



2002 Meeting Minutes

SB/SE Fair Compliance (Schedule C Non-filers) Committee Meetings

- December 10, 2002
 - November 12, 2002
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SB/SE Fair Compliance (Schedule C Non-filers) Committee Meeting Minutes

December 10, 2002

The SBSE Fair Compliance (Schedule C Non-Filers) Committee met via teleconference on Tuesday, December 10, 2002.

Members in Attendance:

- Patrick Castleberry, Edmond OK
- Richard Cormier, Manassa, CO
- Walter Fish, Bellmore, NY
- Chris Forzano, Vancouver, WA
- Richard Greenberg, Hinsdale, IL
- Edward Hanna, Tampa, FL
- Manning Mosley, Wayne, PA
- Paul Nagel, Chair, Glen Cove, NY
- Owen Oatley, Holly Hill, FL
- Mary Peterson O'Brien, Designated Federal Official
- Charles Taylor, Lancaster, CA

Other Attendees:

- Dan Nally, Director of Filing Compliance
- Susan Leatherman, SBSE Program Analyst
- Margie Kinney, Chief of Special Projects
- Judi Nicholas, TAP Program Manager
- Marla Ofilas, Note taker

Welcome/Announcements/Review Agenda

Paul Nagel opened the business meeting. Paul welcomed all members. For the purpose of discussion, Paul asked all panel members to reference the handout given out at the orientation and resent via email by Mary O'Brien. The handout prepared by the IRS SSB/SE Issue program owner gave a brief background and explanation of the Issue.

Mary briefly explained and clarified what a program owner was. The program owner is the IRS employee in charge of planning and directing the program and has developed the issue for pre-decisional input from the Taxpayer Advocacy Panel.



Roll Call

Mary took roll call of all panel members present on the call.

Focus for Schedule C Non- Filers

Paul introduced Dan Nally, Program Owner for Schedule C Non-Filers. He reviewed and gave a brief background of the issue.

- Schedule C self-employed individuals are required to file if they have net income due to self-employment exceeding \$400.00. The filing requirement for self-employed individuals is an exception to the general filing requirements based on income and filing status. The filing requirements have not been changed or indexed.
- Is there sufficient information for Schedule C self-employed individuals to understand their filing obligations?
- Additionally, self-employed taxpayers do not have income and FICA taxes withheld from their earnings and therefore are required to make quarterly estimated tax payments.

Dan invited the panel members to look at this issue as taxpayers and practitioners. The goal of the panel will be to recommend possible solutions to increase Schedule C filings.

Questions from the Panel Members:

Patrick Castleberry: Is the IRS tracking Noncompliance? How do you track people who are not in the system?

Dan explained that because of resource constraints the IRS does not have a way of tracking people that are not in the system. However, there are very few people who are not in the system one way or another. Those that stop filing a return, or for whom we receive Information Return Documents, we do generate notices requesting a return and pursue to varying degrees based on projected tax due, years on non-compliance, etc.

Manning Mosely: Sees that there are two problems. 1. People doing work on the side. 2. Educational process. Ignorance by many of the filing requirements.

Some suggestions that were given by the panel are:

- Taxpayer Education
- Data Exchange with State (Dan suggested that there was already a process in place to look into Federal/State data exchange)
- A Campaign to the public that it would be in the interest of the taxpayer to file Schedule C if self-employed.
- The State of Ohio has had a successful Amnesty Program where individuals may come in and file with no questions asked.

Susan Leatherman explained that the IRS has put together a similar Amnesty Program during the filing season and would like it to make it an all year Champaign. Also, the IRS website includes a message regarding this and other programs such as "What to do if I haven't filed?"

Action Item: Check the IRS website

Dan introduced Margie Kinney, Program Owner and also a part of the Taxpayer Education and Communication (TEC) with SB/SE. Margie explained her role and how TEC fits with this issue. Taxpayer Education and outreach is important to get the message out.

Additional suggestions by the panel were:



- Try to make the filing requirements consistent by making the amounts that are required to file the same across the board for Form 1099 misc., Schedule C and Social Security Credit. (amount \$600, \$400, \$800)
- The ability to make electronic payments of estimated taxes on-line. Banks now offer bill pay on-line. Companies are set up in the Banks system where the individual can have their monthly bills paid automatically. The IRS should consider this option and maybe more taxpayers would be compliant.
- Offer a CD-rom to taxpayer that will prepare their taxes for them.

Susan suggested that the bill pay may be a disclosure issue but the IRS is looking into this idea.

Discuss Possible Sub-Committees

Dan would prefer that the panel work together instead of sub-committees. He would like suggestion from the panel as one.

Mary O'Brien, the committee DFO, referred to the handout that was given during the orientation:

Research indicates that one reason for non-filing may be attributable to confusion over filing requirements.

- Does confusion over filing requirements add to the high level of filing noncompliance?
- Can filing requirements for self-employed individuals be simplified?
- Can IRS more effectively educate self-employed taxpayers on their filing requirements?
- What role might practitioners play in this process?
- Would a change in filing requirements for self-employed individuals reduce burden and increase compliance?

Susan suggested that people just don't know and the research is not of people that are unwilling but are unknowing non-fillers. It is important to strengthen outreach.

Margie indicated that, in general, non-compliant taxpayers can be divided into three groups and these three groups may be applicable to Schedule C Nonfilers:

- Those unaware of tax law (the filing requirements)
- Those that are aware, but do not make a valid effort to assure their taxes are handled accurately and timely.
- Those who purposely do not file or pay.

After discussion as to what this panel will concentrate on, it was decided that the first focus would be to concentrate of the category of "Those unaware of the filing requirements".

Future Meeting Planning

Mary discussed options for a face-to face meeting and a consensus was reached that the face-to-face meeting would be held May 2003 in Chicago; the meeting will include one weekend day.

Action: Mary will put together different options for available dates and email to the panel members for final approval.



Review/Approve Minutes

The November 12 teleconference minutes was approved with 2 changes:

- Correction to Chris Forzano's name
- And an indication that non-attendance to the meeting was involuntary.

Status of the Panel Bios

The TAP staff is completing the Panel Bios and are waiting for the official announcement of the last 5 members. Once their Bio's have been completed, a final copy will be sent to all members.

Changes to the Bio's will not be accepted unless there has been a significant change with the panel member.

Travel Cards

Action: Mary will follow up and get an update on the Citibank Government Credit Cards for the panel members.

Report on Joint Committee Meeting

Paul Nagel gave a brief overview and report out of the Joint Committee meeting.

Action: Patrick Castleberry will email everyone a power point presentation he prepared on TAP.

Public Input

None

Closing/Assessment

- Good meeting with no suggestions

Next meeting scheduled for Tuesday January 7th @ 2:00pm Eastern.



SB/SE Fair Compliance (Schedule C Non-filers) Committee Meeting Minutes

November 12, 2002

The SBSE Fair Compliance (Schedule C Non-filers) Committee met via teleconference on Tuesday, November 12, 2002.

Members in Attendance:

- Richard Cormier, Manassas, CO
- Chris Forzano, Vancouver, WA
- Dick Greenberg, Hinsdale, IL
- Edward Hanna, Tampa FL
- Karen Kerrigan, Vienna, VA
- Jim McGurn, Designated Federal Official
- Paul Nagel, Glen Cove, NY
- Owen Oatley, Holly Hill, FL
- Harvey Schiff, Florence, SC
- Teresa Smedley, Salem, IN
- Charles Taylor, San Diego, CA

Other Attendees:

- Sandra McQuin, TAP Program Manager
- Mary Peterson O'Brien, Note taker

Welcome/Announcements/Review Agenda

Paul Nagel opened the business meeting. Paul welcomed all members and introduced Harvey Schiff as a new committee member from Florence, SC. All panel members introduced themselves. The agenda was reviewed with no changes made.

Roll Call

Mary Peterson O'Brien took a roll call of all panel members present on the call.

Review/Approve Minutes

The October Meeting minutes were approved with no changes.

Report on Joint Committee Meeting

Paul Nagel summarized the issues covered by the Joint Committee:

- A Monthly committee report is due on 14th of each month to the Joint Committee. Both the Subcommittee Chair and the IRS analyst assigned to the committee are jointly responsible in the preparation and submission of the report.
- The Joint Committee will meet every 3rd Tuesday of every month.
- All minutes will be on the web site after approved by the committee www.improveirs.org
- Chair doesn't want to have the same subcommittee's working on the same issue. Jim McGurn will discuss this issue at the staff meeting.

Vote on Approving Temp Chair as Permanent Chair and vote for a Vice Chair



Jim McGurn discussed that not all panel members have been selected and placed in committees. It would be a good idea to have all members on board before selecting a permanent chair. It was discussed by the group that it is not known when all members would be on board. It would be better to elect a permanent chair now to avert any more delays. Members brought up the fact that the members were not selected. By consensus, Paul Nagel was permanently selected as chairperson.

Nominations were held for a vice chair. Karen Kerrigan was nominated. Karen accepted the nomination.

Selected vice-chair by consensus: Karen Kerrigan

Establishing Sub-Committees within the Committee

Jim McGurn talked about what a sub-committee is and delegation of authority for sub-committees. It was discussed to have subcommittees on an as needed basis. The issue was put on hold.

Determine duties of Chair and Vice-Chair

By consensus, it was agreed that the chair and vice-chair's duties would be the same as described in the operating procedures.

Future Meeting Planning

The committee discussed having two face-to-face meetings. Jim gave a cost analysis for the following cities:

- Chicago
- Dallas
- Los Angeles
- New Orleans
- St Louis
- Tampa, FL
- Washington, DC

Some concerns over the topic of face-to-face meetings were expressed.

- It wouldn't be all that valuable to overlap one issue committee and one area, it would be better to have all areas and all issues together.
- Possibility of overlapping two areas in the same location for a meeting
- Paul Nagel offered to bring up the issue to Joint Committee of having a semi-annual meeting.
- Area meeting in mid December should be cancelled. Should have it in June to avoid filing season for practitioners.
- Advantage of having a meeting in the states of the own area is that citizens from that area have the opportunity to provide input.

Consensus was reached for the date and time of the next subcommittee teleconference. December 10th at 2pm. All teleconferences will be each 2nd Tuesday of every month at Eastern Standard Time.

Parking Lot:

Until a budget can be determined on how many face-to-face meetings are possible, the decision on what month and location would be postponed. The preferred dates would be January and May. If only one face-to-face meeting is budgeted than the meeting would be in May. Possible locations are:

- Dallas
- Chicago



- Atlanta
- Denver
- Phoenix

Public Input

None

Possible Issues for next meeting

- Data and Research IRS has previously done around the Schedule C issue. Michael Sollitto is in the process of compiling what the IRS has previously done and will participate on the next conference call.
- Schedule C EZ - Raise the threshold to above \$2500.00
- Agenda Items should be sent to chair and to Jim McGurn.
- Consistency with Form 1099 misc, Schedule C, Social Security Credit (amount \$600, \$400, \$800)
- Schedule C non-filers going to include with Schedule F? Maybe an issue for area committee
- Immigration law of 1986 to be an employee has to fill out I-9 and cannot receive W-2. How to inform non-Americans that they are required to file tax returns?
- E-Bay - 50,000 members who buy and sell on e-bay - how many are non-filers? Is this an issue?
- Possibility of reviewing General Accounting Office (GAO) report - lots of people and groups who don't comply
- Alternative methods to look at, why don't people comply how to make it easier to comply
- What new initiatives does the IRS have to increase compliance through education and outreach.
- How to get public input: Is there any talking points or outline about what TAP is? (Power point presentation is being worked on by Joint Committee)
- Outreach
- Possibility that there is a geographical problem that is more prevalent for this topic

Closing/Assessment

- Good meeting, no suggestions
- Limit meeting to one hour
- Off to a good start but make meetings shorter