



2003 Meeting Minutes

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

- December 9, 2003
 - October 3, 2003
 - August 19, 2003
 - July 8, 2003
 - May 4, 2003
 - May 3, 2003
 - March 11, 2003
 - February 11, 2003
 - January 7, 2003
-

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

December 9, 2003
Teleconference

Opening of the Meeting

Nagel opened the meeting at 11:02 A.M. ET by welcoming members and introducing the new Committee's Analyst, Marisa Knispel. Knispel briefly introduced herself and expressed her pleasure in becoming part of the Committee.

Nagel announced that due to budgetary constraints, all TAP committees were limited to one face-to-face meeting this year. Due to a conflict with the EITC Issue Committee which shares Ramirez as DFO, the Schedule C Non-Filer Committee cancelled the meeting planned for May and will hold their meeting on August 20-21, 2004. Location has not been determined.

Nagel asked members if they would like to make any change to today's meeting's agenda. No one had changes.

Program Manager Leatherman, who is currently on vacation, joined the call and said that she would only be able to remain on the call for about an hour. Nagel told her that he would appreciate it if she participated in their discussion of the EZ Pay Proposal.

Roll Call

Panel Members Attending

- Walter Fish, Bellmore, NY
- Richard Greenberg, Hinsdale, IL
- Edward Hanna, Tampa, FL
- Karen Kerrigan, Oakton, VA, Vice Chair
- Paul Nagel, Glen Cove, NY, Chair
- Owen Oatley, Holly Hill, FL
- Sandra Ramirez, Brooklyn, NY, DFO
- Teresa Smedley, Salem, IN



Absent

- Patrick Castleberry, Edmond, OK
- Chris Forzano, La Center, WA
- Manning H. Mosley III, Wayne, PA
- Charles Taylor, Los Angeles, CA
- Robert Taylor, Pittsburgh, PA

TAP Staff and IRS Staff Attending

- Margie Kinney, SBSE, TEC Burden Reduction Analyst
- Marisa Knispel, TAP Program Analyst
- Susan Leatherman, SBSE Program Manager

Quorum was met.

Focus Study Group

Analyst Kinney of the Office of Burden Reduction invited the members to participate in a study group that will meet via teleconference on Tuesday, December 16, 2003 at 3:00 P.M. ET. The purpose of the study, she said, is to analyze the record keeping and filing habits of corporate taxpayers. She has solicited the participation of TAP members from three different Issue Committees and was glad to say that three members from the Payroll Taxes Issue Committee already volunteered. She mentioned that items to be discussed would be: the process for record keeping, paper vs. electronic record keeping, how to determine the size of business, etc. Fish, Smedley, Hanna, Nagel, Oatley volunteered to participate.

Kinney thanked everyone and announced that the volunteers would receive confirmation of the meeting via email from Ramirez.

Program Owner Presentation

Leatherman indicated that Program Owner Cheryl Gramalia addressed two letters to the Committee thanking them for their recent recommendations on Filing Requirements and Information and Education. Knispel shared the letters with all Committee members in today's email and faxed them to Oatley.

The feedback from Gramalia on the recommendation of Filing Requirements was that although she agreed with the disparity between IRS and SSA filing requirements, implementation of the recommendation would require legislative change. Therefore, the Program Owner is unable to consider the recommendation for action at the organizational level but Leatherman noted that the National Taxpayer Advocate is including it in her 2004 Report to Congress.

The recommendation on Information and Education included four different proposals that upon review, Program Owner Gramalia found to have merit. Since implementation of the recommendations requires further study, Gramalia will prepare a response to the Committee within 180 days with an explanation of acceptance or rejection of each recommendation.

Leatherman added that the previous recommendations on Form W-9 and Education and Outreach are being worked as well. A TEC (Taxpayer Education & Communication) group is considering the latter, although they believe that the proposed recommendation is already part of their strategy. Gramalia will also address a response on these proposals to the Committee and a timeline for implementation will be included in the response.



The IRS will review the EZ Pay Proposal upon receipt, which the Committee will be discussing today, and consequently send feedback to the Committee within 60 days. Leatherman added that she participated in the Payment Issues Subcommittee meetings and provided them some guidance.

Leatherman continued to discuss Gramalia's letters to the Committee and explained that these are initial responses to the two proposals made. The IRS will continue to update the Committee on the individual proposals. Leatherman also added that these letters are public and any inquiries should be referred to her. Nagel requested that any letter or response be addressed to him. Ramirez asked that the IRS responses go through the staff office to ensure receipt by all parties.

Leatherman reported that a new Program Manager would be reporting. Rebecca Mack Johnson of the SBSE TEC organization will report on January 5, 2004. Leatherman will update her on the Committee's activities. No decision has been made as to whether or not Johnson will also replace Leatherman as Program Owner for the Issue Committee.

Greenberg asked if the Committee's involvement with the school and the education proposal was warranted. Leatherman said that it is definitely warranted and it has been placed in the organization's agenda for follow up. The proposal may be worked at a state and local level, she added. Leatherman suggested that perhaps the organization could design a program model to share with schools' curriculums. Kerrigan said that she believed the Committee's intent was not to develop a specific educational model but to encourage the public schools to use the IRS's existing curriculum. She added that TAP members should also be aware of IRS' educational programs as they interact with the public through outreach. Greenberg said that he has been working closely with W&I, SPEC Territory Manager Pat Kirk of Illinois who has made great strides in getting the IRS tax curriculum into the high school business programs. Greenberg feels, however, that the program needs to reach non-business students as well. Although the Chicago public schools are working with local IRS, there are about 500 schools not involved because they are not business related. **Leatherman will get background information on what the IRS is doing, if anything, for this unaddressed area.**

Members welcome any suggestions from the Program Owner on items to focus on related to this issue and on how to fine-tune their recommendation. Fish added that the need for education also affects the professional schools. Leatherman said

that the IRS's Taxpayer Education function presents classes and seminars on taxes to many industries affected by self-employment problems. These are seminars on how to run a business and on the tax obligations for the self-employed.

Review and Approval of Minutes

Since some members did not have the chance to review the revised minutes, the minutes were approved under the conditions that minor editorial changes could be made hereafter.

Fish moved to approve the August 19, 2003 minutes and Smedley seconded the motion.

Oatley moved to approve the October 3, 2003 minutes and Greenberg seconded the motion.

Greenberg, Oatley and Fish requested that the minutes be faxed to them rather than emailed.

Subcommittee Reports

Payment Issues

Smedley asked for consensus on elevating the EZ Pay Proposal. Greenberg motioned to elevate and Hanna seconded the motion. Ramirez indicated that the proposed recommendation should be from the



entire Schedule C Non-Filer Committee, not from the Subcommittee for the Simplification of Estimated Tax Compliance. Therefore she requested the proposal read From: Schedule C Non-Filer Issue Committee and be dated December 9, 2003. The members agreed to the request. **Castleberry will make these changes and forward the revised proposal to Ramirez and Knispel. Knispel will then send it to Program Owners Gramalia and Leatherman, TAP Analyst Toy and all the Committee members.**

Fish asked whether a subcommittee meeting is considered official. Ramirez explained that subcommittee meetings are not official but are viewed as a working group session that reports to the full committee. Nagel added that the issues worked by the subcommittee must have the consensus of the subcommittee members before they are reported to the full committee.

Leatherman noted that the Payment Issue Subcommittee was seeking issues to work. One issue she gave to the Subcommittee is: how to entice people to enter into making electronic tax payments? Possibly one enticement could be that a delinquent taxpayer could request the abatement of ES tax penalties. She stressed the focus be on the penalty relief with conditions rather than amnesty. She believes that the recommendation of a federal tax amnesty would create more problems than it solves and is too broad an issue for an Issue Committee to focus on. She also suggested the development of compliance features to the Offer In Compromise (OIC) Program that relates to Schedule C non-filers. Fish, the Subcommittee chair, said that he will raise these at their next meeting. Oatley noted Leatherman's suggestions could crossover between the two subcommittees (Payment Issues and Outreach & Filing) and could be worked conjunctively.

Outreach and Filing

Kerrigan briefed the members on the current issues of the subcommittee:

1) Simplification of the letters and notices that the IRS sends to non-filers. **The IRS will provide the subcommittee with samples of these.** 2) A non-filer center is needed at the IRS website to help taxpayers become tax compliant and learn of their tax obligations. 3) Publication 594, The IRS Collection Process, should contain an executive summary. 4) The expense threshold on the Schedule C-EZ should be increased. 5) More information on payment options and collection should be distributed. For example, the information that is provided with the Offer-In-Compromise applications and Installment Agreements is not acceptable. 6) Oatley noted that Publication 594 sent to non-filers has too much information and needs to be distilled down. Other alternatives must be offered to taxpayers. 7) Leatherman noted that when the IRS sends a substitute-for-return letter to a taxpayer, a completed form 1040 and related schedules should be included so that the taxpayer can see how the IRS did the calculations.

DFO Report

Ramirez asked Nagel if former Committee Analyst Peterson worked with them on the location for their meeting in August. Nagel said that Peterson would research the cost estimates of traveling to Chicago, Denver, St. Louis and Dallas. **Knispel will follow up on this research.**

Public Input

None.

Closing Assessment

Smedley confirmed that the May subcommittee meetings were on the calendar since the May face-to-face meeting had been dropped.

Fish moved to close the meeting and Smedley seconded this motion. Nagel announced that subcommittees' meetings would be held next month. Ramirez explained that these meetings will not have official minutes. She asked Knispel to join these meetings and provide support, such as setting up the call-in details.



Action Items

Leatherman will provide information to Committee on IRS tax curriculum in non-business schools.

Leatherman will share samples of IRS letters and notices sent to non-filers with the members.

Knispel will make any editorial corrections for August and October minutes and post/distribute accordingly.

Castleberry will make corrections on the EZ Pay Proposal. Knispel will distribute the revised proposal to Program Owners, Toy and Committee members.

Knispel will work on the August face-to-face meeting arrangements and ensure the master calendar reflects the changes.

NEXT MEETING

Teleconferences on January 13, 2003 for:

- Payment Issues Subcommittee at 11:00 AM ET
- Outreach and Filing Subcommittee at 2:00 PM ET.

Teleconference on Tuesday, February 10, 2003 at 11:00 AM ET for Schedule C Non-Filer Committee.



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

October 3, 2003
Grand Hyatt Hotel
Washington, D.C.

Attendees:

- Patrick Castleberry
- Walter Fish
- Chris Forzano
- Dick Greenberg
- Ed Hanna
- Karen Kerrigan, Vice-Chair
- Meredith Odom-Russell, Note Taker
- Paul Nagel, Chair
- Owen Oatley
- Sandra Ramirez, Designated Federal Official
- Teresa Smedley
- Barbara Toy, Note Taker

Program Owners

- Cheryl Gramalia, Director of Filing and Campus Compliance
- Susan Leatherman, Program Contact

Members Not Present:

- Manning H. Mosley, III
- Charles Taylor
- Robert Taylor

Welcome/Announcements/Review Agenda

Paul Nagel welcomed everyone. The decision on reconfirmation of the chair and vice chair was moved to the top of the agenda. Both Nagel and Karen Kerrigan were reconfirmed. The date of the minutes needing approval today needs correcting to 8/19/03.

Roll Call

Quorum is met; eight members present.

Nagel reviewed the agenda and said the schedule of meetings would include two face-to-face meetings. Because of the burden on practitioners during the filing season, Nagel suggested having one meeting by end of November and one after April. Teresa Smedley stated it was not productive for us to have meeting between now and the end of year.

Committee turned to reviewing the minutes. Chris Forzano suggested minutes be approved at end of meeting to give people time to review. This was agreed to and the agenda was amended. Nagel pointed out that the agenda included subcommittee break outs. Ed Hanna suggested that new subcommittees may have to be formed. Nagel replied that he had some ideas on subcommittees and Owen Oatley also has some ideas. He pointed out that Susan Leatherman also has to approve of the issues the subcommittees worked. **Patrick Castleberry moved to have the members, guests and staff introduce themselves; Smedley seconded; and motion approved.**



Members, guests, and staff introduced themselves. During the introduction, Cheryl Gramalia, told the panel that in addition to Schedule C Non Filers the focus of her office included high income non-filers, persons having unreported income over 100,000 dollars. Susan Leatherman added that the IRS is able to identify about 98% through reporting documents not just income reportable on the 1099 Miscellaneous Income Form, but income reported through other forms such as mortgage interest, dividends, and interest.

Leatherman added that Gramalia attended this meeting to introduce herself to the committee because proposals elevated by this issue committee go to Gramalia who will discuss the issue with Mike Chesman and make the decision whether the proposal is accepted or not. Gramalia and Leatherman would like the subcommittees to focus on items that Small Business/Self Employed can change and direct committee away from proposals that involve technology IRS does not have and issues requiring legislative changes.

Nagel acknowledged the good support provided by Mary Peterson as Program Analyst and Judi Nicholas as Program Manager, as well the support from Michael Sollitto and thanked them.

DFO Report

This was first meeting the new DFO attended and she had nothing to report.

Program Owner Presentation

Leatherman envisions the committee as divided into two segments. Any unfinished business (FY 2003) would carry over to one of two subcommittees. The program owner does not have the resources to have three or four subcommittees working different issues. The subcommittees Leatherman has in mind are; one that focuses on Payment issues that are exclusive to non filers that will work on how to turn them into filers, and the other, a Communication and Education committee focusing on improving forms, instructions, and publications to also turn non-filers into filers. Leatherman suggests that a Payment Subcommittee be formed since the inability to pay the tax liability is a major cause of non filing. As Schedule C filers do not have weekly tax deductions they contribute to a large proportion of non compliant taxpayers. Research shows that for the most part 70 percent of 1040 Individual Income Tax returns filed with a balance due had Schedule C income. There are issues exclusive to Schedule C filers that can fit either on the payment side or on the communication and education side.

Nagel prefers three subcommittees since some subcommittees have not finished their work. Leatherman replied that she prefers the two because when you thin the members out too much, you lose input. Also, Leatherman and Gramalia believe any issue the committee should work would fall under the two subcommittees.

Gramalia also suggested adding a step before Offers in Compromise (OIC) (e.g. full pay or installment agreements) because we don't want people to file and then immediately ask for an OIC.

The existing subcommittee for Outreach and Communication can be rechristened Communication and Education. The EZ Pay proposal would fit under the Payment subcommittee. Leatherman also suggested including the E-file subcommittee where EZ Pay is going because the two committees are working similar issues and the e-file program contact, Karen Taylor, has the knowledge of the on line calculators for installment agreements and electronic payment methods.

Leatherman talked about the research information from the year 2000 prepared by the Dallas office. Forzano asked Leatherman if she had any idea of the amount owed or the average amount owed by non-filers. Leatherman did not, but research has identified nine million non-filers with income through information returns filed with the IRS (miscellaneous, dividend, and interest income). Of the nine million, two million had 1099 Miscellaneous Income reported.



Based on the research from 1996, Kerrigan said her subcommittee focused on the instructions. The instructions list if your income is below \$7,500 you are not required to file. Most people stop there and don't read the part about self-employment income.

Forzano asked for Leatherman's thoughts on the number of people not filing because they want to avoid taxes compared to those not filing because they lack sufficient education. Leatherman replied about 15% and that the IRS has a pretty good idea of who they are because of the reporting forms; chances are they have mortgage interest, interest income, etc. Gramalia added that the committee can impact only those who fall into this category. Leatherman said if we can eliminate the lower income level of non filers it would free the IRS' resources to find those who owe \$200,000 or more and the hard-core people who choose not to file because they can't pay. One of the most cost effective ways for the IRS to collect money is the collection notices. IRS can collect a lot of money for not much cost.

Smedley began by saying that EZ Pay is not actually the name of the subcommittee but Estimated Tax Payments became known as EZ Pay. The intent is to encourage people to file because they will make payments throughout the year. Castleberry moved that the subcommittee name be kept as EZ pay; Forzano seconded. Leatherman suggested this issue be placed under the Payment Subcommittee and the old business finished before the next issue is tackled. Castleberry amended motion to change name to Payment Issues; Smedley seconded. Leatherman stated any issue that concerns the payment side of compliance would fit into this subcommittee. Gramalia suggested looking at current issues and seeing how they fit into either of these topics. She added that their purpose in focusing the committee on these two broad issues is to try to focus the committees efforts where we can best facilitate and help support you and also affect change. Forzano agreed that we all need a sense of accomplishment. **Motion to have Payment Issue Subcommittee of Schedule C Non-filers passed.**

Nagel suggested having another subcommittee called Filing Issues. Discussion ensued. Some members preferred Outreach and Education, others Outreach and Communication. Leatherman suggested Prefiling Issues. **Dick Greenberg moved to call the subcommittee outreach and communication; Smedley seconded; motion passed** . Leatherman was concerned because the program owners wanted committee members to make suggestions on improving forms, instructions, and publications and her concern is that it did not easily fit under Outreach and Education. **Smedley amended the motion to change the name of the subcommittee to Outreach and Filing; Kerrigan seconded; motion passed.**

Nagel opened floor to Owen Oatley's suggestion for a subcommittee. In addition to paying through installment agreements, he felt another way of paying is through Offers in Compromise (OICs). A benefit of OICs is that it stipulates that the taxpayer must remain in compliance for the following five consecutive years for the OIC to remain in effect.

Gamalia's concern on promoting an OIC to prevent non-filing is that it can create unrealistic expectations for non filers. There is so much publicity on the pennies on the dollar schemes and the reality is the process takes a look at reasonable collection standards, a look at assets, and the prediction of future income. Unscrupulous practitioners get their fees up front and very few people qualify for the OIC program. Oatley replied that one reason very few people qualify is that the Form 656, Offer in Compromise doesn't explain that IRS will look at reasonable collection and might look at a 10 year period for the prediction of future income to determine the reasonable collection amount. The form and instructions do not contain enough detail about the process. Gamalia stated that easier offer cases are worked at the Brookhaven and Memphis campuses and should be completed within 6 months and IRS is moving toward that goal. Smedley thinks anything to do with OIC is outside the scope of this committee because an offer is not available unless a person has filed. Oatley replied that the knowledge of the availability is within the scope and the OIC is an incentive to staying in compliance because it becomes void if filer is not complaint for five years. Gamalia stated the goal of IRS is to get rid of the offer mills and suggested focusing on the awareness of the pre-filing



installment agreement. Nagel stated that filers can request the installment agreement if they owe less than 25,000 and can pay within 60 months.

Subcommittee Membership

Members of Outreach and Filing: Dick Greenberg, Kerrigan, Oatley, and Nagel

Members of Payment Issues: Fish, Smedley, Forzano, Hanna, and Castleberry

Review of Operating Procedures

Quorum stayed at half of committee membership plus one.

Materials should be emailed and/or faxed to members. **Oatley and Greenberg prefer fax.** Documents over 12 pages must be hard copy, all else will be email.

Forzano moved to accept; Fish preferred making corrections first. Castleberry agreed to draft the language for the change to distributing minutes and read back to committee later in the meeting.

Schedule of Meetings

Nagel stated the committee had to schedule both the teleconferences and face to face meetings and asked how much time was needed to meet Federal Advisory Committee Act (FACA) regulations for issuing notice of the meetings. Ramirez replied staff needed at least 30 days. Smedley reminded committee of the agreement to have full committee meetings one month and the next month hold subcommittee meetings.

The committee decided to choose locations that were convenient for travel. Staff will research flight availability and cost and report back to committee for final decision on location of meetings. Sites chosen for further consideration are: Chicago, Denver, St. Louis, and Dallas.

ACTION: Staff will cost out and research flight availability to Chicago, Denver, St. Louis, and Dallas for all committee members and report back to committee at next full committee meeting, December 9, 2003.

Committee agreed to dates for the face-to-face meetings: May 13, 2004 for travel and May 14 and 15, 2004 for meeting dates and August 19, 2004 for travel and August 20 and 21, 2004 for meeting.

It was agreed to continue with the second Tuesday of each month for teleconferences at 11:00 a.m. Eastern Time. The first subcommittee teleconference falls on November 11 which is Veteran's day, a federal holiday so conference will be held on November 12. It was decided to stagger the subcommittee's teleconferences □ Payment Issues will be at 11:00 a.m. EST and Outreach and Filing at 2:00 p.m. EST.

The schedule:

- November 12, 2003, 11:00 a.m. EST-- Payment Issues
2:00 p.m. EST--Outreach and Filing
- December 9, 2003, 11:00 a.m. EST-- Full committee meeting
- January 13, 2004, 11:00 a.m. EST-- Payment Issues
2:00 p.m. EST--Outreach and Filing
- February 10, 2004, 11:00 a.m. EST-- Full committee meeting
- March 9, 2004, 11:00 a.m. EST-- Payment Issues
2:00 p.m. EST--Outreach and Filing



Committee noted possible conflict in April of 2004 and decided to address remainder of schedule at a later meeting.

Self Assessment for the Annual Report

Ramirez proposed completing the report offline. Comments on annual report are due to Ramirez by October 9, 2003.

ACTION: Committee members will review the draft self assessment for the annual report and send comments to Ramirez by October 9, 2003.

Approve Draft Minutes and Operating Procedures

After discussion, the committee adopted the following language to revise the Operating Procedure rules regarding the keeping and approving of meeting minutes. Page 6, □Minutes□, of the Operating Procedures should now read:

Minutes

Resources from the TAP Office will be provided for recording minutes. Staff will distribute to Committee Members, the IRS Program Owner, TAP Staff, and any other named IRS stakeholder ("Recipients") draft minutes by email or telefax, as Recipients shall choose, within 5 work days after each meeting. Recipients shall review and submit to TAP Staff any comments regarding such draft minutes within 10 work days following receipt of draft minutes. TAP Staff will distribute revised draft minutes reflecting comments no later than 5 work days prior to the next scheduled Committee meeting; and, at such next scheduled meeting, the Committee shall approve a final version of such minutes. (Revised language in italics.)

Meeting minutes will contain the agenda and summarize the key decisions reached, action items agreed upon, assignments of responsibility and timelines for completion of the action items. Minutes will be available to the public as provided by FACA requirements. Minutes will be posted on the TAP web-site at www.improveirs.org.

The draft minutes for the August 19, 2003 meeting contained both grammatical and content errors. Castleberry agreed to work with Kerrigan to correct the minutes and return to Ramirez for distribution.

ACTION: Toy will forward draft copy of August 20, 2003 minutes to Castleberry electronically.

ACTION: Castleberry and Kerrigan will correct the grammatical and content errors in the August 20, 2003 minutes and return to Ramirez.

ACTION: Ramirez will distribute minutes to all committee members and program owners for approval at the November 9, 2003 full committee teleconference.

Meeting Adjourned.

Assignments:

All Committee Members:

- Review the draft self assessment for the annual report and send comments to Ramirez by October 9, 2003



Castleberry and Kerrigan:

- Correct the grammatical and content errors in the August 19, 2003 minutes and return to Ramirez

Ramirez:

- Distribute minutes to all committee members and program owners for approval at the November 9, 2003 full committee teleconference

Staff:

- Cost out and research flight availability to Chicago, Denver, St. Louis, and Dallas for all committee members and report back to committee at next full committee meeting, December 9, 2003

Toy:

- Forward draft copy of August 20, 2003 minutes to Castleberry electronically.



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

August 19, 2003

Attendance

- Castleberry, Patrick
- Fish, Walter
- Forzano, Chris
- Greenberg, Richard
- Hanna, Ed
- Kerrigan, Karen
- Nagel, Paul, Chair
- Oatley, Owen
- Taylor, Charles
- Peterson O'Brien, Mary DFO

Program Owner

- Kinney, Margie

Note Taker

- Ofilas, Marla

Guest

- Gary Knott. Small Business Liaison, Business Systemic Advocacy, TAS

Welcome/Announcements/Review Agenda

Paul welcomed the members to the teleconference meeting. Paul reminded the committee of the October TAP Annual meeting in Washington D.C. at the Grand Hyatt Hotel. He explained it would be held on the first Thursday, Friday and Saturday of October and for the committee to mark their calendars.

Paul asked the committee if they received their meeting agenda. He also asked if there were any questions or changes that needed to be made to the agenda.

Paul wanted to note that Mike Sollitto is no longer the SBSE Schedule C Non-Filers program owner. His retirement date was August 1 st . The new program owner will be Susan Leatherman who is unable to attend today. Margie Kinney sat in on the call as the temporary program owner.

No changes were made to the agenda and Paul continued on to the next item.

Roll Call

Marla took a roll call and concluded that 10 members were present for an official quorum.

Guests

Gary Knott with the Taxpayer Advocate organization in business advocacy, acknowledged himself that he would be sitting in on the teleconference.



Review/Approve Minutes

Paul asked the committee if they were able to review the July teleconference minutes and if there were any changes that needed to be made. Committee members that had changes, emailed the corrections to Mary therefore no corrections were made during the teleconference.

Decision: The committee approved the meeting minutes from the previous teleconference.

Report on Joint Committee Meeting

Paul asked if any of the four-committee members that participated in the last joint committee teleconference were willing to give an update. Charles Taylor informed the committee that he was able to participate on the entire conference call but did say that the beginning of the call dealt with administrative issues. Ed Hanna replied that the important thing that was discussed was to get all the issues elevated and to be prepared for the meeting in October.

Paul reviewed that he would like to get all issues elevated to the joint committee for approval. Paul explained that an issue goes into a full report by the joint committee and a copy is sent to Nina Olson, National Taxpayer Advocate, Deryle Temple, the Taxpayer Advocacy Panel Director, the Commissioner of the IRS, and the Secretary of the Treasury. Ed asked if this report would be made prior to the October meeting. Paul clarified that the report needs to be voted on and approved during the October meeting. The joint committee is having a meeting the first week of September to review the contents and what will be included and approved with all the committees. Also, the joint committee will review and approve an agenda for the October meeting.

Issue Committee Changes

Paul moved on to the next item on the agenda and asked Mary if she had any comments. Mary explained that Sandra Ramirez, TAP manager, would be the new designated federal official and will attend the committee's next call in September.

Updates from Program Owner

Paul asked Margie Kinney if there was anything she wanted to share with the committee. At this time Margie had no updates to report.

Sub-committee Report Out

Paul asked if there was anyone from Teresa Smedley's subcommittee that was available to do a report out. Patrick Castleberry explained the subcommittee has had 3 or 4 teleconferences since the face-to-face meeting that was held in May. The subcommittee has been exploring the idea of an EZ Pay plan to make estimated tax payment compliance simpler and faster for lower and middle income self employed taxpayers. The subcommittee was able to have Mike Sollitto retrieve IRS research and give statistics. They are trying to determine whether, for example, a 15% flat rate would catch most of the taxpayers that are self-employed and who have \$50,000 or less in self-employment income. Paul asked for an explanation on the 15% for those who do not understand. Patrick explained that the committee was trying to make a new safe harbor to avoid the estimated tax penalty for underpayments. The existing safe harbor provision requires taxpayers to go through difficult calculations for each quarterly payment that's due. The subcommittee is recommending that taxpayers who qualify send in a flat 15% of gross self employment income each month to avoid the penalty. The committee has analyzed pertinent IRS statistics to determine whether this flat percentage approach would be an effective means for getting most of the federal income tax and self employment tax paid prior to the regular filing date. IRS statistics indicate that many self employed taxpayers become non-filers because compliance with the estimated tax payment system is complex and confusing and, thus, many taxpayers ignore it. This in turn leads to an inability to pay what is owed at return filing time, leading directly to a decision not to file. Once that first return becomes unfiled, the subcommittee believes and IRS research confirms, subsequent returns become unfiled, and the taxpayer becomes a chronic non-filer, afraid to re-enter the tax system.



The statistics have been encouraging for a 15% rate for \$50,000 or less in total self-employment income for the year. A challenge the subcommittee has been facing is wondering if the IRS would be able to make a regulatory change. For example, the subcommittee is researching whether the IRS has authority to amend the regulation under the estimated tax penalty section, and to adopt a new safe harbor, or must Congress make a legislative change. Pat's preliminary opinion is that inasmuch as the existing safe harbor is a statutory safe harbor, the IRS may not adopt an additional safe harbor through regulation, but must seek a Congressional amendment to the statute. In that event, the subcommittee will propose new statutory language for the IRS to propose to Congress for adoption of the new safe harbor.

Ed Hanna asked whether the subcommittee plans to handle taxpayers that first look like they are going to make the \$50,000 mark in the 1st and 2nd quarter but in the 3rd and 4th quarter exceed. Would they go back under the old rule? Patrick explained that the subcommittee plan is proposing monthly payments rather than quarterly. This is to get the taxpayer in the habit of sending the money as soon as they get it, so they get the benefit of the new safe harbor. Also, once it seems they are exceeding the \$50,000 mark, they must rely on the old safe harbor, that is, the more complicated one. Paul asked if the criteria for \$50,000 are too low. Should it be moved up to \$100,000 or \$150,000 to get a majority of Schedule C's? Paul explained that \$50,000 may be a lot of money in some areas of the United States but in places like New York it is considered poverty. Patrick explained that IRS statistics show if it's at \$50,000 that we will catch over 70% of the people that are self-employed in the United States that have to pay estimated taxes. Patrick expressed that at \$50,000 this would be effective but agreed that there would be geographical anomalies because of disparities in the cost of living. This isn't designed to supplant the existing safe harbor but to add a new one for the middle and low-income self employed taxpayers who seem to be the predominant non-filers.

Ed wanted to know about taxpayers that have income from other sources. Patrick explained that statistically taxpayers with other income, e.g., those who have spouses with wage income, do not seem to be the non-filer problem. Also, as long as your self-employment income does not exceed \$50,000, you may take advantage of the safe harbor even though you may have other income that will allow you to exceed the \$50,000 mark.

Paul asked Ed if he wanted to discuss the issue his subcommittee is working on. Ed discussed his work on social security benefits to the committee. He explained to the committee that he received a brochure via email. He felt it looked good; however, it overlooked the multitude of benefits that are available besides retirement. He feels the brochure is too condensed, and that the other benefits are not brought out very clearly. He would like to keep it simple, but expanded so the other benefits don't get lost. The committee continued to discuss Ed's work and all felt it was a good piece that he is working on. Paul asked if anyone had further comments regarding Ed's subcommittee work. He also explained that if anyone was interested in learning more about social security that they could go to www.ssa.gov.

Karen Kerrigan gave a report out on her subcommittee work. She sent 8 documents to the full committee, which she recommended go to the joint committee for review and perhaps elevation. The first document was a general memorandum reviewing the charge of the subcommittee and its general work and accomplishments over the past eight months. The memorandum walked through several of the projects that the subcommittee is currently working, and where they were with respect to their stages of research and development. The other documents are the recommendations that are requested be sent to the joint committee. One of the recommendations, under the leadership of Owen Oatley, is an W&I FYI Box. It is proposed that the W-9 form be used to inform and educate taxpayers about their tax responsibilities, i.e., if they receive non-employee compensation they most likely will be subject to self-employment tax and income tax. Sample text of what this FYI Box would look like was included in the documents. The subcommittee felt that using the W-9 form as an information and education venue about their obligation to report and file on non-employee compensation made sense. The form is widely used and it would be a cost efficient way to reach taxpayers. The concept and recommendation is simple, and Karen reminded committee members that sometimes the simple ideas



work the best. Owen added that the subcommittee is open to any and all ideas that would help get peoples' attention with respect to making the FYI piece stand out and deliver its intended message.

Karen provided an overview on the second subcommittee recommendation, which proposed an IRS notice response study. The subcommittee discussed in detail what it might be that gets notice recipients to respond to IRS notices. Mike provided the subcommittee with data showing that 75% of people getting notices respond to these notices. Mike felt the study concept was a good idea. He originally stated in May that he was going to make a recommendation to the IRS that they undertake such a response study. Mike, of course, is no longer the program owner and the subcommittee felt a formal recommendation should still come from them so this idea does not fall through the cracks. Essentially Karen explained that by learning why people respond to notices and what triggers compliance, the IRS may be able to better develop effective outreach initiatives to increase the number of people who respond to notices. The subcommittee felt that it's an issue worth elevating to the joint committee. Owen also explained that the subcommittee wanted to better understand who makes up the population of non-filers. Mike provided a 1996 study that was very helpful but the subcommittee expressed an interest in seeing if things have changed since then. According to the 1996 study, 86% of the non-filers have previously filed. In reviewing income, middle to low income individuals seemed to make up the bulk of nonfilers. The subcommittee again reiterated the need for them to understand (and perhaps the IRS) their target population so they could best craft messages and outreach mechanisms that target these particular populations.

Karen continued with other recommendations submitted by the subcommittee. The subcommittee worked on a simple message campaign that would enable IRS to reach taxpayers directly and better educate them about the benefits of filing a schedule C tax return. Given that the IRS communicates with these taxpayers generally, the subcommittee felt the IRS should consider communicating to prospective schedule C non-filers in notices. For example, it made sense to either include in the notice a separate brochure or communications mailer about the benefits of filing, or even include benefits of filing messages in the text of notice letters. This is just another simple, cost-effective way of encourage compliance and encouraging taxpayers to think about the long-term consequences of not filing.

The last recommendation reviewed a project that subcommittee member Dick Greenberg has been working on. Dick has been reaching out to the public school system to let them know about an IRS curriculum called *Understanding Taxes*.

While his efforts with the Chicago public schools was a positive experience, the school system has other priorities and could not consider making the curriculum part of a financial literacy initiative for the year. Karen continued to discuss the recommendation and concluded that the subcommittee felt it was important that all TAP members be aware of the IRS curriculum as they interact with the public during their outreach activities. She also indicated on the recommendation that this is a to be continued exercise. The committee, and specifically Dick, is pursuing leads and meeting with other public school systems with the goal of having them incorporate the *Understanding Taxes* materials as part of their curriculum. The committee wants more people to know about this curriculum and its availability.

Paul thanked Karen for the job that the subcommittee did and asked if anyone had comments to add. Mary wanted to clarify the procedure on how an issue gets elevated to the joint committee. She explained that it could go one of two ways. An issue could be sent through the Ad Hoc committee or it could go through your monthly report. Mary suggested that since many of the recommendations have attachments, that we should send hard copies as well.

The committee continued discussing ways an issue is elevated as well as the format for presenting the issue.



Agreement: The committee agreed to have Mary send on the recommendations to the joint committee that she receives between now and September 1st.

Development of New Sub-Committees

Paul explained that there would be two subcommittees that will roll over to next year. He asked the committee if there were any other issues that the committee would like to bring up or any they could think of. Karen explained that she has one in mind but it may not fall under this committee and could be for the joint committee to consider. She would like to propose that a committee work on opportunities for reduction or consolidation of paperwork. The IRS generates, from a regulatory perspective, the most paperwork for businesses and the public and felt TAP could be instrumental in helping the IRS streamline and reduce paperwork requirements.

Mary explained that the committee works in partnership with the IRS and with Susan Leatherman. This means that this may not be a committee that would be able to work this issue unless this issue is relevant to Schedule C business. This could be an issue worked in your area committee or ad hoc.

Next Steps

Paul reviewed what the next steps are for each subcommittee.

Action: Mary will arrange for Susan Leatherman to meet with the subcommittee chairs to review sub-committee work.

Public Input

Paul introduced Gary Knott to the committee. Gary informed the committee that he is the small business liaison for systemic business advocacy for the Taxpayer Advocate organization. He was interested and joined the call because he was working on Nina Olson's annual report to Congress. He wanted to see if his committee and the SBSE schedule C committee are working on the same issues. He also informed the committee that they are looking at the issue of independent contractors and are trying to figure out what to do around this area. The work on safe harbor that the committee is discussing sounds like a good idea to Gary.

Gary extended his appreciation to the committee for letting him sit in on the call and also expressed to the committee that he was glad they are working on the same issues.

Closing/Assessment

Paul asked if there were any comments from the committee before he closed the meeting. The committee felt it was a very productive meeting and was very pleased with the outcome. Paul adjourned the meeting.



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

July 8, 2003
2:00 P.M. EDT

Attendance

- Chris Forzano, Vancouver, WA
- Richard Greenberg, Hinsdale, IL
- Edward Hanna, Tampa, FL
- Karen Kerrigan, Oakton, VA
- Manning H. Mosley III, Wayne, PA
- Paul Nagel, Glen Cove, NY (Chair)
- Owen Oatley, Holly Hill, FL
- Mary Peterson O'Brien, Designated Federal Official
- Teresa Smedley, Salem, IN
- Charles Taylor, Lancaster, CA

Absent

- Patrick Castleberry
- Richard Cormier
- Walter Fish
- Robert Taylor

Program Owner

- Michael Solitto

Note Taker

- Marla Ofilas

Welcome/Announcements/Review Agenda

Paul Nagel began the call by welcoming everyone and asked if everyone received the agenda for the teleconference and a copy of the May 3 rd 2003 minutes. Mary O'Brien informed the members if they have not received a copy of the May 3 rd minutes that it would be available on TAP speak.

Roll Call

Marla Ofilas began roll call and concluded that there were enough members available to make a quorum.

Review/Approve Minutes

Before reviewing and approving minutes, Paul asked if there were anyone from the public on the call. Paul noted that there were no one from the public that would be joining the teleconference.

Paul reviewed the upcoming meetings. The TAP panel will be having it's annual meeting in Washington D.C. and he also mentioned that the Joint Committee will be having a September meeting in Chicago. Paul requested from the members that all yearend reports be completed by September so he could present it to the Joint Committee at this time.



Paul postponed approval of the May minutes until everyone had a chance to review them.

Paul asked if anyone wanted to add to the agenda before the panel began discussing the topics. Teresa Smedley asked if she could do her report out for her sub committee. She will be leaving the call early and would like to share her report. Paul and Mike Solitto agreed.

Teresa began by explaining that her subcommittee met twice since the last face-to-face committee meeting. They have looked at research on different levels of pay, the EZ pay committee, for paying a flat percentage on self-employment in order to keep people from paying a penalty. The subcommittee is continuing their research so they are prepared with back up information when they present their proposal. Teresa hopes to have information with the proposal to pass on to the committee by August. Paul Nagel asked Teresa if the proposal is leaning towards weekly estimated pay program. Teresa explained that the proposal is a flat percentage rate. If someone makes a certain dollar amount they pay a certain percentage rate on their self-employment. Also, if they do this then they will have a safe harbor and their safe harbor will keep them from paying penalties even if they have under paid at the end of the year. Paul asked if the payments are paid 4 times a year. Teresa replied that you could make estimated payments as often as one likes. The subcommittee discussed using the 8109 coupons to allow the person to make payments every time they receive payments on their self-employment. The subcommittee has not yet reached that point. Instead, they are trying to determine what the percentage should be in order to come up with a safe harbor.

Paul asked if anyone had any thoughts or comments regarding Teresa's subcommittee idea. Ed Hanna felt that it was a great idea and he would like to see it pursued. Paul also felt it had great potential. Mike added that it was discussed among the subcommittee group and there's a lot of data and as usual there is no clear solution but there are some problems to deal with. Mike concluded that it does have potential and will continue to work on the issue. Teresa assured the committee they will have specifics within the next month. Teresa apologized to some of the members for not receiving the subcommittee minutes therefore they were not able to be apart of the last meeting. She will be contacting all the subcommittee members by next week to schedule a teleconference once she has the research from Mike. Paul asked if Teresa would CC mail him regarding the next meeting. Teresa agreed.

Action: Teresa will inform Paul of the next subcommittee meeting.

Report on Joint Committee Meeting

Paul concluded Teresa's report out and moved on to the next agenda item. Paul asked Ed if he would give the committee a report out on the Joint Committee meeting. Ed informed the committee that the main focus is to have all issues to be elevated to the Joint Committee by September 1 st . Ed also reported use of the sprint phone cards. TAP members should limit their use of the phone cards when traveling for TAP and also only for TAP business.

Paul also added that another discussion during the Joint Committee Meeting was the use of TAPspeak. Paul asked Mary if she had new information regarding this site. The Joint Committee was informed that it is not 100 percent ready. Mary felt that was new to her because it is up and running and also working fine. Paul informed Mary that during his Area 1 meeting, Daryle had attended and informed them that she's working out things with the vendors because all the improvements is costing TAP money. Mary replied that it is up and running and most members are using it. Mary offered to help if any members that are having difficulty accessing TAPspeak. Mary will email instructions on how to access TAPspeak and how to look up any information that relates to Schedule C and subcommittee minutes.

Action: Mary will email TAPspeak web link and instruction on how to sign on to TAPspeak. Mary will also look into TAPspeak access for Mike Solito.



Paul explained that the Joint Committee has not confirmed the location of their next face-to-face meeting. One option that has been mentioned is Chicago, IL. Paul expressed to the committee that he would like to have all proposals with him when he attends the face-to-face meeting. Paul asked the committee if there are any issues or concerns that the committee would like expressed during the face-to-face meeting to please let him know. Karen Karrigan asked what the dates were for the October Annual Meeting. Paul explained that the meeting will be held October 2, 3, & 4th and the travel days would be on the 1st and 5th .

Updates from Program Owner

Paul turned the floor to Mike. Mike explained that there are two issues he would like to review. First, making the self-employment tax a uniformed amount with the social security amount. He mentioned to the subcommittee group that the Treasury Inspector General for Tax Administration had completed an audit were they had raised this issue and made a recommendation that IRS do the same thing the group is recommending. One further development on this issue is that IRS officials met with Treasury to discuss the audit and Treasury concluded that they will not support what the issue committee was going to proposal. Mike felt that this leaves the group up in the air because without Treasury support Legislation will not go anywhere. Mike will email the committee the explanation and information on the Treasury's reasons for not supporting a uniformed amount. Mary expressed to Mike that the committees' proposal on this issue is near complete. She asked if he would still to have the proposal to elevate to the IRS. Mike believed even if the issue will not go anywhere at this time, it would be a good idea to complete it so if the IRS is ready for it, it would be available.

The second issue that Mike wanted to review with the committee is that he will be retiring at the end of the month. The organization has not yet assigned someone to this issue committee. He explained that a manager maybe assigned in the interim for a short period of time. He will make sure the interim manager is briefed over the developments that has occurred so far and then there will eventually be a permeate manager. Paul asked if Mike suggest that this committee continues with the subcommittees. Mike felt that the Schedule C is close to finish, EZ pay has a lot of potential and should continue moving forward and the outreach and education is the one thing the organization has struggled with. Mary also asked since the filing requirement sub group is almost complete and will be turning in a report what should be done after that. Mike made a recommendation that this group could assist the outreach and education sub group. He felt the more people looking into this the better in the short run. Karen Karrigan agreed that the outreach and education committee could use the help.

Paul asked Karen Karrigan to give a report out on her responsible sub committee. Karen explained that her committee had a teleconference on June 10th. The committee discussed a number of issues. They review information Mike provided to the group, which was very helpful. The information was a profile data on non-filers. It gave a little information on who they are and demographics. This was helpful in targeting different produces that the committee was going to use. She offered to put it in an email format and send it to Paul so he can share it with the other members. Paul asked if she could also send it to Ed and Bob. Mary asked if Karen would be willing to CC mail her with the information. Karen agreed.

Action: Karen will send an email with the profile data on non-filers to Paul, Ed, Bob and Mary.

Karen continued to explain that it was a research study done in tax year 1996. The subcommittee discussed if the data was to old but they felt most of the data was relevant in defining the age group in non-filers. For example, 50% are age 25 to 44, 53% have the single filing status, 86% previously filed a return, and 16% have a potential refund. She felt there was some good data for the group in helping to target their efforts in terms of current non-filers. Other items that the subgroup discussed was an idea that Owen Oatley had brought up. Letting individuals who fill out a W-9, eventually letting them know that if they receive non-employee compensation, that they will be subject to self-employment tax as well as income tax. And one-way of accomplishing this is to include this information somewhere prominently and Owen suggested on page 3 on the W-9 form. Clearly one quarter of the page is blank. If we would place this on the W-9 form this would be one way of reaching



people and letting them know about non-employee compensation. The group also discussed the different brochures and types of communication pieces that the group would use to let people know about filing a tax return. Owen put out some text and language of what the subgroup calls brochure number one, General Benefits of Filing a Tax Return for Schedule C filers. Essentially, it goes over some of the core benefits that were talked about. Benefits provided by Social Security, personal credit, business credit, and investment flexibility. If you review the profile data that was provide by Mike, in terms of the people that are not filing, these benefits will appeal to them in terms of credit and social security, investment flexibility and thinking about the future. This is something that could be included with IRS inquiry letters so people could look at the benefits of filing.

Action: Karen requested for the next meeting there be an action item for someone from the communications office that is fairly knowledgeable about the IRS Headlines program or about the success and the impact of the IRS tax tip program, talk with the committee to see if there is a compatibility of what the committee is trying to do with their efforts. Karen told Mary that she would contact her to see if this is something that could be done.

Karen discussed additional projects that her committee was working on. She explained that Dick Greenberg has been working with the Chicago public school system making contact. He had had a meeting with them and they were very open and very interested in implementing financial literacy and bringing this information to students. Dick continued to explain his meeting with Chicago public school meeting. Karen felt like it was a great idea and it should be pursued. If nothing happens in Chicago then the committee should move on. Karen did read a press release regarding Nina Olson's office in terms of her priorities for the year and one of the three priorities is financial literacy. Karen also felt that it was a brought term and doesn't know what Nina Olson has planned but certainly it is parallel to what the subgroup is trying to do.

Paul asked a question regarding the information for W-9 form non-employee compensation. He suggested that instead of this information being put on the 3rd page, could it be put on the 1 st page. Owen felt that would be a good idea but doesn't feel that the IRS would feel the same way.

Paul asked if the committee could move on due to the time. The committee agreed. Paul asked if Ed would like to speak about their subcommittee. Ed had put out a detailed report about Social Security benefits that would be available to Schedule C filers. Mary is in the process of transferring that report into an electronic copy and will forward to the committee when the whole report is completed. Ed asked if Mary would be able to forward it to the rest of the committee to get comments. Mary agreed.

Action: Mary will forward Ed Hanna's report to the issue committee once it has been transferred electronically.

Discussion of what happens when a subcommittee has finished work

Paul asked if everyone will have a copy of the subcommittee reports in August during the next teleconference call or will it be available in September. He would like to have something to present to the Joint Committee. Ed replied that the Joint Committee would like the completed report on September 1 st . The subcommittee should have everything available in before the August 12 th teleconference.

Mary asked Ed if the Joint Committee had mentioned anything regarding issues and progress; and when they wanted them. Ed replied that the Joint Committee only mentioned that they hoped that they would get everything before October 1st . Only completed projects would be put in the Joint Committee report.

Next Steps

Paul asked if everyone was aware of the next steps. Outreach and Education will not be completed and impossible to finalize. Paul asked if there should be a separate committee focused on Outreach



and Education. Mike felt that this committee should just focus on Schedule C non-filers and keep it the way it is.

Public Input

No public input available during this call.

Closing/Assessment

Paul apologized for going over the time allotted. He reviewed the date and time of the next meeting which will be August 12, 2003 at 2 pm eastern. He expressed that he hoped that people will have the paperwork emailed and TAPspeak will be better utilized. Paul asked if there were any additional issues that needed to be discussed. None were added and the Paul adjourned the meeting.



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

May 4, 2003

Washington DC, St. Gregory Hotel

Members in Attendance:

- Patrick Castleberry, Edmond OK
- Walter Fish, Bellmore, NY
- Chris Forzano, Vancouver, WA
- Richard Greenberg, Hinsdale, IL
- Edward Hanna, Tampa, FL
- Karen Kerrigan, Vienna VA
- Judi Nicholas, Designated Federal Official
- Paul Nagel, Chair, Glen Cove, NY
- Owen Oatley, Holly Hill, FL
- Teresa Smedley, Salem, IN
- Bob Taylor, Pittsburgh, PA
- Charles Taylor, Lancaster, CA

Members Absent:

- Richard Cormier, Manassa, CO
- Manning Mosley, Wayne, PA

Other Attendees:

- Michael Sollitto, Program Owner
- Mary O'Brien, TAP Analyst

Welcome/Announcements/Review Agenda:

Paul Nagel opened the meeting. He announced one change in the agenda. The group will break at 11:30. The committee formed breakout groups to work on subcommittee issues.

Sub-Committee Report Outs:

Filing Requirements, Chair Bob Taylor:

This subcommittee is looking at the problem with inconsistent filing requirement between the IRS and Social Security Earning Requirements. The subcommittee believes that more people would be encouraged to file Schedule C if these requirements were consistent. Lack of education of taxpayers in regards to benefits of filing to earn Social Security Benefits and unfair filing requirements for Schedule C vs Form W-2 taxpayers that result in higher cost of preparing returns attribute to noncompliance.

Some of the solutions to explore are:

- Educate Taxpayers to advantages of Social Security
 - Any amount generates Social Security Credit
 - Retirement income
 - Long-term disability
 - Medicare and retirement benefits, 40 quarters for full coverage
 - Survivorship benefits



- Eligible for EITC
- Develop Dialogue between IRS and SSA
- Index filing requirement for Sch C and Social Security earnings requirement for Schedule C and Social Security earnings requirements as proposed in hr 1037 Section 304
- Simplifying Schedule C-EZ
 - Business expenses at \$2500 to be indexed for inflation.
 - Eliminate requirements for:
 - Cash methods
 - Net loss
 - Form 4562 depreciation
 - Inventory

The subcommittee is ready to submit a final recommendation to the IRS.

- Questions and comments from the entire panel for this subcommittee to consider:
- Is there any partnership between the IRS and SSA?
- Should the subcommittee get input from the public before submitting a recommendation?
- TIGTA Report?

Simplification of Estimated Tax, Chair Theresa Smedely:

Problem Statement & Proposed Findings: The subcommittee finds:

1. Low income, self-employed taxpayers frequently do not make estimated tax payments. This delinquency leads to Schedule C nonfiling.
2. The primary reasons for this noncompliance are (a) the quarterly payment calculation is too complex; (b) the pertinent form, instructions, and worksheet are lengthy, and difficult to understand; (c) low income, self-employed taxpayers often lack the financial ability to pay quarterly; and, (d) low income, self-employed taxpayers often lack knowledge of how to satisfy estimated tax payment obligation.
3. The typical self-employed taxpayer who fails to comply with estimated tax payments obligations has the following traits: (a) gross income is less than \$40,000 per year (mostly SE income); (b) has no tax practitioner assistance; (c) receives mostly 1099 income, but often does not receive a form 1099; (d) owns a consumer-oriented business, such as home repair contractor or tradesman, and does not maintain a regular business office; (e) is not usually a member of a recognized industry or trade association; and, (f) has a high school education or less.

Proposed Solution: Adopt an EZ Pay Plan Safe Harbor. The EZ Pay plan would have the following components: (a) would impose one flat percentage rate (e.g., 10%) on gross income to calculate estimated tax, such appropriate percentage rate to be a conservative percentage, and to be determined by IRS researchers based on statistical data regarding effective tax rates for such persons; (b) would be available to self-employed taxpayers with total family gross income not to exceed a stated dollar amount (e.g., \$40,000), such amount to be determined by IRS researchers based on statistical data; (c) would serve as a safe harbor to avoid estimated tax penalty; (d) payments would be made no less frequently than monthly, although taxpayers could elect to pay more frequently than monthly; (e) would incorporate EFTPS system (e.g., internet pay, telepay) and modified form 8109 coupon/deposit slip payment procedure; (f) would be supported by a marketing strategy to educate public as to availability; and, (g) would be non-mandatory, meaning taxpayers would have the option to resort to more complicated estimated tax calculation to avoid penalty and to more accurately estimate liability.

Proposed Implementation: Subcommittee should open dialogue with IRS Research Division to convey substance of EZ Pay plan. IRS should devise a pilot program in accordance with its traditional



pilot testing procedures, and devise appropriate marketing strategy to educate public as to new EZ Pay plan safe harbor. Based on the results of pilot program, IRS would expand, modify or abandon program in its discretion.

Questions and comments from the entire panel for this subcommittee to consider:

- Deposits may be legislatively mandated. Patrick will research regulatory authority over safe harbor.
- Research innovative ideas from the State taxing authorities, solicit public input.

Information and Education, Chair Karen Kerrigan:

Problem statement: Self employed taxpayers may not be aware of their tax obligations. How does the IRS get reach out to these people and how do you bring nonfilers into the tax system?

Barriers:

- Education
- Competition
- Procrastinators
- Poor record keeping
- Inability to Pay

Target groups:

- 1099 recipients
- Individuals who start business
- Immigrants
- Those who file based on notice
- Those who have life crises
- Procrastinators

Solutions: With much discussion and debate, it was agreed that there is no silver bullet that will solve the problem of education and information. There are many groups to target as well as many educational products and vehicles to get the messages out. Some of the solutions that this group is looking at are:

- Education, reach out and educating at the high school level.
- Benefits to compliance. Educate the taxpayer as to what are the benefits to filing and paying
- Resources to pay. Make it easier for the taxpayer to pay their tax obligations, i.e. EZ Pay.
- Educate the taxpayers on the various ways to pay. Credit cards, EFTPS, etc.
- Procrastinators develop educational products

Research: We will need to find out more information. Questions that need to be answered:

- What is the IRS doing now for Education? What sorts of programs are currently happening to educate taxpayers such as High School Curriculums?
- Are there educational products such as brochures developed on topics such as getting back into compliance?
- Do outside interested groups such as software vendors (Turbotax) give something back to the taxpayers by way of outreach programs on the benefits of compliance?



Next steps:

- Get input from public, IRS, and professional organizations
- Ask the IRS program owners Are these good ideas?
- Decide how and who do we distribute products to

Questions and comments from the entire panel for this subcommittee to consider:

- Could you encourage banks to have an IRS savings account such as a Christmas club account?
- Could response rate increase when IRS sends out letters to include brochures on How to get back into compliance?
- What are the mirrored products that IRS has already developed?

Action Item: Look at Form W-9. Safe Harbor Issue; If IRS comes in and audits a company to see if someone is an employee or contractor for FICA purposes, the business owner is in a better position if Forms 1099 are issues he has issued.

Question from Karen: Where would this group prioritize their efforts?

- Banks
- Form W9
- High School Education
- Trade Schools Would this group more likely to have a schedule C business?

Michael Sollitto commented that this subcommittee had a huge task and that this group would have to prioritize.

Angela Krause offered to work with people in the construction industries to test brochures that this subcommittee might develop. She cautioned that the problem with testing is that you would have to know which taxpayers were given the educational materials to see if compliance changed. She would need to look into this.

Next Steps

Future Meetings:

- June 10th will be devoted to subcommittee work. Mary will set up teleconferences. Each chair will need to contact Mary with the time for the call. Each subcommittee will create an agenda and designate a note taker. That person will ensure all members receive the notes with a courtesy copy to Mary.
- July 8th at 3pm EDT will be a conference call for the entire issue committee. Each subcommittee chair will give a short synopsis of accomplishments and next steps.

Public Input

No public comments were made.

Closing/Assessment

Paul closed by asking all panel members to complete a meeting assessment form.

Meeting Adjourned



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

May 3, 2003

Members in Attendance:

- Patrick Castleberry, Edmond OK
- Walter Fish, Bellmore, NY
- Chris Forzano, Vancouver, WA
- Richard Greenberg, Hinsdale, IL
- Edward Hanna, Tampa, FL
- Karen Kerrigan, Vienna VA
- Judi Nicholas, Designated Federal Official
- Paul Nagel, Chair, Glen Cove, NY
- Owen Oatley, Holly Hill, FL
- Teresa Smedley, Salem, IN
- Bob Taylor, Pittsburgh, PA
- Charles Taylor, Lancaster, CA

Members Absent:

- Richard Cormier, Manassa, CO
- Manning Mosley, Wayne, PA

Other Attendees:

- Michael Sollitto, Program Owner
- Margie Kinney, Chief of Special Projects
- Angela Kraus, Chief, Partnership Relations for Trade and Service Organizations
- Tony Chavez, SB/SE Senior Program Analyst
- Mary O'Brien, TAP Analyst

Attachments

Agenda

Welcome/Announcements/Review Agenda

Paul Nagel opened the business meeting. Paul welcomed everyone and thanked all for taking the time out of busy schedules to meet face-to-face. Paul introduced Tom Senjuens, TAP chair and Deryle Temple, TAP Director and asked each to spend a few minutes to talk with the issue committee members.

Comments from Ton Senjuens, TAP Chair

Tom Senjuens gave a brief overview of the TAP Joint Committee meeting held May 2nd and 3rd at the same location.

Comments from Deryle Temple, TAP Director

Deryle welcomed everyone and stated that her purpose for speaking was to say hello and introduce herself as the TAP Director. The Issue committee members gave a self-introduction.

Presentation from Taxpayer Education and Communication for SB/SE

Tony Chavez gave a presentation on the mission of The Taxpayer Education and Communication (TEC)



organization in SB/SE. The SB/SE TEC mission is to educate and inform SB/SE taxpayers and representatives about their tax obligations by developing educational products and services focused on customer needs and by providing top quality pre-filing services to help taxpayers understand and comply with the tax laws. One of the ways that the TEC organization accomplishes its mission is to look for errors and omissions on tax returns to see where there is an educational need.

There are three major functions in the TEC organization:

- Field Operations: Tax specialists (prior revenue agents who understand and are able to communicate tax law) educate specific targeted market segments about IRS rules and regulations pertaining to that market segment.
- Financial Transactions: The mission is to educate taxpayers on tax schemes. Examples. 1. Abusive home business tax schemes. A promoter tries to sell a package to a taxpayer saying that 90% of the expenses can be written off. 2. Off shore tax schemes. Credit cards from offshore accounts. Taxpayers conceal transfers of money or other property to a foreign entity, where the income it generates may be hidden. The funds can then be repatriated with offshore credit cards.
- Prefiling agreements: The IRS strives to find agreements with taxpayers before they file returns. If the taxpayer agrees to file a return (filing is a requirement), then the IRS agrees not to assess a penalty. Another example of is the Tip Reporting Program.

Angela Kraus discussed TEC partnership outreach. The mission is to proactively establish partnerships with trade associations, small business associations, and government entities. Partnership Outreach describes its two primary functions: establishing partnerships and conducting outreach efforts to stakeholders with the objective of helping small business taxpayers. These activities support TEC's mission to develop and deliver top quality educational and informational programs, products and services aimed at increasing voluntary compliance and reducing taxpayer burden. This pre-filing focus results from the recognition that increasing voluntary compliance decreases the need for more costly enforcement procedures.

TEC Partnership Outreach, with the field organization, engages partners who can expand TEC's outreach to small businesses. By leveraging relationships with partners such as professional and trade associations, practitioners, small business organizations, and other government agencies, TEC expands its ability to target and reach small business taxpayers. Using existing distribution channels of these partners allows TEC to reach significantly more taxpayers than it could through traditional face-to-face outreach activities.

Another function of TEC is to produce a variety of products to educate the small business market segments. The goal of Product Development is to ensure the delivery of products and services while meeting the needs of customers and anticipating newly emerging issues. Product Development is primarily responsible for designing, developing, and manufacturing educational programs, products and services for Partnership Outreach programs, Small Business/Self-Employed customers and other stakeholders. Some of the methods of distribution are drop-in articles, email distributions, IRS field offices (86 nationwide) and the website www.irs.gov.

Margie Kinney discussed the Office of Burden Reduction. This office was set up approximately a year and a half ago to achieve significant burden reduction for all taxpayers but, especially for SB/SE taxpayers: by developing proposals that foster burden reduction; by coordinating and championing burden reduction efforts throughout the IRS; and by working with others in IRS, Congress, state and other federal agencies, and the small business community to develop, coordinate and implement meaningful burden reduction efforts that are consistent with IRS's customer service and compliance goals.



Burden is defined as necessary versus unnecessary. Necessary i.e. filling out a form. The IRS needs to monitor tax revenue thus forms are necessary. Unnecessary i.e. Form simplification. This office looks for ways to simplify. An example is with Schedule B. This form did require that a taxpayer list all interest income if interest income was over \$400. The threshold has been increased to \$1500. Another example is who is required to file Schedules L, M1 or M2. Smaller businesses are no longer required to file.

Projects under way to streamline policies and procedures include:

- Efiling, the need to transcribe Form W2 and Form 1099.
- Signature alternatives for large corporations.

Projects under way to lessen burdensome rules, regulations, and laws include:

- Development of an Industry Resolution Program. The idea is to work with industry to develop a standard deduction for childcare meal expenses. Previously, each daycare provider was required to maintain receipts and account for each meal served a child.
- Extending the standard mileage rate for more than one business vehicle.

Margie stated that she would like to invite someone from the Business Marketing Services Program to speak with the issue committee. The Business Marketing Services Program focuses on advertising such as the efile program.

Questions:

- Does the Informational packages include Publications 334?
- What is included in High School Education COE?
- How effective have some of the outreach efforts been?
- Have there been many discussions to tell the differences between the Form 1099 and the W2?

Margie discussed a few of the old IRS strategies to educate small business taxpayers. The first time that someone got a penalty for a business, the resources for information were:

- The taxpayer would give a list of SBA workshops.
- Newsletter gave list of publication number and title so a taxpayer could fill in the request to send to a distribution center to acquire the publication.
- A letter was sent from the district director that made them aware they missed a payment. Included in the letter was a brochure on how and when to make a payment. This strategy got good results.

Margie discussed that it would be effective to develop products for a targeted Schedule C nonfiler group that could be tested. The question would be to see if the IRS could do this.

The idea of trade shows was brought up. The question from the issue committee is how to find out if there are any trade shows and the times, dates and places of the event. Margie responded that the TEC territory managers have been informed about the mission of the TAP and will keep the TAP managers informed of upcoming events. Judi reminded the members that travel is limited and that all travel will need to be approved through the TAP office.

New Business

Paul discussed the possibility of what happens when a subcommittee is finished with recommendations



to the IRS. He asked the members to brainstorm other issues concerning Schedule C Nonfilers. Some thoughts were generated around the following:

- Standard deduction for Schedule C.
- Offset of FICA for five years
- Instructions for Form 1099 to include that EITC could be missed if income is reported in the wrong box
- Small Business Scams
- Reporting programs for when a taxpayer stops filing Schedule C but continues to file.

It was discussed that the IRS program owner will need to ensure that the issues worked meet their business need.

Meeting Adjourned

Paul closed the meeting for the day. It was agreed to start at 8am on May 4th.



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

March 11, 2003

INFORMATION AND EDUCATION

Members in Attendance/Roll Call:

- Richard Cormier, Manassa, CO
- Richard Greenberg,
- Karen Kerrigan, Vienna, VA - Subcommittee Chair
- Owen Oatley, Holly Hill, FL
- Mary O'Brien, Designated Federal Official

Other Attendees:

- Michael Sollitto, Program Owner

Review of Problem - Michael Sollitto

Michael Sollitto gave an overview of the problem statement: The question was asked about what is the IRS currently doing to promote education for Small Businesses and Self-employed. Michael described the function of TEC (Taxpayer Education and Communication) within the SB/SE organization. There is not a focus on nonfiling; instead, TEC focuses on Market Segments and different industries.

A study was done in California that concentrated on "why people don't file" The majority of the answers were:

- Inability to pay
- Life Crises
- Snowball effect of getting behind and trying to play catch-up

Another study concentrating on the 2002 Tax Forums as a focus group came up with the following reasons that some people do not file business returns:

- Inability to pay
- Poor records
- Procrastination

Michael also clarified approximately how many business returns were filed in a year. The number is 30 million. The IRS has identified that there are approximately 2 million nonfilers.

Discussion of problem, barriers, and solutions:

Dick Greenberg gave a synopsis of his meeting with Kathy Welsh

-----Original Message-----

From: GreenFdSci1@aol.com [mailto:GreenFdSci1@aol.com]
Sent: Sunday, February 23, 2003 2:07 PM
To: mary.a.delzer@irs.gov; mary.j.peterson@irs.gov
Subject: Minutes of 2/21/03 meeting arranged by Kathy Welsh

Thanks to Mary Delzer's initiative, Kathy Welsh arranged a meeting for me at



the Downers Grove, Illinois IRS office. Besides Kathy, twelve managers and employees of the SB/SE Compliance Dept., Large and Mid-Size Business, Taxpayer Advocate, Field Assistance, and Taxpayer Education and Communication participated.

I opened the meeting with a short personal history and a background on the TAP program and its aims. I then opened discussion on the 990, non-compliance of small business operators, and issues that they, as IRS employees thought might be addressed by TAP

Form 990:

While the group agreed that consideration for raising the \$25,000 threshold is warranted, they pointed out that it could introduce problems by bringing fraudulent and even terrorist organizations under the non-reporting umbrella

Schedule C non-filers

There was little doubt in the minds of the group that the vast majority of small business non-filers have never filed and have never wanted to file. SB/SE employees have tried various carrot and stick strategies to encourage compliance. The carrot works better than the stick, primarily because there is not enough muscle in the current SB/SE staffing to make the stick approach practical.

One approach might be to send Pub.334 to all small business proprietors known to IRS. This is not a threat to the taxpayer, but at least lets them know that the IRS knows they exist.

Programs offering the possibility of partial amnesty to delinquent businesses who come forth voluntarily and accept probation for 3-5 years have had some success' (One of the attendees made the point of NEVER referring to "amnesty" as such because this is extremely irritating to the honest taxpayer). Volunteer revelation of previous non-filing could carry a promise of waiving criminal charges and dropping some penalties pending setting and adhering to some years of probation.

By far the most agreement about solving the non-filer problem centered on outreach programs, particularly the idea of setting up High School education programs on dealing with the IRS and taxation. If necessary, classes on taxation responsibility could be linked to consumer education classes. I came away from the meeting that the group had the most faith in outreach as the most viable long-range answer.

OTHER ISSUES;

1) The addition of an additional line to show the tax on taxable income on Form 1040 as well as the final tax taken from Schedule D would be useful to IRS as well as to the taxpayer

2) Imposition of a flat taxation rate for filers over the minimum deduction levels on social security (say 50%) would take away the present confusion that the 85% computation introduced

3) Using 1040 schedules in lieu of separate 1040A attachments when filing 1040A would work, but separate Schedules A and B should be provided to ensure that persons electing to take standard deductions wouldn't think that they should or could itemize.



4) Current regulations practically guarantee that illegal aliens have to go underground to get work. After a year of no tax refunds, they aren't going to bother to file at all. IRS and Immigration need to figure out immediately how to handle the problem to their mutual benefit before we wind up with an insolvable situation.

Kathy Welsh did a great job in bringing the group together. I also appreciate the fact that these people took time out of their schedules to participate in the discussions.

Dick Greenberg

Owen Oatley sees the reason that contributes to non-filing is the complexity of the tax laws.

E-filing may help with decreasing the effects of tax law complexity.

Some of the solutions: Send Publication 334 to all known business entities. At least this would make those entities realize that the IRS knows they are out there.

Question/Action Item - What is the distribution of Publication 334? Mary will look into it.

Another idea is to start with Education in High Schools. Make this a part of the high school curriculum.

Action Item: Each member will find out what is on the high school curriculum in his or her state.

State of Florida is very proactive about the education concerning Florida Sales Tax.

Another barrier to nonfiling is that the IRS seems to not follow-up when someone who has filed doesn't file. (Could letters or phone calls increase compliance?) The suggestion would be to at least send a follow-up notice asking the question concerning why filing stopped. Mary stated that this could be very time intensive and tie up resources for the IRS. There are a multitude of reasons that people stop filing. (out of business, no filing requirements for the year, hobby, etc.)

Another barrier discussed concerning nonfiling is the fear of penalties and interest. Amnesty or for a better language is to give some sort of incentive for filing taxes. Self interest in filing a return. Some ideas:

- Get your money working for you - no filing - no credit for SSA
- Earned Income tax credit may apply if you file.
- Offer in compromises :?

Partnering opportunities for education:

TEC
Small Business Administration (SBA)

Closing/Assessment and Next Steps

- Michael will contact SBA and TEC about what focus groups are doing with the nonfiling question.
- Did IRS do anything on Advertising Ad Councils



- Mary will send to all panel members the SB/SE TEC marketing and communication guide (what products IRS currently provides for marketing and education; The IRS business tax calendar and marketing business card; the CD rom - Starting a new business.

FILING REQUIREMENTS

Members in Attendance/Roll Call:

- Edward Hanna, Tampa, FL (Absent)
- Manning Mosley III,
- Paul Nagel, Glen Cove NY
- Mary O'Brien, Designated Federal Official
- Bob Taylor, Pittsburgh, PA

Other Attendees:

- Michael Sollitto, Program Owner

Review of Problem - Michael Sollitto

Michael gave a background of the different requirements for filing a Form 1099, SCH SE, and the dollar amount required to receive Social Security Credit.

Discussion of problem, barriers, and solutions:

Some of the barriers discussed were:

- Discrepancy in dollar amounts creates confusion and complexity
- Consistency in dollar amounts reduces taxpayer burden (simplicity)
- More IRS outreach programs

Question: How much is the IRS proactive in matching programs between Form 1099's and Form 1040's?

Solutions:

- Requirement to take an employment tax class and/or pass an examination before starting a business.
- Require that all Sch C have an associated EIN number (codes?)
- Require that all Form1099's associated with a Sch C be attached to the return before a deduction will be given. Require that you identify who you are paying.
- Improve Sch C Simplify. The cost of completing Forms and filing is prohibitive

Brainstorm ways to get input:

- Contact SBA to see if they will do a survey
- Get Feedback from non-practitioner groups
- TAP panel members as a source

Closing/Assessment and Next Steps

Action: All sub-committee members will speak to a couple of business owners to get a general idea of problems with completing Sch C, inconsistencies in filing requirements, etc. and be ready to report back at next meeting.



Action: Mary will send IRS pub on available marketing products produced by SB/SE

SIMPLIFICATION OF ESTIMATED TAX PAYMENTS

Members in Attendance/Roll Call:

- Patrick Castleberry
- Mary O'Brien, Designated Federal Official
- Teresa Smedley
- Charles Taylor

Other Attendees:

- Michael Sollitto, Program Owner

Review of Problem - Michael Sollitto Michael shared some insights that came out of the IRS 2002 Tax Forums as well as

Discussion of problem, barriers, and solutions:

Closing/Assessment and Next Steps

Paul asked the members for comments or assessments of the meeting. The members had no additional comments and Paul adjourned the meeting.



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

February 11, 2003

The SBSE Fair Compliance (Schedule C Non-Filers) Committee met via teleconference on Tuesday, February 11, 2003.

Members in Attendance/Roll Call:

- Richard Cormier, Manassa, CO
- Chris Forzano, Vancouver, WA
- Edward Hanna, Tampa, FL
- Karen Kerrigan, Vienna, VA
- Paul Nagel, Chair, Glen Cove NY
- Owen Oatley, Holly Hill, FL
- Mary O'Brien, Designated Federal Official
- Teresa Smedley, Salem, IN
- Bob Taylor, Pittsburgh, PA

Other Attendees:

- Susan Leatherman, Program Owner
- Sandy Mcquin, TAP Program Manager
- Marla Ofilas, Note taker

Attachments

Three attachments were sent via email to the panel prior to the conference call.

- February 11, 2003 Conference Call Agenda
- Subcommittee Tasks
- January 7, 2003 Teleconference Draft Minutes

Welcome/Announcements/Review Agenda

Paul Nagel opened the business meeting and welcomed the committee members. Paul acknowledged that there were not enough members for a quorum therefore no decisions could be made. Mary agreed and added that 11 members were needed in order to have a quorum but the committee would still be able to discuss the agenda.

Minutes Paul verified with all members that they received the attachments listed above. He also asked if all members reviewed [the minutes from January 7th](#) teleconference. Being that there were not enough members available on the call, decisions regarding changes to the minutes could not be made.

Parking Lot: The members will review January 7th teleconference minutes on their next conference call, March 11th.

Report on the Joint Committee Meeting

Paul felt that the Report on the Joint Committee Meeting should be discussed during the Area Committee meeting. He referred issue committee members to the TAP website (www.improveirs.org) for meeting minutes to all committees. Teresa and Mary agreed and felt that discussing the Joint Committee meeting minutes would take up time during the issue committee meetings.



Parking Lot: The issue committee will decide during the next conference call whether or not to continue to review Joint Committee minutes. The members felt that only if it pertains to Schedule C Non-Filers, then the issue committee should discuss the minutes.

Sub Committees

Paul began the next agenda item with a review of the 3 sub committees.

- Filing Requirements
- Information and Education
- Simplification of Estimated Tax Payments

An action item from January 7th conference call, members were to email Mary their preference. A quick poll was taken of the members present of their choice.

- Richard Cormier - Information and Education
- Chris Forzano - Simplification of Estimated Tax Payments
- Edward Hanna - Filing Requirements
- Karen Kerrigan - Information and Education
- Paul Nagel - Filing Requirements on Estimated Tax
- Owen Oatley - Information and Education
- Mary O'Brien
- Teresa Smedley - not sure if would be able to participate in a sub committee due to time.
- Bob Taylor - Filing Requirements, Chairperson

Mary added that Charles Taylor offered to be on the Simplification of Estimated Tax Payments. Paul added that a Chairperson for the Simplification of Estimated Tax Payments and Information and Education were still needed. Karen offered to be the chairperson for Information and Education.

Sub Committee Task Document

Mary explained the purpose of the Sub Committee Task document. This document was designed for another issue committee that she is working with. This helped the members focus on what they needed to accomplish and used as a checklist. Mary felt that this could serve as a template to move forward in coming up with an action plan for each sub committee.

Paul felt this was a good document and this will help the members know what to expect. He also expressed how important the sub committees were and they were the ones that would come up with the recommendations.

Action: Paul will contact the other members regarding their sub committee selection.

Calling Card

Paul asked the members if they received their calling cards and if there were any problems using it. Owen expressed that the calling card worked well but also added that members will need to use the last four digits of their social security number when asked to enter your card number.

Paul asked Mary how a member would go about setting up a conference call for sub committee teleconferences. Mary explained that members have the ability to set up conference call with their calling cards. But also reminded the members that a decision will need to be made on who should be informed when a meeting is scheduled. She suggested that members cc her or Paul on emails when a meeting is scheduled. Susan Leatherman asked if a program owner or representative should be present on the sub committee conference calls to maintain focus of the meeting. Mary felt it was



important that the program owner be present in the beginning to help the committee develop an action plan and to also be a subject matter expert.

Action: All members will notify Mary of any formal sub committee conference calls or meetings so the appropriate program owner can be notified.

Scheduling Monthly Issue Meeting

Paul suggested changing the April 8th teleconference meeting to an alternate date due to filing season. Mary suggested that the 29th of April is open and no meetings are scheduled for that date.

Action: Mary will send out an email of the tentative date change.

Mary asked Sandy McQuin if it was necessary for the issue committee to meet monthly. Sandy felt that this is a good question and should be discussed with the joint committee and also discussed during the staff conference call. Mary asked the members if it's not mandate by the joint committee that both committees, the issue and sub committee, alternate their monthly meetings. This would help ease the burden. Theresa felt that this was a wonderful idea. Sandy discussed the situation with Barbara Toy, the analyst for the joint committee, and she confirmed that it was not mandate for the issue committee to meet monthly.

Action: The committee has agreed to have their next meeting on Tuesday March 11th as a sub committee meeting but will confirm this agreement with the other members not present.

The members discussed time slots for the March 11th sub committee meeting.

- 11 am eastern standard time - Information and Education
- 1 pm - Filing Requirements
- 3 pm - Simplification of Estimated Tax

Paul also clarified that the sub committee meetings would only be a half an hour call compared to the one-hour call for the issue committee. Susan did feel that the first call should be an hour to discuss administrative issues.

Action: Mary will email everyone of the schedule of the meeting and she will also set up the call in numbers for each meeting.

Teresa felt that if the committees will be meeting every other month, she should be able to participate and would like to be on the estimated tax committee.

Issue Committee Business

Paul reviewed the actions and outcome from this call and confirmed that Mary will be emailing the members with the call in information for the next conference call.

Public Input

None

Closing/Assessment

Paul asked the members for comments or assessments of the meeting. The members had no additional comments and Paul adjourned the meeting.



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

January 7, 2003

The SBSE Fair Compliance (Schedule C Non-Filers) Committee met via teleconference on Tuesday, January 7, 2002.

Members in Attendance:

- Patrick Castleberry, Edmond OK
- Walter Fish, Bellmore, NY
- Chris Forzano, Vancouver, WA
- Richard Greenberg, Hinsdale, IL
- Edward Hanna, Tampa, FL
- Karen Kerrigan, Vienna VA
- Manning Mosley, Wayne, PA
- Paul Nagel, Chair, Glen Cove, NY
- Owen Oatley, Holly Hill, FL
- Harvey Schiff, Florence, SC
- Mary O'Brien, Designated Federal Official
- Teresa Smedley, Salem, IN
- Bob Taylor, Pittsburgh, PA
- Charles Taylor, Lancaster, CA

Other Attendees:

- Michael Sollitto, Program Owner
- Susan Leatherman, Program Owner
- Margie Kinney, Chief of Special Projects
- Judi Nicholas, TAP Program Manager
- Marla Ofilas, Note taker

Attachments

Four attachments were sent via email to the panel prior to the conference call.

- An IRS dedicated to Small Businesses and the Self-Employed
- FTD-EFTPS Notice Stuffer Pilot
- Taxpayer Education and Communication Partnership Outreach Mission and Overview
- Major Outreach Products

Roll Call

Mary took roll call of all panel members and program owners.

Welcome/Announcements/Review Agenda

Paul Nagel opened the business meeting. Paul welcomed all members and verified if all members received the agenda sent by Mary Peterson.

Discussion/Decision: Panel members who either didn't receive the agenda or unable to access their agenda should contact Mary O'Brien at least one hour before the conference call.



Review/Approve Minutes

Panel members reviewed the minutes from December 10th and provided corrections. Sue Leatherman wanted corrections made to her comment regarding the IRS Amnesty Program. The IRS does not plan in making it an all year program.

Report on Joint Committee Meeting

Ed Hanna gave a brief review of the Joint Committee Meeting.

- The panel will not be receiving Travel Cards.
- He reminded the panel members, before traveling for TAP, to get approval from your analyst and
- To fill out a Speaker Report. The speaker or panel member that performs an outreach will need to complete the report part of the form. The form is used for tracking the different types of outreach and should be used even if there are no expenses to approve.
- Phone cards for the panel will be sent out by the end of January

Discuss Possible Area Report Outs

Paul asked the panel members if the Issue committee members should share what's going on in their Area committee. Mary suggested that the TAP website is available to review of the Area Committee minutes.

Parking Lot: Paul felt this is an issue that could be discussed at a later time and would like to put it on hold.

Housekeeping Items - Travel

Mary discussed when the panel decides to have a meeting, they need to put together a business case to explain why it is important for the committee to meet face-to-face. The TAP budget is limited and to save cost a city in which a panel member resides in should be considered as a host city.

The committee members worked together to come up with a business case for their meeting that will be held in Chicago in May.

- There has been new members added to the issue committee and once the members have met face-to-face, the teleconference would be enhanced.
- Richard Greenberg current resides in Illinois, which would make Chicago a host city.

Decision: The Committee has decided that it would be cost effective if they met on the 3rd and 4th of May in Washington D.C in conjunction with the Joint Committee meeting on May 2nd and 3rd. There will be 4 committee members that would be attending the Joint committee meeting and this would save the TAP panel on airfare cost.

Mike Solitto and Sue Leatherman agreed that this would work for them but Michael Chessman and Margie Kinney may not be available to attend.

Action: Mary will seek approval for this meeting.

Overview of Committee Focus

Mike Solitto reviewed the scope of the issue committee:

- Filling Requirements
- To Educate the taxpayers
- Simplify the payment requirements



Mike reminded the committee members that if an issue requires legislation, it may not be guaranteed unless it is an administration issue, and to stay within scope of the issue.

The idea of "amnesty" for those taxpayers who haven't filed a Schedule C and want to start filing was discussed as an avenue that this issue committee might want to pursue. The taxpayer would be assured that they would not be prosecuted and or perhaps reductions of penalties.

FACA Requirements Sub-Committees

Mary reviewed the FACA requirements for sub-committee meetings with the members. She explained that it was not necessary to have the sub-committee meetings posted on the federal register. The sub-committee members may have meetings as long as the sub-committees gave a "report out" and that all final decisions are made during an Issue Committee meetings posted on the Federal Register.

Discuss Possible Sub-Committees

Paul discussed what the goals of a sub-committee should be:

- Define the problem
- Brainstorm probable causes or barriers
- Develop possible solution

Mary defined role of sub-committees. After a sub committee defines the problem, brainstorm barriers and possible solutions, each sub-committee will develop a strategy to gather information and public input to make recommendations to the IRS. Some of these methods could be:

- Obtain more information/data from the IRS
- Develop a set of questions to gather consistent input from the public an/or target focus groups
- Research old and new legislation

Mary also wanted the committee to decide how many committee members will populate a sub-committee. The committee agreed that 3 or 4 persons will serve on each sub-committee and all agreed to participate in at least one sub-committee.

Decision: The committee would start out with three sub-committees:

- Filing Requirements - Make a recommendation to the IRS as to the requirements to file small business returns.
- Information and Education - Make recommendations to the IRS to improve education to decrease the number of non-filers
- Simplification of Estimated Tax Payments - Make recommendations to the IRS on ways to decrease the burden of making Estimated Tax Payments and decrease the percentage of non-filers.

Action: All committee members will email Mary with their sub-committee selection they would like to work on.

Next Steps

Sub Committees will be populated and arrange a meeting time before the next conference call for the Issue Committee.

Public Input

Paul opened this portion of the meeting for public comments. No public comments were made.



Closing/Assessment

Paul closed by soliciting for comments and suggestions from the program owners and panel members.

Action: Pat Castleberry would like the written analysis of the SBSE Compliance (Schedule C Non-Filers) that was produced and handed out during the orientation in October.

Action: Mary wanted the committee to set a time frame for the members to submit their sub-committee selections and to meet as a sub-committee. The members agreed to email Mary their selections by Monday January 13th and meet via teleconference before January 31st. All sub-committees will report during the next committee call scheduled for February 11th, 2003.

Meeting Adjourned.