistor should give you his or her ID number and maybe their last name. Please write the assistors ID number and last name on the sheet of paper also. Remember when you call to use the name of your person. Please do not give the assistor your real name. Also, do not mention that you are participating in a research study.

**For Instructions and Forms:** Your packet contains IRS forms and instructions that have been included to provide you with assistance in completing your person's tax return. Feel free to write on the forms and in the instruction booklets.

When you have completed the tax form, please tell one of the staff members that you are finished. You will receive a short questionnaire to give us some feedback on your experience with your person's taxes and you will also receive your honorarium. While you are completing the questionnaire, we will score your work to see how you did and determine if you earned the bonus.

With your packet, you were also given a consent form. Please take a few minutes now to read and sign the consent form. Let me know when you are done.

Finally, we have just a few rules.

1. If you need to use the restroom, just let one of the staff members know.
2. Please turn off all cell phones.
3. Please do not talk to the other participants.
4. If you have the option of having the IRS calculate a line on the form, do NOT exercise that option. We want YOU to complete the entire form.

Any questions?

Let's begin.

## Appendix C: Multi City Study Debrief Survey

### 1040 Tax Forms Study Debriefing Questions

**Please mark your answer to each question.**

1. Were you able to complete your tax scenario?

\_\_\_\_\_ Yes      \_\_\_\_\_ No      Why not?

2. Did the packet give you enough information to complete the tax form?

\_\_\_\_\_ Yes      \_\_\_\_\_ No      Why not?

3. Did you use the IRS publications or instruction booklets that came with the tax forms?

\_\_\_\_\_ Yes [**Go to Question 4**]      \_\_\_\_\_ No [**Skip to Question 5**]

4. Please rate your level of satisfaction or dissatisfaction with the IRS publications or instruction booklets you used today. On a scale of 1 to 8, where 1 is very dissatisfied and 8 is very satisfied, how satisfied or dissatisfied were you with each of the following?

Circle One Answer for Each Statement									
		Very dissatisfied						Very satisfied	
a	Ease of finding answers	1	2	3	4	5	6	7	8
b	Ease of understanding instructions	1	2	3	4	5	6	7	8
c	Completeness of instructions	1	2	3	4	5	6	7	8
d	The explanation of what procedures are necessary to complete the forms	1	2	3	4	5	6	7	8

—Over—

5. Did you use any help other than the IRS publications or instruction booklets?

\_\_\_\_\_ Yes      \_\_\_\_\_ No → Why not? [**Check All That Apply**]

a. \_\_\_\_ Wait time too long/too many other people in line

- b. \_\_\_ Did not know how  
 c. \_\_\_ Did not need help → [Skip to Question 8b]  
 d. \_\_\_ Nothing else was available to me → [Skip to Question 8b]  
 f. \_\_\_ Other \_\_\_\_\_

6. Did you get help more than once?

\_\_\_ Yes      \_\_\_ No

7. What question or issue caused you to seek help from something other than the IRS publications and instruction booklets?

8. On a scale of 1 to 8, where 1 is not at all confident and 8 is very confident, how confident are you with the **accuracy** of:

Circle One Answer									
		Not at all confident						Very confident	
a	The help you received	1	2	3	4	5	6	7	8
b	<b>The tax return you completed</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>

*Thank you for answering the previous questions about the tax scenario you just completed.  
 We would now like you to tell us a bit about yourself.*

9. There are many **IRS** resources and services people can use to help them complete their taxes. Which of the following **IRS** resources and services did you use to complete **your tax return this year and the previous two years?**

[Check All That Apply]

IRS Services	Used <u>this</u> year	Used during <u>previous two</u> years
IRS forms and instruction booklets		
IRS website (www.irs.gov)		
IRS Tax Assistance Centers (walk-in sites)		
Automated IRS phone system		
IRS phone representatives		
E-mail with the IRS		
Written correspondence with the IRS (other than e-mail)		
I did not use any IRS resources or services.		

10. There are many **other** resources and services people can use to help them complete their taxes. Which of the following other resources and services did you use to complete **your tax return this year and the previous two years?**

**[Check All That Apply]**

<b>Other Services</b>	<b>Used <u>this</u> year</b>	<b>Used during <u>previous two</u> years</b>
Volunteer tax preparation clinics		
Tax preparation company		
Non-IRS books and publications		
Your own accountant or bookkeeper		
Tax preparation software		
Internet websites (other than the IRS website)		
I did not use any other resources or services.		

- Over -

11. Other than the types of IRS assistance listed above, are there any other types of assistance you think the IRS should offer taxpayers?
- 

12. Have you ever filed your federal tax return electronically?

\_\_\_\_\_ Yes      \_\_\_\_\_ No → Why not?

13. Did you hire a professional tax preparer or did you prepare your taxes yourself this year?

\_\_\_\_\_ Professional tax preparer      \_\_\_\_\_ Self-prepare

14. Why did you choose to hire a professional tax preparer or to self-prepare?
- 

15. The following are some general statements about the way you might feel about your own personal situation. On a scale of 1 to 8, where 1 is strongly disagree and 8 is strongly agree, to what extent do you agree with each of the following statements?

<b>Circle One Answer for Each Statement</b>									
		Strongly disagree						Strongly agree	
a	I enjoy managing my household finances.	1	2	3	4	5	6	7	8
b	I usually pay my bills on time.	1	2	3	4	5	6	7	8
c	I usually use an online bill paying service(s).	1	2	3	4	5	6	7	8
d	I wish I had a better understanding of my finances.	1	2	3	4	5	6	7	8
e	I feel confident in my ability to solve financial problems that come up in my everyday life.	1	2	3	4	5	6	7	8
f	I wish I had better English reading and writing skills.	1	2	3	4	5	6	7	8

Thank you for helping with this important study.

Your participation will help the IRS improve its tax forms and instructions.

Please see an IE employee to check out and receive your honorarium.

## Appendix D: Testing Locations

The specific locations and dates for the testing sessions were as follows:

Atlanta, GA  
Date: March 2-6, 2009

Cambridge Building  
2965 Flowers Road South  
Atlanta, GA 30341

St. Louis, MO  
Date: May 4-8, 2009

Robert A. Young Federal Building  
1222 Spruce Street  
St. Louis, MO 63103

Boston, MA  
Date: June 8-12, 2009

JFK High Rise  
15 New Sudbury Street  
Boston, MA 02203

Seattle, WA  
Date: July 6-10, 2009

Henry Jackson Federal Building  
915 Second Avenue  
Seattle, WA 98174



## Appendix E: Multi City Scenarios

Name: Cameron Adams  
DOB: 08/15/1952  
SS#: 886-00-4805  
Employment: Teacher Assistant  
Marital Status: Legally separated  
Spouse's name (if any): Mackenzie Hood

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year:

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Mackenzie Adams	813-00-5076	03/05/1955	Wife
Isabel Adams	834-00-7406	05/03/1990	Daughter
Joshua Adams	834-00-4638	02/15/1992	Son

You work as a teacher assistant at your local elementary school. Even though you and your wife, Mackenzie, are legally married, due to previous financial problems, you refuse to file a joint tax return with your wife. Your children, Isabel and Joshua, live with you full time in the family home and you provide over 50% of their support. You elected to receive advance EIC this year. You and your children lived in the state of Georgia for the entire year and are U.S. Citizens. Georgia has a state income tax.

---

Name: Sally Brown  
DOB: 09/12/1935  
SS#: 876-00-4532  
Employment: Retired  
Marital Status: Single  
Spouse's name (if any): None

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year: NONE

You are retired. You receive income from pensions and social security and you do not work. You have lived in the state of Georgia in the same house for the last 20 years. You are a U.S. Citizen. Georgia has a state income tax.

---

Name: Ella Chapman  
DOB: 11/22/1969  
SS#: 827-00-1774  
Employment: Marketing Manager  
Marital Status: Married  
Spouse's name (if any): Derrick Chapman

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year:

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Derrick Chapman	842-00-6518	01/14/1963	Husband
Jasmine Chapman	827-00-1667	11/03/1988	Daughter
Ryan Chapman	827-00-1370	06/15/2001	Son

You are a marketing manager for a local company, your husband, Derrick, is a social worker. You have a savings account at your credit union which earns interest.

Your daughter, Jasmine, is attending the state college on a full tax-free scholarship. Jasmine lives at home and you provide all of her support. Your son, Ryan, also lives with you full time and you provide all of his support. You and your family have lived in the state of Georgia for 7 years. Georgia has a state income tax. You and your family are U.S. Citizens. Last year you received the full amount of the economic stimulus payment for your filing status and number of children.

You did not itemize your deductions last year, but you think you might save money if you itemize this year. The following is a summary of the applicable receipts and records you collected for itemizing your deductions:

Medical Expenses	\$1,750
Real Estate Taxes on your primary residence	\$2,846.73
Motor Vehicle Tax (value based)	\$92.19
Home Mortgage Interest	See 1098
Charitable contributions:	
Checks to local charity	\$420
(you have a statement from the charity)	
Clothing donation receipts fair market value	\$156
State income tax	See w-2

Name: Sierra Fillmore  
 DOB: 10/22/1961  
 SS#: 823-00-7621  
 Employment: Head Teller  
 Marital Status: Married  
 Spouse's name (if any): Jonathan Fillmore

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Jonathan Fillmore	891-00-3750	01/06/1958	Husband

You are a head teller for a local bank and your husband, Jonathan, is a part-time waiter. You have a savings account at your local bank that earns interest.

You and your husband both lived in the state of Georgia for the entire tax year and are U.S. Citizens, but you have not lived together for the past year and you have not supported your husband in the past year. You and Jonathan have decided to file your taxes separately this year. Jonathan has not filed his taxes yet, but will claim himself when he does. Georgia has a state income tax.

Name: Dana Grant  
 DOB: 05/26/1949  
 SS#: 840-00-9570  
 Employment: Management Assistant  
 Marital Status: Single

You are single and have no children. You are a management assistant for a vice president of a national paper company. You have a savings account at your local bank that earns interest.

You lived in the state of Georgia for the past 10 years. You are a U.S. Citizen. Georgia has a state income tax.

---

Name: Jeremy Green  
DOB: 11/20/1934  
SS#: 832-00-9384  
Employment: Retired  
Marital Status: Married  
Spouse's name (if any): Jessica Green

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year:

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Jessica Green	895-00-5193	05/13/1939	Wife

You are a retired autoworker and you receive income from your pension, your social security, and interest on your savings account. You are married to Jessica Green. You are both U.S. citizens and you live in the United States. You have no children. Because of financial problems caused by your first wife, you refuse to file a joint return with anyone, including Jessica. You will file your own tax return and claim an exemption for yourself. Jessica will file her own tax return and claim an exemption for herself. You are a resident of the state of Georgia which has a state income tax and a U.S. Citizen.

---

Name: Steve J. Harrison  
Employment: Service Technician  
DOB: 10/18/1966  
SS#: 809-00-9273  
Marital Status: Married  
Spouse's name (if any): Ruth Harrison

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year:

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Ruth Harrison	811-00-7881	06/28/1964	Spouse
Lydia Rogers	845-00-2630	05/03/1990	Daughter
Jacob Harrison	824-00-3450	02/15/1992	Son

You are a service technician for the local telephone company and your wife Ruth works part time at the book store. You have a small savings account at your credit union that earns interest. Lydia, Ruth's daughter, lives with you full time and you provide all of her support. Jacob, your son, also lives with you full time in the family home and you provide all of his support. You, your children and your spouse are all Georgia residents and U.S. Citizens. Georgia has a state income tax.

---

Name: David Hayes  
DOB: 05/26/1949  
SS#: 840-00-6874  
Employment: Claims Adjuster  
Marital Status: Single

You are single and have no children. You are a claims adjuster for a national insurance company. You have a savings account at your local bank that earns interest.

You lived in the state of Georgia for the past 10 years. You are a U.S. Citizen. Georgia has a state income tax. You did not itemize your deductions last year, but think you maybe able to this year. The following is a summary of the applicable receipts and records you collected for itemizing your deductions

Medical and Dental Expenses	\$985
Medical Premiums (deducted from your pay check pretax)	\$1,872
Motor Vehicle Tax (value based)	\$105
Home Property Tax	\$609
Mortgage Interest and Points	See 1098
State income tax	See W-2

---

Name: Mary J. Hood

DOB: 12/12/1966

SS#: 895-00-9015

Employment: Operator

Marital Status: Divorced

Spouse's name (if any): None

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year:

Name	SS#	DOB	Relationship
Lauren Salem	824-00-3571	05/03/1991	Daughter
William Hood	816-00-2643	02/15/1993	Son

You are employed as an operator at Bluefield Telecommunications, and this is your only source of income. Both of your children, Lauren and William, lived with you full time in the family home for the entire tax year. You are divorced and provide all of your children's support. You and your children lived in the state of Georgia all year and are U.S. Citizens. Georgia has a state income tax.

---

Name: Emily Jackson

DOB: 08/19/1974

SS#: 867-00-4371

Employment: Contracts Administrator

Marital Status: Single

You are single and have no children. You are a contracts administrator for a national transportation company. You have a savings account that earns interest at your local bank.

You lived in the state of Georgia for the entire tax year and are U.S. Citizens. Georgia has a state income tax. You have had long distance on your home phone for at least the last 10 years.

You did not itemize your deductions last year, but think you might be able to this year because you bought a condo for your primary residence. The following is a summary of the applicable receipts and records you collected for itemizing your deductions:

---

Medical and Dental Expenses	\$1,530
Medical Premiums (not payroll deducted pre-tax)	\$1,872
Motor Vehicle Tax (value based)	\$225
Home Property Tax	\$709
Mortgage Interest and points	See 1098
Charitable contributions:	
Checks to local charity (you have receipts)	\$ 575
State income tax	See W-2

---

Name: Ashley Madison  
 DOB: 02/16/1978  
 SS#: 898-00-4308  
 Employment: Student and Waitress  
 Marital Status: Single  
 Spouse's name (if any): None

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year: None

You are a full-time student at Georgia State and receive tax-free scholarships to pay for your school and living expenses. You work part-time as a waitress for extra money. Your checking account with the credit union earns interest. You do not live with your parents and they do not provide any of your support. You lived in the state of Georgia for the entire year and are a U.S. Citizen. Georgia has a state income tax.

---

Name: Troy H. McCook  
 DOB: 03/12/1935  
 SS#: 876-00-6251  
 Employment: Retired  
 Marital Status: Married  
 Spouse's name (if any): Yvonne A. Smith

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year:

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Yvonne A. Smith	853-00-2894	10/30/1940	Spouse
Ashley Fergus	867-00-7521	04/05/1995	Granddaughter

You and your wife, Yvonne, are both retired. You and your wife receive income from pensions and social security. Your granddaughter moved in with you in May of 2005 and you provide all of her support. You and your family lived in the state of Georgia for the entire year and are U.S. Citizens. Georgia has a state income tax.

---

Name: Kevin Pierce  
 DOB: 06/28/1967  
 SS#: 861-00-2460  
 Employment: Property Manager  
 Marital Status: Single (divorced)  
 Spouse's name (if any): None

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Jonathan Pierce	861-00-0657	05/11/1990	Son

You are a property manager for a local condominium community. You have a savings account at your bank that earns interest.

You are divorced and have full custody of your son who lives with full time. Your wife does not pay you child support or alimony. You and your son both lived in the state of Georgia for the entire tax year and are U.S. Citizens. Georgia has a state income tax.

You did not itemize your deductions last year. The following is a summary of the applicable receipts and records you collected for itemizing your deductions.

Medical and Dental Expenses	\$1,970
Medical Premiums (not payroll deducted pre-tax)	\$2,640
Prescription eyewear	\$320
Motor Vehicle Tax (value based)	\$270.62
Real Estate Taxes (value based)	\$1,500
Mortgage Interest	See 1098
State income tax	See W-2

Name: Nicholas Polk  
 DOB: 04/16/1969  
 SS#: 817-00-4376  
 Employment: Firefighter  
 Marital Status: Single (divorced)  
 Spouse's name (if any): None

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Megan Polk	817-00-9670	09/29/1990	Daughter

You are a firefighter for your local county. You have a savings account at your local bank which earns interest. You are divorced and have full custody of your daughter who lived with you for the entire year of 2006. Your wife does not pay you child support or alimony. You and your daughter have lived in the state of Georgia for the past 5 years and are U.S. Citizens. Georgia has a state income tax.

You did not itemize your deductions last year, but you think you may be able to itemize this year. The following is a summary of the applicable receipts and records you collected for itemizing your deductions:

Medical and Dental Expenses	\$843
Medical Premiums (deducted from your paycheck pre-tax)	\$2,640
Prescription eyewear	\$120
Motor Vehicle Tax (value based)	\$298
Real Estate Taxes (value based)	\$659
Mortgage Interest	See 1098
State income tax	See W-2

Name: Everett Taft  
 DOB: 11/22/1969  
 SS#: 827-00-6978  
 Employment: Warehouse Manager  
 Marital Status: Married



Spouse's name (if any): Sasha Taft

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year:

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Sasha Taft	842-00-6500	01/14/1963	Wife
Arabella Taft	827-00-1668	11/03/1988	Daughter
Lucas Taft	827-00-1371	06/15/2001	Son

You are a warehouse manager for a local company, your wife, Sasha, is a pastry chef. You have a savings account at your credit union which earns interest.

Your daughter, Arabella, is attending the state college on a full tax-free scholarship. Arabella lives at home and you provide all of her support. Your son, Lucas, also lives with you full time and you provide all of his support. You and your family have lived in the state of Georgia for the 7 years. Georgia has a state income tax. You and your family are U.S. Citizens.

---

Name: Andrew Thornton

DOB: 03/12/1935

SS#: 876-00-6987

Employment: Retired

Marital Status: Single

Spouse's name (if any): None

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year:

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Elizabeth Monroe	876-00-2001	04/05/1995	Granddaughter

You are retired. You receive income from pensions and social security. Your granddaughter moved in with you in May of 2005 and you provide all of her support. You have lived in the state of Georgia for the past 40 years and are a U.S. Citizen. Georgia has a state income tax.

---

Name: Parker Truman

DOB: 09/17/1970

SS#: 849-00-9507

Employment: Assistant Manager

Marital Status: Married

Spouse's name (if any): Jessica Truman

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Jessica Truman	882-00-6671	06/23/1965	Wife

You are an assistant manager for a grocery store and your wife, Jessica, is a human resources manger. You have a savings account at your credit union which earns interest.

You and your wife both lived in the state of Georgia, for the entire tax year and are U.S. Citizens, but you have not lived together for the past year and you have not supported her. Jessica has already filed her taxes she claimed herself and itemized her deductions. Georgia has a state income tax. Last year you received the full amount of the economic stimulus payment for your filing status and number of children.

You did not itemize your deductions last year. The following is a summary of the applicable receipts and records you collected for itemizing your deductions:

Medical and Dental Expenses	\$2,350
Medical Premiums (not payroll deducted pre-tax)	\$2,448
Prescription eyewear	\$320
Motor Vehicle Tax (value based)	\$309
Charitable contributions:	
Checks to local charity	\$875
(you have a statement from the charity)	
State income tax	See W-2

Name: Carla Tyler  
 DOB: 10/22/1959  
 SS#: 823-00-1267  
 Employment: Loan Processor  
 Marital Status: Married  
 Spouse's name (if any): Brent Tyler

Name	SS#	DOB	Relationship
Brent Tyler	891-00-3746	01/06/1956	Husband

You are a loan processor for a local bank and your husband, Brent, is a part-time waiter. You have a savings account at your local bank that earns interest.

You and your husband both lived in the state of Georgia for the entire tax year and are U.S. Citizens, but you have not lived together for the past year and you have not supported your husband in the past year. You and Brent have decided to file your taxes separately this year. Brent has not filed his taxes yet, but will claim himself when he does. Georgia has a state income tax. Last year you received the full amount of the economic stimulus payment for your filing status.

You did not itemize your deductions last year, but think you may be able to this year. The following is a summary of the applicable receipts and records you collected for itemizing your deductions:

Medical and Dental Expenses	\$1,475
Medical Premiums (not payroll deducted pre-tax)	\$936
Motor Vehicle Tax (value based)	\$187.26
Charitable contributions:	
Checks to local charity	\$450
(you have a statement from the charity)	
State income tax	See W-2

Name: John T. Washington  
 DOB: 11/22/1965  
 SS#: 837-00-5631  
 Employment: Plumber  
 Marital Status: Married  
 Spouse's name (if any): Brenda Washington

People who lived in the house with you and anyone living outside of your home that you or your spouse (if any) supported during the tax year:

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Brenda Washington	813-00-4537	01/14/1967	Wife
Lydia Washington	805-00-1379	11/03/1987	Daughter
Bryce Washington	805-00-5136	06/15/2000	Son

You are a plumber for a local company, your wife Brenda is a stay at home wife. You have a checking account at your credit union and your wife has a money market account at a local bank, both accounts earn interest.

Your daughter, Lydia, is attending the local community college on a full tax-free scholarship. Lydia lives at home and you provide all of her support. Your son, Bryce, also lives with you full time and you provide all of his support. You, your wife and your children lived in the state of Georgia for the entire tax year and are U.S. Citizens. Georgia has a state income tax. Last year you received the full amount of the economic stimulus payment for your filing status and number of children.

You did not itemize your deductions last year, but you think you will save money if you itemize this year. The following is a summary of the applicable receipts and records you collected for itemizing your deductions:

Medical Expenses	\$1,750
Real Estate Taxes on your primary residence	\$3,750.69
Motor Vehicle Tax (value based)	\$92.19
Home Mortgage Interest	See 1098
Charitable contributions:	
Checks to local charity	\$360
(you have a statement from the charity)	
Clothing donation receipts fair market value	\$327
State income tax	See W-2

Name: Russell Wilson  
 DOB: 04/16/1969  
 SS#: 817-00-6734  
 Employment: Recruiter  
 Marital Status: Single (divorced)  
 Spouse's name (if any): None

<u>Name</u>	<u>SS#</u>	<u>DOB</u>	<u>Relationship</u>
Robin Wilson	817-00-9680	09/29/1990	Daughter

You are a recruiter for a local company. You have a savings account at your local bank which earns interest. You are divorced and have full custody of your daughter who lived with you for the entire year of 2006. Your wife does not pay you child support or alimony. You and your daughter have lived in the state of Georgia for the past 5 years and are U.S. Citizens. Georgia has a state income tax.

## Appendix F: Effect of Service on Return Accuracy

Overall Effect of Assistance on Compliance for All Scenario Types *			
	Service Used	Service Not Used	Total
Correct Return **	47	207	254
Incorrect Return	170	603	773
Total	217	810	1,027

$p = .14$  \*\*\*

\* Fisher's exact tests were conducted to determine the effect of service use through contingency tables.

\*\* A tax return with all five critical lines (AGI, Taxable Income, Total Tax, Total Payments, and Overpaid / Amount Owed) correct.

\*\*\* Difference was considered significant if  $p < .05$ .

Analysis of Absolute Error for Service Used vs. Service Not Used for All Scenario Types *			
		Service Used	Service Not Used
AGI	N **	215	808
	Average Absolute Error	\$1,045	\$1,169
	Variance	\$4,149	\$4,675
	Sig.	$p = .53$ ***	
Taxable Income	N	215	801
	Average Absolute Error	\$3,203	\$2,963
	Variance	\$6,324	\$5,749
	Sig.	$p = .38$	
Total Tax	N	198	730
	Average Absolute Error	\$885	\$1,185
	Variance	\$2,088	\$3,808
	Sig.	$p = .09$	
Total Payments	N	217	808
	Average Absolute Error	\$298	\$276
	Variance	\$803	\$861
	Sig.	$p = .64$	
Overpaid / Amount Owed	N	171	613
	Average Absolute Error	\$748	\$766
	Variance	\$1,742	\$1,936
	Sig.	$p = .87$	

\* Independent samples t-tests were conducted to test the difference between absolute error for participants who used any service type, versus those who did not use any service type, regardless of eligibility for service (walk-in only, telephone only, internet only, all service types, or no service type).

\*\* Number of participants with an entry for this line. Frequencies vary within groups due to participants leaving certain lines empty on their returns.

\*\*\* Differences were considered significant if  $p < .05$ .

## Appendix G: 2008 Social Security Benefits Worksheet

Form 1040—Lines 20a and 20b

### Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records



- Before you begin:**
- ✓ Complete Form 1040, lines 21 and 23 through 32, if they apply to you.
  - ✓ Figure any write-in adjustments to be entered on the dotted line next to line 36 (see the instructions for line 36 on page 34).
  - ✓ If you are married filing separately and you lived apart from your spouse for all of 2008, enter "D" to the right of the word "benefits" on line 20a. If you do not, you may get a math error notice from the IRS.
  - ✓ Be sure you have read the **Exception** on page 26 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.

<p>1. Enter the total amount from <b>box 5</b> of <b>all</b> your <b>Forms SSA-1099</b> and <b>Forms RRB-1099</b>. Also, enter this amount on Form 1040, line 20a . . . . .</p> <p>2. Enter one-half of line 1 . . . . .</p> <p>3. Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21 . . . . .</p> <p>4. Enter the amount, if any, from Form 1040, line 8b . . . . .</p> <p>5. Add lines 2, 3, and 4 . . . . .</p> <p>6. Enter the total of the amounts from Form 1040, lines 23 through 32, plus any write-in adjustments you entered on the dotted line next to line 36 . . . . .</p> <p>7. Is the amount on line 6 less than the amount on line 5?</p> <p><input type="checkbox"/> <b>No.</b>  None of your social security benefits are taxable. Enter -0- on Form 1040, line 20b.</p> <p><input type="checkbox"/> <b>Yes.</b> Subtract line 6 from line 5 . . . . .</p> <p>8. If you are:</p> <ul style="list-style-type: none"> <li>• Married filing jointly, enter \$32,000</li> <li>• Single, head of household, qualifying widow(er), or married filing separately and you <b>lived apart</b> from your spouse for all of 2008, enter \$25,000</li> <li>• Married filing separately and you lived with your spouse at any time in 2008, skip lines 8 through 15; multiply line 7 by 85% (.85) and enter the result on line 16. Then go to line 17</li> </ul> <p>9. Is the amount on line 8 less than the amount on line 7?</p> <p><input type="checkbox"/> <b>No.</b>  None of your social security benefits are taxable. Enter -0- on Form 1040, line 20b. If you are married filing separately and you <b>lived apart</b> from your spouse for all of 2008, be sure you entered "D" to the right of the word "benefits" on line 20a.</p> <p><input type="checkbox"/> <b>Yes.</b> Subtract line 8 from line 7 . . . . .</p> <p>10. Enter: \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you <b>lived apart</b> from your spouse for all of 2008 . . . . .</p> <p>11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . .</p> <p>12. Enter the <b>smaller</b> of line 9 or line 10 . . . . .</p> <p>13. Enter one-half of line 12 . . . . .</p> <p>14. Enter the <b>smaller</b> of line 2 or line 13 . . . . .</p> <p>15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .</p> <p>16. Add lines 14 and 15 . . . . .</p> <p>17. Multiply line 1 by 85% (.85) . . . . .</p> <p>18. <b>Taxable social security benefits.</b> Enter the <b>smaller</b> of line 16 or line 17. Also enter this amount on Form 1040, line 20b . . . . .</p>	<p>1. <input style="width: 100px;" type="text"/></p> <p>2. <input style="width: 100px;" type="text"/></p> <p>3. <input style="width: 100px;" type="text"/></p> <p>4. <input style="width: 100px;" type="text"/></p> <p>5. <input style="width: 100px;" type="text"/></p> <p>6. <input style="width: 100px;" type="text"/></p> <p>7. <input style="width: 100px;" type="text"/></p> <p>8. <input style="width: 100px;" type="text"/></p> <p>9. <input style="width: 100px;" type="text"/></p> <p>10. <input style="width: 100px;" type="text"/></p> <p>11. <input style="width: 100px;" type="text"/></p> <p>12. <input style="width: 100px;" type="text"/></p> <p>13. <input style="width: 100px;" type="text"/></p> <p>14. <input style="width: 100px;" type="text"/></p> <p>15. <input style="width: 100px;" type="text"/></p> <p>16. <input style="width: 100px;" type="text"/></p> <p>17. <input style="width: 100px;" type="text"/></p> <p>18. <input style="width: 100px;" type="text"/></p>
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**TIP** If any of your benefits are taxable for 2008 and they include a lump-sum benefit payment that was for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.



## Appendix H: 2008 EIC Instructions

Form 1040—Lines 64a and 64b

### Lines 64a and 64b— Earned Income Credit (EIC)

#### What Is the EIC?

The EIC is a credit for certain people who work. The credit may give you a refund even if you do not owe any tax.



*Special rules may apply for people who had to relocate because of the storms, tornadoes, or flooding in a Midwestern disaster area. For details, see Pub. 4492-B.*

#### To Take the EIC:

- Follow the steps below.
- Complete the worksheet that applies to you or let the IRS figure the credit for you.
- If you have a qualifying child, complete and attach Schedule EIC.



For help in determining if you are eligible for the EIC, go to [www.irs.gov/eitc](http://www.irs.gov/eitc) and click on "EIC Assistant." This service is available in English and Spanish.





*If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. See Form 8862, who must file, that begins on page 50. You may also have to pay penalties.*



#### Step 1 All Filers

- If, in 2009:
  - 3 or more children lived with you, is the amount on Form 1040, line 38, less than \$43,279 (\$48,279 if married filing jointly)?
  - 2 children lived with you, is the amount on Form 1040, line 38, less than \$40,295 (\$45,295 if married filing jointly)?
  - 1 child lived with you, is the amount on Form 1040, line 38, less than \$35,463 (\$40,463 if married filing jointly)?
  - No children lived with you, is the amount on Form 1040, line 38, less than \$13,440 (\$18,440 if married filing jointly)?



☐ **Yes.** Continue  ☐ **No.**  You cannot take the credit.
- Do you, and your spouse if filing a joint return, have a social security number that allows you to work or is valid for EIC purposes (see page 51)?
 

☐ **Yes.** Continue  ☐ **No.**  You cannot take the credit. Enter "No" on the dotted line next to line 64a.

- Is your filing status married filing separately?
 

☐ **Yes.**  You cannot take the credit. ☐ **No.** Continue 

- Are you filing Form 2555 or 2555-EZ (relating to foreign earned income)?
 

☐ **Yes.**  You cannot take the credit. ☐ **No.** Continue 

- Were you or your spouse a nonresident alien for any part of 2009?
 

☐ **Yes.** See *Nonresident aliens* on page 51. ☐ **No.** Go to Step 2.

#### Step 2 Investment Income


- Add the amounts from Form 1040:


Line 8a		_____
Line 8b	+	_____
Line 9a	+	_____
Line 13*	+	_____

Investment Income =

\*If line 13 is a loss, enter -0-.

- Is your investment income more than \$3,100?
 

☐ **Yes.** Continue  ☐ **No.** Skip question 3; go to question 4.
- Are you filing Form 4797 (relating to sales of business property)?
 

☐ **Yes.** See *Form 4797 filers* on page 50. ☐ **No.**  You cannot take the credit.
- Do any of the following apply for 2009?
  - You are filing Schedule E.
  - You are a member of a qualified joint venture that is a passive activity reporting rental real estate income not subject to self-employment tax on Schedule C or C-EZ.
  - You are reporting income from the rental of personal property not used in a trade or business.
  - You are reporting income on Form 1040, line 21, from Form 8814 (relating to election to report child's interest and dividends).

☐ **Yes.** You must use Worksheet 1 in Pub. 596 to see if you can take the credit. ☐ **No.** Go to Step 3.

Form 1040—Lines 64a and 64b

Continued from page 48

**Step 3 Qualifying Child****A qualifying child for the EIC is a child who is your...**

Son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild, niece, or nephew)

**AND**

was ...

Under age 19 at the end of 2009 and younger than you (or your spouse, if filing jointly)

or

Under age 24 at the end of 2009, a student (see page 51), and younger than you (or your spouse, if filing jointly)

or

Any age and permanently and totally disabled (see page 51)

**AND**

Who is not filing a joint return for 2009 (or is filing a joint return for 2009 only as a claim for refund)

**AND**

Who lived with you in the United States for more than half of 2009.

If the child did not live with you for the required time, see *Exception to time lived with you* on page 50.



*If the child meets the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2009, or the child was married, see page 51.*

1. Do you have at least one child who meets the conditions to be your qualifying child?

- ☐ **Yes.** The child must have a valid social security number (SSN) as defined on page 51 unless the child was born and died in 2009. If at least one qualifying child has a valid SSN (or was born or died in 2009), go to question 2. Otherwise, you cannot take the credit.
- ☐ **No.** Skip question 2; go to Step 4.

2. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2009?

☐ **Yes.** You cannot take the credit. Enter "No" on the dotted line next to line 64a.

☐ **No.** Skip Step 4; go to Step 5 on page 50.

**Step 4 Filers Without a Qualifying Child**

1. Is the amount on Form 1040, line 38, less than \$13,440 (\$18,440 if married filing jointly)?

☐ **Yes.** Continue

☐ **No.** You cannot take the credit.

2. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2009?

☐ **Yes.** You cannot take the credit. Enter "No" on the dotted line next to line 64a.

☐ **No.** Continue

3. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 2009 tax return?

☐ **Yes.** You cannot take the credit.

☐ **No.** Continue

4. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 2009? If your spouse died in 2009, see Pub. 596 before you answer.

☐ **Yes.** Continue

☐ **No.** You cannot take the credit.

5. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2009? Members of the military stationed outside the United States, see page 51 before you answer.

☐ **Yes.** Go to Step 5 on page 50.

☐ **No.** You cannot take the credit. Enter "No" on the dotted line next to line 64a.



Form 1040—Lines 64a and 64b

Continued from page 49

**Step 5 Earned Income**

1. Are you filing Schedule SE because you were a member of the clergy or you had church employee income of \$108.28 or more?

☐ **Yes.** See *Clergy or Church employees*, whichever applies, on this page. ☐ **No.** Continue →

2. Figure earned income:

Form 1040, line 7

Subtract, if included on line 7, any:

- Taxable scholarship or fellowship grant not reported on a Form W-2.
- Amount received for work performed while an inmate in a penal institution (enter "PRI" and the amount subtracted on the dotted line next to Form 1040, line 7).
- Amount received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan (enter "DFC" and the amount subtracted on the dotted line next to Form 1040, line 7). This amount may be shown in box 11 of Form W-2. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity.

Add all of your nontaxable combat pay if you elect to include it in earned income. Also enter this amount on Form 1040, line 64b. See *Combat pay, nontaxable* on this page.



**Caution** Electing to include nontaxable combat pay may increase or decrease your EIC. Figure the credit with and without your nontaxable combat pay before making the election.

**Earned Income** =

3. Were you self-employed at any time in 2009, or are you filing Schedule SE because you were a member of the clergy or you had church employee income, or are you filing Schedule C or C-EZ as a statutory employee?

☐ **Yes.** Skip question 4 and Step 6; go to Worksheet B on page 53. ☐ **No.** Continue →

4. If you have:

- 3 or more qualifying children, is your earned income less than \$43,279 (\$48,279 if married filing jointly)?
- 2 qualifying children, is your earned income less than \$40,295 (\$45,295 if married filing jointly)?
- 1 qualifying child, is your earned income less than \$35,463 (\$40,463 if married filing jointly)?

- No qualifying children, is your earned income less than \$13,440 (\$18,440 if married filing jointly)?

☐ **Yes.** Go to Step 6.

☐ **No.** **STOP**

You cannot take the credit.

**Step 6 How To Figure the Credit**

1. Do you want the IRS to figure the credit for you?

☐ **Yes.** See *Credit figured by the IRS* on this page.

☐ **No.** Go to Worksheet A on page 52.

**Definitions and Special Rules**

**Adopted child.** An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

**Church employees.** Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 5a. Subtract that amount from the amount on Form 1040, line 7, and enter the result in the first space of Step 5, line 2. Be sure to answer "Yes" to question 3 in Step 5.

**Clergy.** The following instructions apply to ministers, members of religious orders who have not taken a vow of poverty, and Christian Science practitioners. If you are filing Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7:

1. Enter "Clergy" on the dotted line next to Form 1040, line 64a.
2. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 2.
3. Subtract that amount from the amount on Form 1040, line 7. Enter the result in the first space of Step 5, line 2.
4. Be sure to answer "Yes" to question 3 in Step 5.

**Combat pay, nontaxable.** If you were a member of the U.S. Armed Forces who served in a combat zone, certain pay is excluded from your income. See *Combat Zone Exclusion* in Pub. 3. You can elect to include this pay in your earned income when figuring the EIC. The amount of your nontaxable combat pay should be shown in box 12 of Form(s) W-2 with code Q. If you are filing a joint return and both you and your spouse received nontaxable combat pay, you can each make your own election.

**Credit figured by the IRS.** To have the IRS figure your EIC:

1. Enter "EIC" on the dotted line next to Form 1040, line 64a.
2. Be sure you enter the nontaxable combat pay you elect to include in earned income on Form 1040, line 64b. See *Combat pay, nontaxable* above.
3. If you have a qualifying child, complete and attach Schedule EIC. If your EIC for a year after 1996 was reduced or disallowed, see Form 8862, who must file below.

**Exception to time lived with you.** Temporary absences by you or the child for special circumstances, such as school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time the child lived with you. Also see *Kidnapped child* on page 19 or *Members of the military* on page 51. A child is considered to have lived with you for all of 2009 if the child was born or died in 2009 and your home was this child's home for the entire time he or she was alive in 2009.

**Form 4797 filers.** If the amount on Form 1040, line 13, includes an amount from Form 4797, you must use Worksheet 1 in Pub. 596 to see if you can take the EIC. Otherwise, stop; you cannot take the EIC.

**Form 8862, who must file.** You must file Form 8862 if your EIC for a year after 1996 was reduced or disallowed for any reason other


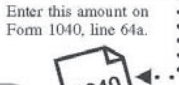
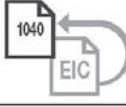

Need more information or forms? See page 96.

- 50 -

## Appendix I: 2008 EIC Worksheet A

### Worksheet **A**—Earned Income Credit (EIC)—Lines 64a and 64b *Keep for Your Records*

**Before you begin:** ✓ Be sure you are using the correct worksheet. Use this worksheet only if you answered “No” to Step 5, question 3, on page 50. Otherwise, use Worksheet B that begins on page 53.

<b>Part 1</b>	<p>1. Enter your earned income from Step 5 on page 50. <span style="border: 1px solid black; padding: 2px 20px;">1</span></p> <p>2. Look up the amount on line 1 above in the EIC Table on pages 55–71 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. <span style="border: 1px solid black; padding: 2px 20px;">2</span></p> <p>If line 2 is zero,  You cannot take the credit. Enter “No” on the dotted line next to line 64a.</p> <p>3. Enter the amount from Form 1040, line 38. <span style="border: 1px solid black; padding: 2px 20px;">3</span></p> <p>4. Are the amounts on lines 3 and 1 the same?</p> <p><input type="checkbox"/> <b>Yes.</b> Skip line 5; enter the amount from line 2 on line 6.</p> <p><input type="checkbox"/> <b>No.</b> Go to line 5.</p>
<b>Part 2</b> <b>Filers Who Answered “No” on Line 4</b>	<p>5. If you have:</p> <ul style="list-style-type: none"> <li>• No qualifying children, is the amount on line 3 less than \$7,500 (\$12,500 if married filing jointly)?</li> <li>• 1 or more qualifying children, is the amount on line 3 less than \$16,450 (\$21,450 if married filing jointly)?</li> </ul> <p><input type="checkbox"/> <b>Yes.</b> Leave line 5 blank; enter the amount from line 2 on line 6.</p> <p><input type="checkbox"/> <b>No.</b> Look up the amount on line 3 in the EIC Table on pages 55–71 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. <span style="border: 1px solid black; padding: 2px 20px;">5</span></p> <p>Look at the amounts on lines 5 and 2. Then, enter the <b>smaller</b> amount on line 6.</p>
<b>Part 3</b> <b>Your Earned Income Credit</b>	<p>6. This is your earned income credit. <span style="border: 1px solid black; padding: 2px 20px;">6</span></p> <p>Enter this amount on Form 1040, line 64a. </p> <p><b>Reminder—</b></p> <p>✓ If you have a qualifying child, complete and attach Schedule EIC. </p> <p> <b>CAUTION</b> If your EIC for a year after 1996 was reduced or disallowed, see page 50 to find out if you must file Form 8862 to take the credit for 2009.</p>

## Appendix J: 2008 CTC Worksheet

### Child Tax Credit Worksheet—Line 52

*Keep for Your Records*


- To be a qualifying child for the child tax credit, the child must be **under age 17** at the end of 2008 and meet the other requirements listed on page 17.
- **Do not** use this worksheet if you answered “Yes” to question 1, 2, or 3 on page 42. Instead, use Pub. 972.

1. Number of qualifying children: \_\_\_\_\_ × \$1,000.  
Enter the result.

1

2. Enter the amount from Form 1040, line 46.

2

3. Add the amounts from Form 1040:

Line 47 \_\_\_\_\_

Line 48 + \_\_\_\_\_

Line 49 + \_\_\_\_\_

Line 50 + \_\_\_\_\_

Line 51 + \_\_\_\_\_ Enter the total.

3

4. Are the amounts on lines 2 and 3 the same?

☐ **Yes.**

You cannot take this credit because there is no tax to reduce. However, you may be able to take the **additional child tax credit**. See the **TIP** below.

☐ **No.** Subtract line 3 from line 2.

4

5. Is the amount on line 1 more than the amount on line 4?

☐ **Yes.** Enter the amount from line 4. Also, you may be able to take the **additional child tax credit**. See the **TIP** below.

☐ **No.** Enter the amount from line 1.

**This is your child tax credit.**

5

Enter this amount on Form 1040, line 52.



You may be able to take the **additional child tax credit** on Form 1040, line 66, if you answered “Yes” on line 4 or line 5 above.

- First, complete your Form 1040 through line 65.
- Then, use Form 8812 to figure any additional child tax credit.



# Appendix K: 2008 Form 8812, Additional Child Tax Credit

Form <div style="font-size: 2em; font-weight: bold;">8812</div>	<div style="font-size: 1.5em; font-weight: bold;">Additional Child Tax Credit</div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">             1040 1040A 1040NR           </div> <div style="font-size: 1.5em; font-weight: bold; margin-top: 10px;">8812</div>	OMB No. 1545-0074  <div style="font-size: 2em; font-weight: bold;">2008</div> Attachment Sequence No. <b>47</b>
Department of the Treasury Internal Revenue Service (99)		Complete and attach to Form 1040, Form 1040A, or Form 1040NR.	
Name(s) shown on return		Your social security number	

Part I All Filers

<p><b>1</b> Enter the amount from line 1 of your Child Tax Credit Worksheet on page 43 of the Form 1040 instructions, page 38 of the Form 1040A instructions, or page 19 of the Form 1040NR instructions. If you used Pub. 972, enter the amount from line 8 of the worksheet on page 4 of the publication . . . . .</p> <p><b>2</b> Enter the amount from Form 1040, line 52, Form 1040A, line 33, or Form 1040NR, line 47 . . . . .</p> <p><b>3</b> Subtract line 2 from line 1. If zero, <b>stop</b>; you cannot take this credit . . . . .</p> <p><b>4a</b> Earned income (see instructions on back). If your main home was in a Midwestern disaster area when the disaster occurred, and you are electing to use your 2007 earned income, check here . . . . . <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">4a</span></p> <p><b>b</b> Nontaxable combat pay (see instructions on back) . . . . . <span style="border: 1px solid black; padding: 0 5px;">4b</span></p> <p><b>5</b> Is the amount on line 4a more than \$8,500?  <input type="checkbox"/> <b>No.</b> Leave line 5 blank and enter -0- on line 6.  <input type="checkbox"/> <b>Yes.</b> Subtract \$8,500 from the amount on line 4a. Enter the result . . . . . <span style="border: 1px solid black; padding: 0 5px;">5</span></p> <p><b>6</b> Multiply the amount on line 5 by 15% (.15) and enter the result . . . . . <span style="border: 1px solid black; padding: 0 5px;">6</span>  <b>Next.</b> Do you have three or more qualifying children?  <input type="checkbox"/> <b>No.</b> If line 6 is zero, stop; you cannot take this credit. Otherwise, skip Part II and enter the <b>smaller</b> of line 3 or line 6 on line 13.  <input type="checkbox"/> <b>Yes.</b> If line 6 is equal to or more than line 3, skip Part II and enter the amount from line 3 on line 13. Otherwise, go to line 7.</p>	<div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">1</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">2</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">3</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">4a</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">4b</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">5</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">6</div>
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Part II Certain Filers Who Have Three or More Qualifying Children

<p><b>7</b> Withheld social security and Medicare taxes from Form(s) W-2, boxes 4 and 6. If married filing jointly, include your spouse's amounts with yours. If you worked for a railroad, see instructions on back . . . . .</p> <p><b>8</b> <b>1040 filers:</b> Enter the total of the amounts from Form 1040, lines 27 and 58, plus any taxes that you identified using code "UT" and entered on the dotted line next to line 61.  <b>1040A filers:</b> Enter -0-.  <b>1040NR filers:</b> Enter the total of the amounts from Form 1040NR, line 53, plus any taxes that you identified using code "UT" and entered on the dotted line next to line 57.</p> <p><b>9</b> Add lines 7 and 8 . . . . .</p> <p><b>10</b> <b>1040 filers:</b> Enter the total of the amounts from Form 1040, lines 64a and 65.  <b>1040A filers:</b> Enter the total of the amount from Form 1040A, line 40a, plus any excess social security and tier 1 RRTA taxes withheld that you entered to the left of line 43 (see instructions on back).  <b>1040NR filers:</b> Enter the amount from Form 1040NR, line 60.</p> <p><b>11</b> Subtract line 10 from line 9. If zero or less, enter -0- . . . . .</p> <p><b>12</b> Enter the <b>larger</b> of line 6 or line 11 . . . . .  <b>Next,</b> enter the <b>smaller</b> of line 3 or line 12 on line 13.</p>	<div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">7</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">8</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">9</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">10</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">11</div> <div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">12</div>
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Part III Additional Child Tax Credit

<p><b>13</b> This is your additional child tax credit . . . . .</p>	<div style="border: 1px solid black; height: 100px; margin-bottom: 10px;">13</div>
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1040  
1040A  
1040NR

Enter this amount on  
 Form 1040, line 66,  
 Form 1040A, line 41, or  
 Form 1040NR, line 61.



## Appendix L: 2008 Schedule A

SCHEDULES A&B (Form 1040)		Schedule A—Itemized Deductions (Schedule B is on back)		OMB No. 1545-0074 <b>2008</b> Attachment Sequence No. 07	
Department of the Treasury Internal Revenue Service (99)		▶ Attach to Form 1040. ▶ See instructions for Schedules A&B (Form 1040).		Your social security number	
Name(s) shown on Form 1040					
<b>Medical and Dental Expenses</b>	Caution. Do not include expense reimbursed or paid by others.				
1	Medical and dental expenses (see page A-1)	1			
2	Enter amount from Form 1040, line 38	2			
3	Multiply line 2 by 7.5% (.075)	3			
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4	
<b>Taxes You Paid</b> <small>(See page A-2.)</small>	5 State and local (check only one box): a <input type="checkbox"/> Income taxes, or b <input type="checkbox"/> General sales taxes		5		
	6 Real estate taxes (see page A-5)	6			
	7 Personal property taxes	7			
	8 Other taxes. List type and amount ▶	8			
	9 Add lines 5 through 8			9	
<b>Interest You Paid</b> <small>(See page A-5.)</small>	10 Home mortgage interest and points reported to you on Form 1098		10		
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-6 and show that person's name, identifying no., and address ▶		11		
Note. Personal interest is not deductible.	12 Points not reported to you on Form 1098. See page A-6 for special rules		12		
	13 Qualified mortgage insurance premiums (see page A-6)		13		
	14 Investment interest. Attach Form 4952 if required. (See page A-6.)		14		
	15 Add lines 10 through 14				15
<b>Gifts to Charity</b> <small>If you made a gift and got a benefit for it, see page A-7.</small>	16 Gifts by cash or check. If you made any gift of \$250 or more, see page A-7		16		
	17 Other than by cash or check. If any gift of \$250 or more, see page A-8. You must attach Form 8283 if over \$500		17		
	18 Carryover from prior year		18		
	19 Add lines 16 through 18				19
<b>Casualty and Theft Losses</b>	20 Casualty or theft loss(es). Attach Form 4684. (See page A-8.)				20
<b>Job Expenses and Certain Miscellaneous Deductions</b> <small>(See page A-9.)</small>	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-9.) ▶		21		
	22 Tax preparation fees		22		
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶		23		
	24 Add lines 21 through 23		24		
	25 Enter amount from Form 1040, line 38		25		
	26 Multiply line 25 by 2% (.02)		26		
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-				27
<b>Other Miscellaneous Deductions</b>	28 Other—from list on page A-10. List type and amount ▶				28
<b>Total Itemized Deductions</b>	29 Is Form 1040, line 38, over \$159,950 (over \$79,975 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-10 for the amount to enter.				29
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>				

## Appendix M: 2008 Standard Deduction Worksheet

Form 1040—Line 40

### Itemized Deductions

To figure your itemized deductions, fill in Schedule A.

### Standard Deduction



*If you checked the box on line 39b, your standard deduction is zero, even if you were born before January 2, 1944, were*

*blind, paid real estate taxes, or had a net disaster loss.*

Most people can find their standard deduction by looking at the amounts listed under "All others" to the left of Form 1040, line 40. But use the worksheet below to figure your standard deduction if:

- You, or your spouse if filing jointly, can be claimed as a dependent on someone's 2008 return,

- You checked any box on line 39a,
- You paid state or local real estate taxes in 2008, or
- You have a net disaster loss on Form 4684, line 18a.

### Standard Deduction Worksheet—Line 40

Keep for Your Records



**A** Do not complete this worksheet if you checked the box on line 39b; your standard deduction is zero.

1. Enter the amount shown below for your filing status.	
<ul style="list-style-type: none"> <li>• Single or married filing separately—\$5,450</li> <li>• Married filing jointly or Qualifying widow(er)—\$10,900</li> <li>• Head of household—\$8,000</li> </ul>	1. <input type="text"/>
2. Can you (or your spouse if filing jointly) be claimed as a dependent?	
<input type="checkbox"/> <b>No.</b> Skip line 3; enter the amount from line 1 on line 4. <input type="checkbox"/> <b>Yes.</b> Go to line 3.	
3. Is your <b>earned income</b> * more than \$600?	
<input type="checkbox"/> <b>Yes.</b> Add \$300 to your earned income. Enter the total <input type="checkbox"/> <b>No.</b> Enter \$900	3. <input type="text"/>
4. Enter the <b>smaller</b> of line 1 or line 3.	4. <input type="text"/>
5. If born before January 2, 1944, or blind, multiply the number on Form 1040, line 39a, by \$1,050 (\$1,350 if single or head of household). Otherwise, enter -0-	5. <input type="text"/>
6. Enter any net disaster loss from Form 4684, line 18a. If more than zero, check the box on Form 1040, line 39c	6. <input type="text"/>
7. Enter the state and local real estate taxes you paid that would be deductible on Schedule A, line 6, if you were itemizing your deductions. See the instructions for Schedule A, line 6. Do not include foreign real estate taxes	7. <input type="text"/>
8. Enter \$500 (\$1,000 if married filing jointly)	8. <input type="text"/>
9. Enter the <b>smaller</b> of line 7 or line 8. If more than zero, check the box on Form 1040, line 39c	9. <input type="text"/>
10. Add lines 4, 5, 6, and 9. Enter the total here and on Form 1040, line 40.	10. <input type="text"/>

\* **Earned income** includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 18, minus the amount, if any, on line 27.