



## 2004 Meeting Minutes SB/SE Payroll Tax Issue Committee Meetings

- September 2, 2004
  - May 6, 2004
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  - March 19, 2004
  - February 5, 2004
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- 

### **SB/SE Payroll Tax Issue Committee Meeting Minutes**

*September 2, 2004*  
3PM EST

#### **Attendance**

- Jim Abraham
- Charlotte Cassady
- Judi Nicholas, Designated Federal Official
- Charles Silva
- Leonard Steinberg

#### **Program Owner**

- Margie Kinney

#### **Guest**

- Teresa Smedley, TAP Member

#### **TAP Staff**

- Marla Ofilas, Note Taker

#### **Welcome/Announcements/Review Agenda**

Leonard welcomed the committee and Marla did the roll call.

#### **Roll Call**

Only 4 committee members were present therefore a quorum was not met. Judi explained that the committee could still have a meeting but no decisions could be made.

#### **Issue Committee Report**

W4 Employee Referral:

The committee members have reviewed the draft referral and agreed that it was ready to be elevated



#### W4 Employer Referral:

Charles suggested that the W4 form include a citizenship checkbox and to add the word **exempt** in the boxes for social security tax and Medicare tax. Charles routinely hires non-resident employees and has experienced the challenges that employers face when reporting income tax, social security tax and Medicare for this group of employees. The committee concurred with the addition.

**Action:** Judi will edit the recommendation and will fax it to Charles for approval.

The two recommendations will be elevated to the issue program owner. An information copy of the referrals will be provided to the Joint Committee. The operating division will provide feedback about the recommendations in the form of a letter to the TAP Director.

#### Self Assessment/Annual Report

A request was made for committee members to complete the self assessment to help with writing the annual report.

**Action:** Judi will also send the self assessment template to all members after the call.

**Action:** Jim volunteered to consolidate the assessment; all comments should be emailed to him by 9/17/2004. Jim will send the consolidation to Leonard by 9/27/2004.

#### Updates from the Program Owner

Margie expressed her appreciation for the hard work the members put into the committee. She had not yet received feed back from the taskforce on previous committee recommendations. The taskforce is moving forward but implementing changes will depend on IRS resources. Margie explained that the W4 recommendation will go to a new taskforce to review.

It was suggested that TAP be used as a sound board to the new taskforce. TAP is available to the IRS to get public input on IRS products and services. Margie will forward the recommendation.

#### Next Steps

Judi explained there will be no meetings in October. The staff will be preparing for the TAP Annual meeting which will be held on November 4th, 5th, and 6th. Judi also acknowledged the members who will not be returning to TAP.

Leonard asked if there were any public comments. No public comments were given. Leonard concluded the meeting by reviewing the list of action items.



## **SB/SE Payroll Tax Issue Committee Meeting Minutes**

May 6, 2004  
3PM EST

### **Attendance**

- Jim Abraham
- Clayton Agena
- Charlotte Cassady
- Theodore Perros
- Charles Silva
- Leonard Steinberg
- Frank Woods

### **Not in Attendance**

- Maria Hermann
- David Meyer
- Steve Wood

### **Staff**

- Mary Ann Delzer, Program Analyst
- Margie Kinney, Program Owner
- Judi Nicholas, TAP Manager and Designated Federal Official
- Mary Peterson O'Brien, Program Analyst

### **Guests**

- David Cain, Chair Area 4 Subcommittee
- Dan Drummel
- Dick Greenburg
- Sharon Lassar
- Dick Murphy
- Theresa Smedely

### **Roll Call**

Mary took the roll and 6 members present. The requirements for a quorum were met.

### **Welcome**

Leonard welcomed everyone and reviewed the agenda. The agenda will proceed as scheduled.

### **Review/Approve Minutes**

Not everyone received minutes; therefore, they will be approved at the next subcommittee meeting.

### **Welcome new W4 employee subcommittee members**

### **Updates from Program Owner**

Margie gave a background on what the IRS is currently doing related to Form W4 and withholding. The IRS has a program where the employer is responsible to submit an employee's Form W4 to the IRS



when an employee completes a Form W4 that is considered questionable. The criteria is when the employee claims more than 10 exemptions or when the employee claims exempt from withholding. That program was started in 1980. The IRS, Treasury Inspector General (TIGTA) and the Government Accounting Office (GAO) are currently looking into this program. Early assessments are that the process needs to be modernized. The withholding tables don't work as well as they should. The criteria are not indicative of compliance. The IRS is concerned about noncompliance. Data shows that when people don't have enough withholding taken out, compliance for filing is affected. There are a significant number of employees who do not provide correct social security numbers or names. There is a significant problem on the employee side in understanding how to withhold.

Another agency affected by Form W4 reporting is the Health and Human Services. Since the 1995 Welfare and Reform act, when an employer hires a new employee, that Form W4 has to be filed with the state Child Support Agency. This is then rolled up to the "New Hire Database". The IRS does not currently have access to this database due to disclosure laws.

At the employer level, you have two different requirements to report Form W4 with different agencies. There causes a significant burden to the employer. Another problem is the erroneous name and Taxpayer Identification Number matches.

Agencies that have a burden regarding Form W4:

IRS: If we are not getting the taxes that need to be collected.

Social Security: If they get incorrect taxpayer information, they cannot correctly post those taxes that were collected to the person's account so that the correct taxpayer qualifies for benefits.

Health and Human Services: For child support purposes, if the taxpayer numbers are not accurate, it creates problems.

Margie asked the committee to look at Form W4 issues from two perspectives, Employee and Employer perspectives. Margie discussed the problems and challenges she sees with the withholding tables and forms. Margie discussed the employer issues. The issues included instructions on when and how to send them in and the overlap between the effected agencies.

Margie discussed the compliance issue of withholding. If the proper amount of withholding was held, 76% of the current balance due returns would be paid. This would result in substantial savings in resources that are dedicated to collection of tax. The problem is not so much with withholding associated with wages rather it is the withholding from income such as interest, dividends, pensions, etc. While employee can opt to have additional monies withheld from wages to cover these, the IRS cannot mandate that a person do so.

**Action Item:** Margie asked the group to think about changing this regulation and the impact and benefits it would have and make recommendations and/or give Margie the committee's thoughts.

### **Committee Business**

It was decided to schedule a subcommittee meeting via teleconference for the expanded Form W4 employee meeting on June 1st at 3pm Eastern Time. The kickoff for the discussion will be the report prepared by Jim Abraham.

Finalized Recommendations: Subcommittee meetings were scheduled to work on the final recommendations.

**Action Item:** Mary will email Jim's report to everyone.



## **Subcommittee Report Out**

### **Conclusion**

Next meeting will be June 3, 2004. Leonard adjourned the meeting.



## **SB/SE Payroll Tax Issue Committee Meeting Minutes**

*April 8 2004*  
3pm EST

### **Attendance**

- Jim Abraham
- Clayton Agena
- Charlotte Cassady
- Theodore Perros
- Charles Silva
- Leonard Steinberg
- Steven Wood

### **Not in Attendance**

- Maria Hermann
- David Meyer
- Frank Wood

### **Staff**

- Margie Kinney, Program Owner
- Judi Nicholas, TAP Manager and Designated Federal Official
- Mary Peterson O'Brien, Program Analyst

### **Roll Call**

Mary took the roll and 6 members present. The requirements for a quorum were met.

### **Welcome**

Leonard welcomed everyone and reviewed the agenda. The agenda will proceed as scheduled.

### **Review/Approve Minutes**

Minutes are not ready from the Las Vegas Face-to-Face; therefore, they will be approved at the next meeting.

### **Updates from Program Owner**

Margie had no updates to report for this meeting and turned the time back to the committee.

### **Committee Business**

Mary discussed the Area 4 TAP committee's interest in the Form W-4 issue. She participated in a conference call with the Area 4 subcommittee working on the issue. Their interest is on the employee's burden in completing and filing the Form W-4 and the inadequacies and burden this can cause to the taxpayer. It was discussed that there should not be a duplication of effort around this issue and this committee would very much like to work on this issue. The possibility of combining the Area 4 subcommittee with the Payroll subcommittee working on the Form W4 issues was discussed. Margie Kinney, the program owner has no problem with a combined group. Mary asked the payroll committee their thoughts surrounding the issue. The committee discussed the benefits and problems associated with a combined subcommittee. By consensus, it was decided to go ahead and combine the committees. The process will be to invite them to the next conference call. Margie will give a background from the IRS perspective of Form W4. The committee can decide on how to set up



meetings and how to work the issue at that time.

The issue of having another face-to-face was brought up. Originally, the payroll committee did not ask to have another face-to-face meeting because it was expected to have the recommendations finalized by the end of June 2004. The committee feels that a face-to-face would benefit the new goals of completing recommendations on Form W4. Judi said that with the discussion of what the committee would be doing at a second face-to-face meeting, there could be a business reason to hold a second meeting if the budget allows. The committee agreed by consensus that if a face-to-face meeting was approved, to meet in mid July in a central location such as Denver or Chicago.

**Action Item:**

Judi will discuss the possibility with having a second meeting and will get back to the group at the next teleconference.

Margie also discussed that she would like the group to also work the education piece, the Payroll Tax Workshop on CD ROM over the summer. Margie also stated that she would like the committee to submit recommendations

**Action Item:**

Mary will contact Area 4 to invite them to the next Payroll Teleconference.

**Subcommittee Report Out**

Steve discussed the reporting subcommittee.

Jim talked about the report he sent to everyone this morning. He would like feedback.

The final committee meeting report will be by the 30th. Leonard will send out the penalty recommendation draft by May 5th.

**Conclusion**

Next meeting will be May 6, 2004. Leonard adjourned the meeting.



## **SB/SE Payroll Tax Issue Committee Meeting Minutes**

March 20 2004  
Las Vegas, NV

### **Attendance**

- Jim Abraham
- Clayton Agena
- Charlotte Cassady
- Maria Hermann
- Theodore Perros
- Charles Silva
- Leonard Steinberg
- Frank Woods
- Steven Wood

### **Staff**

- Margie Kinney, Program Owner
- Judi Nicholas, Designated Federal Official
- Mary Peterson O'Brien, Program Analyst

### **Announcements/ Discussion**

The committee discussed the recommendations from the March 19th meeting. It was decided that each subcommittee would take the comments and suggestions from Margie and other panel member and schedule subcommittee meetings to finalize recommendations.

### **Form W-4 Discussion**

Margie restated what she would like the committee to contribute to the task force.

**Action Item:** Margie will provide Mary with portions of the report from the IRS task force. Mary will send the report to the committee.

Employer problems relating to Form W4:

IRS survey's show that most employers don't want to be required to do any more work than they do now. For any recommendations, Margie would like the panel to consider the burden to employers:

- Cost to employer
- Perception of employers
- Bring to employers the consequences of perceptions or actions

Margie discussed the "Questionable Form W4 Program" Erroneous W4 could include the number of exemptions claimed, or exempt status and social security or taxpayer identification number match. The penalty associated with erroneous From W4 is a fifty dollar fine. It is a burden to the employer to validate a questionable Form W4.

Margie discussed the new hire requirements for From W4 administered by Health and Human Resources. The program was developed to increase child support compliance.





It was discussed that correct Form W4 information also impacts the Social Security Administration. Correct information enables SSA to credit a person's lifetime benefits.

What would be the benefit if only one agency was responsible for all of the agencies? Currently, HHS pays 2/3rds of the cost of maintaining the databases for all states.

By consensus, it was decided to work the Form W4 issue in two subcommittees. One subcommittee will focus on issues relating to the employer and the other will focus on issues relating to the employee. Both will concentrate on recommendations on how the process might be simplified.

Areas of Focus:

Employee Subcommittee: Dealing with Forms and Schedules.

Employer Subcommittee: Accuracy of names and TINS, Reporting

### **Next Steps**

Steve's committee will work the Employer perspective.

Frank's committee will work the Employee perspective. Jim will take over as the subcommittee chair.

**Action Item:** Judi will email the committee with the commissioner's testimony regarding ITIN's.

### **Conclusion**

Leonard asked if there was any other business to discuss. The committee agreed that this was a productive and good meeting. Thank you's were made to members and the staff. Special thanks were given to Margie from the panel on all of her hard work and the time she has spent with this committee.

Next meeting will be on Wednesday, May 5th at 3pm Eastern Time via teleconference.



## **SB/SE Payroll Tax Issue Committee Meeting Minutes**

*SB/SE Reducing Taxpayer Burden – Payroll Taxes  
Las Vegas, NV Face-to-Face Meeting  
March 19, 2004*

### **Attendance**

- Jim Abraham
- Clayton Agena
- Charlotte Cassady
- Maria Hermann
- Theodore Peros
- Charles Silva
- Leonard Steinberg
- Frank Woods
- Steven Wood

### **Staff**

- Margie Kinney, Program Owner
- Judi Nicholas, Designated Federal Official
- Mary Peterson O'Brien, Program Analyst

### **Roll Call**

Everyone introduced himself or herself stating the area that they were from. The quorum requirements were met.

### **Welcome**

Leonard discussed the current vacancies in the TAP and the recruitment. He stated that the success of TAP is important. Leonard would like each member to relate what they think would be important to maintain and improve the TAP. It was discussed that some of the reasons that people have dropped out of TAP is the time commitment, not feeling prepared to work the issues, and frustration over legislative issues. Judi discussed the recruitment process. Judi said that what she hears is that what would have helped is to have addressed the expectations during the recruitment process. She asked, "to address the issues of failed expectations, what information would be helpful to new panel members. Leonard would like everyone to get together and think of how to maintain the work, how to bring people up to speed. Margie asked if they analyzed what caused the attrition rate? Was the attrition rate broken down by issue and area committee? Leonard stated that they didn't break it down; however, he would bring it up to the Joint Committee. Jim said that they should look at the selection process. Explain the process and see if those that are selected are still interested in volunteering. Theodore thinks that the term for some people should be more than the 2 to 3 year terms. Theodore stated that he is frustrated that he can't advocate legislative issues for taxpayers. Jim stated that sometimes he feels that he is an advocate for the tax preparer. Most people are interested in those issues that are legislative like Earned Income Tax Credit or Alternative Minimum Tax. It is frustrating not to work these issues. Judi clarified that the TAP cannot make recommendation about specific legislation. It does not mean that the panel cannot discuss legislative issues. The TAP position on legislative issues can be forwarded to Nina as it relates to taxpayers. The TAP cannot draft legislation. Jim would like to see a better channel for legislative issues to be elevated to Nina. Theodore would like a separate document that outlines legislative issues.



Margie stated that she as a program owner can propose legislative issues. What this means for this subcommittee is that if legislation is a burden to taxpayers, the issue can state what legislation and why it is burdensome as part of their recommendation.

### **Review/Approve Minutes**

The minutes for February were approved.

### **Agenda**

Leonard reviewed the agenda and stated the changes for agenda items timeframes. By consensus, everyone agreed to the changes.

### **Updates from Program Owner**

Margie gave an update on the various IRS programs this issue committee has been involved with. **941 redesign:** The redesign of Form 941 is moving forward. Bar coding was discussed. If the IRS could implement bar coding, the savings for one year could pay for the cost. This would reduce the amount of data input. At this time, it is projected that programming for bar coding will be completed in the year 2007 or 2008. The Bar Code will include the name, address, and quarter of the return. Leonard asked if the IRS would lose money because of lost revenue from penalties. Margie stated that money that is brought in due to penalties is not counted. IRS does not get to use funds from penalties, the funds collected goes to the Treasury Fund. The only fees that the IRS is allowed to charge and keep are small fees such as for copying a return. Such fees are the cost of doing business.

**Payroll Tax Workshop:** Margie stated that due to shifting priorities and resources, the payroll workshop has been put on hold. The workshop will be completed. At this time, it is 90% completed. The projected date for completion will be early summer. Margie would like the committee to look at the script and make recommendations.

The committee discussed informing and educating small business owners about the workshop when it was completed. The IRS cannot spend money on advertising except for what congress allow. Other options were discussed which included PSA's and other outreach efforts.

**Standardized Employee Identification Number (EIN):** What if businesses would have an EIN that works with all agencies? Every state has its own number system for businesses. The number that the state gives for a particular business has a meaning behind the number. The EIN that IRS issues is a dumb number that means, no meaning. Legislation would be necessary to cross reference IRS EIN numbers with that which the state assigns. Senate Bill 882 addresses this issue.

**The ability to file federal and state W2's to the SSA:** There must be a business case built. The problem is funding. The Social Security Administration is prohibited to spend anything on this project. The IRS would have to build a business case for funding the project when the IRS is not benefited. What if electronic filing was mandated for Form W-2? The processing savings would be substantial. The committee discussed the possibility of mandating some of the Payroll and Business Forms.

**Action Item:** The committee will continue discussing mandates for electronic filing and electronic deposits as well as how mandates should be implemented.

### **Update From Kathy Welsh on Annualized Form 941**

Kathy gave a brief history of the Annualized Form 941 project. In the past, IRS has looked at an annualized Form 941 as an all or nothing approach. A barrier is that the Social Security Administration needs accurate data. The current project is looking at a smaller portion of Form 941 filers to see if the burden to small businesses could be reduced. Demographics, taxes owed and the number of employees were a consideration. Those who owe less than \$2500 per quarter, this is about 40% of business owners, and have between 1.5 and 2 employees are the target group. The recommendation



is to offer annual filing to this level of taxpayers. They are currently recommending a good compliance record and that the taxpayers use the EFTPS system to make deposits. The next step is determining what computer support and resources are needed to launch the pilot in 2006.

Comments from the committee included the idea of a semiannual filing requirement for Form 941, the idea of indexing the limit of \$2500 for inflation and marketing/education for the public advertising the pilot. Kathy gave an overview of what is currently planned for marketing.

Kathy stated that the project has not been officially accepted. There is still issues to work on. She will keep the committee informed of the progress.

### **Focus Group**

Margie gave a background of the issue of Form W4's and withholding. She would like the committee to concentrate on this issue.

**ACTION ITEM:** Mary will ensure that the entire TAP sends Form W-4 issues to this committee to work on. Mary will also find out what committees are currently working on Form W4 issues.

Margie gave the timeline for the IRS task force.

Initial report to the IRS Commissioner by the end of April  
Recommendations to the IRS Commissioner by October  
Respond to congress by 2005

The committee discussed the many problems associated with Form W-4's form the employer and the employee perspective as well as the other agencies affected. The other agencies include Social Security Administration, Health and Human Services. Revamping the system and reducing the number of balance due returns could result in cost savings in collection activities such as notices and resources spent on revenue officers. These resources could be shifted to improved customer service.

### **Issue Committee Breakout Sessions**

The committee adjourned to work in subcommittees.

### **Subcommittee Report Out**

Reporting Subcommittee – Steve reported for the subcommittee. The results from our oral survey shows that there is not an overwhelming interest in electronic filing. Many taxpayers don't see any value or the need to e-file. Some taxpayers indicated a mistrust of the IRS if electronic methods would be used. Out of those surveyed, 95% do not e-file and about 50% knew the e-file was an option.

The committee will recommend education to employers as an answer to increase the number of E-filing. Low cost communication items could be used such as posters in IRS offices, libraries and post offices. The IRS forms should be changed to highlight E-Filing. Mail marketing material to those filers who currently do not e-file.

The committee is also considering Incentives to those who e-file. Some ideas include:

- Tax credits to buy equipment and/or for education costs to increase computer literacy
- Free filing
- E-file training at Small Business Workshops.



The committee sees that the main barrier would be the amount of IRS resources.

Deposit Subcommittee: Frank reported for the deposit subcommittee.

Recommendations for Electronic deposits - Same as Electronic Reporting.

Barriers:

- Security
- Don't have a computer
- Don't have a reason to change

Methods to remove barriers:

- Pre-enroll businesses into the EFTPS – IRS is currently doing this
- Education to dispel the fears.
- Lobby software companies to produce payroll software that will calculate, tax, allow electronic filing and electronic deposit at the same time.
- EFTPS penalty refund deposits program. – Recommend that the IRS fully implement it

Leonard discussed recommendation on penalties.

### **Conclusion**

Leonard adjourned the meeting. The committee will meet March 20th at 8am.



## **SB/SE Payroll Tax Issue Committee Meeting Minutes**

February 5 2004  
3pm EST

### **Attendance**

- Jim Abraham
- Clayton Agena
- Charles Silva
- Leonard Steinberg
- Steven Wood

### **Staff**

- Mary Peterson O'Brien, Program Analyst and Designated Federal Official
- Marla Ofilas, Note Taker

### **Roll Call**

Mary took roll call. 6 were in attendance and quorum was met.

### **Welcome**

Leonard thanked Mary for taking roll call and apologized for attending the meeting late. Leonard reviewed the agenda and began the next topic.

### **Review/Approve Minutes**

Leonard reviewed the minutes from December's conference call. Leonard asked if there were any comments or changes that needed to be corrected to the minutes. There were no changes and all committee members in favor for approving the minutes.

Leonard reviewed the minutes from January's conference call. Leonard asked if there were any comments or changes that needed to be corrected to the minutes. There were no changes and all committee members in favor for approving the minutes.

### **Subcommittee Report Out**

Steve provided an update for the Reporting Subcommittee. The survey's have been put together and sent out to the members. Members have been conducting interviews. The committee has set a due date to complete the interviews. Steve would like to be able to compile all the information and have all the information available for the face-to-face meeting in March. Leonard asked Steve if the information that he gathers is going to be a position statement that would be presented to Margie or is this just the results of the survey. Steve stated that he had envisioned it to be a summarized statement with recommendations as the committee has done in the past. Mary stated that she had developed a database to analyze the surveys.

Steve clarified that the committee would receive the initial statement for their position. Steve doesn't feel that the subcommittee will have a final recommendation by the weekend of the face-to-face meeting.

Mary asked Steve go give her a reasonable amount of time before his next subcommittee meeting to gather information that their committee would need. Steve agreed



Leonard provided the report out for Frank Wood's deposit committee. Jim Abraham will be making the formal presentation at the face-to-face meeting. Mary is working on research material for Leonard, which would complete his position paper with Dave on the penalty aspect on the 941 deposits. Leonard explained that due to the resignation of some of the panel members, the subcommittee is now down some members and that the remaining members will need to discuss how to cover commitments.

Leonard asked if anyone had any questions so far. Charles asked if Leonard's committee is working on the idea of an annual 941? Leonard replied yes. He explained that during the last teleconference the idea was brought up to also considering semi-annual deposits.

Leonard provided information regarding Area 2 and their work on W-4's. Area 2 is making a recommendation to the JC that a percentage line be included so a person has the option of putting down a percentage of their salary rather than a dollar amount. He explained that if this committee would like to include that recommendation as well, Leonard felt that the committee should and piggyback on that recommendation to the Joint Committee.

**Action:** Mary committee to send out the template that the Joint Committee developed for making a recommendation.

### **March Face-to Face Meeting**

Leonard asked for input to what items need to be added to the March agenda for both the entire panel as well as the subcommittees.

Mary made a suggestion to the committee. She asked that the subcommittee decided how long they would need meet as a subcommittee group to complete their work. This would help in deciding the length of the breakout session and time needed for Margie's presentation. Leonard explained that it was his intent that the committee meets for the entire morning of the first day. Then they break out in the afternoon for the rest of the day and gather at the end of the day to make further plans for Saturday morning.

The committee continued to discuss suggestions that were given. The committee agreed to a draft final agenda:

### **Friday March 19th 2004**

- 8am - 9:30am Group Meeting
- 9:30am - 10:30am Margie
- 10:30am - Noon Subcommittee break out
- 1:30pm - 4:00pm Subcommittee break out
- 4:00pm - 5:00pm Group Meeting and will set agenda for Saturday Morning.

### **Saturday March 20th 2004**

- 8am - 9am Group Meeting
- 9am - 10am Subcommittee break out
- 10am Group Meeting

Mary reminded the committee to let her know if they would like her to bring research materials to assist in their work. Leonard agreed that all materials would be helpful.



**Action:** Mary will ensure that an additional computer printer will be available for panel use. In addition, Mary confirmed flip charts and a copier machine would also be available.

Leonard explained to the committee that there would be no teleconference in March due to the face-to-face meeting. But asked that each of the subcommittees have one more teleconference before the meeting in Las Vegas . Mary reviewed travel information and asked that the members contact Marla regarding their airline reservations.

**Action:** Mary will email the committee, as a reminder, to prepare a report of the issue their subcommittee is working on that will state the problem, state the conclusion then list the pros and cons. The committee has agreed to send their report to Mary by March 12th so Mary could disseminate all reading materials prior to the face-to-face meeting.

Leonard concluded the call by asking if the committee had any question. None were asked and Leonard adjourned the call.





## **SB/SE Payroll Tax Issue Committee Meeting Minutes**

January 8, 2004  
3 pm Eastern

### **Attendees**

- Jim Abraham
- Clayton Agena
- Charlotte Cassady
- Judi Nicholas, Designated Federal Official
- Theodore Perros
- Leonard Steinberg
- Steve Wood
- Frank Woods Jr.

### **Not in Attendance**

- David Meyer
- Charles Silva

### **Program Owner**

- Margie Kinney

### **Staff**

- Mary Peterson O'Brien, Program Analyst

### **Guest Speakers**

- Kathy Welsh

### **Roll Call**

Mary O'Brien took roll call and a quorum was met. Judi asked if each of the guest speakers could introduce themselves.

### **Review/Approve Minutes**

Reviewing and approving the last teleconference meeting minutes will be postponed until the next teleconference. The committee agreed to this process.

### **Review Agenda**

Judi reviewed the agenda. The agenda would proceed as stated.

### **Consideration of an Annual Form 941**

Margie introduced Kathy Welsh who will discuss annualizing the Form 941, payroll tax return, for small business owners.

Kathy discussed heading up the group that is looking into this issue. Representatives from many of the IRS business units are participating in this effort. The mission is to look what reduction of burden would there be for a certain segment of small business owners to file Form 941 annually. This idea has



been around for over 20 years; however, the approach has been all or nothing. Because of obvious concerns of people falling off of the radar screen and monies coming in correctly and timely to the treasury, this idea has not been pursued. Most recently, the Redleaf Foundation, a nonprofit organization that helps support home day care industry has asked that the IRS look at this issue for low dollar, low income small businesses. Again, the main concern is to reduce taxpayer burden while insuring that compliance regulations are adhered to and to promote e-file and EFTPS for tax deposits. The task force hopes to have a draft recommendation by early March to potentially implement in January 2006.

The group is in the process of requesting compliance data to analyze when they meet again at the end of January. The team would also look to very small State and Government entities as well. Kathy said that she would like to get the panel's input in this effort.

Preliminary data: For the first quarter of 2002, 2.5 million 941's were filed that had less than \$2500 dollars or less of tax liability. This 2.5 million are filing 4 times a year and generating 10 million returns. The time that OMB has estimated to complete Form 941 is 2 hours. With an annual Form 941, about 15 million hours of taxpayer's time could be saved. The idea is that the quarterly deposits would still be made; however, the Form 941 would be completed annually.

One of the main issues that need to be worked is with the Social Security Administration (SSA). They, by legal mandate, are required to make quarterly estimates for budgetary purposes based on Form 941 data. This is a big concern for this project. The idea is to work with a small population to see if compliance is maintained.

Leonard asked the question if the IRS has considered semi-annual Form 941's as opposed to annually. He wondered if this would make it more palatable to the SSA. Kathy said that she would bring this idea to the team to consider.

Leonard asked if changing the Form to be more Internet friendly and with the EFTPS, make it more appealing for taxpayers to use. Kathy replied that this is on the radar screen. Can we gather through the EFTPS, the tax liability information that SSA needs. Kathy gave the committee her contact information to get further feedback from the committee.

Margie asked the question would it reduce compliance to make quarterly payments informally as opposed to a formal process of paying with the Form 941? Responses from the panel included: Paying has a direct impact on cash flow; it could be hard to set aside this money and have a problem at the end of the year. The panel could explore if \$2500 is the right tolerance level. Another response was to ensure that the taxpayer was current for the previous two years before allowing them to file annually.

#### **Update on Face-to-Face Meeting**

The Staff is still working on the place for the March meeting. Everything should be concluded this week and the staff will contact the members about how to make travel arrangements, etc.

**Action Item:** Leonard asked that everyone submit agenda items by February 2nd and be prepared to have draft recommendations from each subcommittee prepared before the March meeting. All panel members will get any requests for research to Mary by February 5th. Subcommittees will give how much time that they will need during the face-to-face meeting.

#### **Updates from the Joint Committee**

Leonard gave a brief synopsis of the last joint committee call. Some of the topics included issues, outreach and replacement and recruitment of TAP members.

#### **Issue Committee Report**

Steve stated that the reporting subcommittee has finalized a survey for small business owners and



practitioners regarding their payroll taxes and how the taxes were processed, how they might change, what would improve the process as far as both of the groups and they focused on very small business, 20 or less. The next step is to do oral interviews. The concern for this subcommittee is the resignation of one panel member and the inability to get hold of another panel member with the result of having less people to do the work.

**Action Item:** Mary and Steve will contact panel members about participation.

Frank discussed having a quick subcommittee meeting. Most of the subcommittee has been out of pocket during the month of December.

**Action Item:** Frank will talk with his subcommittee and give Mary a date to set up a conference call by January 16th.

**Issue Committee Business (Old and New)**

Leonard asked the committee if there were any old or new business that needs to be discussed. No issues were presented. Leonard asked if he had a motion to adjourn. All agreed and Leonard ended the call by reminding the committee of the next call on February 5, 2004.