**OMB Clearance Package**
**Comprehension Testing of LT-11 Final Demand Notice**
**Wage and Investment Notice Improvement Office**

## I. Introduction

Background/overview

With more than 100 million sent to taxpayers each year, notices are the Internal Revenue Service's (IRS) primary means of communicating with its customers. The clarity of these notices is vital to the success of IRS's strategies to meet the needs of taxpayers. Over the past decade, IRS has established a number of initiatives to improve the quality of notices sent to taxpayers and is currently in the process of redesigning the notices to make them easier to understand.

W&I Notice Improvement Office in conjunction with W&I Research, is proposing to conduct comprehension testing of the LT-11, Final Demand Notice. The purpose of the LT-11 is to inform the taxpayer of the IRS's intent to levy and to inform the taxpayer of their right to appeal the levy. This notice is generated through the Automated Collection System, and is received following prior collection activity, including balance due notices 501, 503, 504. The LT-11 is the last notice the taxpayer receives prior to levy.

Objectives of data collection

The overall objective of this project is to quantitatively test taxpayer's ability to understand the following notice goals during individual testing situations:

- Does the notice achieve its communication goal of informing the taxpayer of the IRS's intent to levy?
- Do taxpayers comprehend what action they need to take once they receive the notice?
- Do taxpayers comprehend there are alternative options to an IRS levy?
- Do taxpayers comprehend the purpose of the additional materials enclosed with the LT-11 notice?

## II. Methodology

Sample Design

The population for this study consists of taxpayers, over the age of 18, who have completed their Federal income tax returns using the Form 1040 (1040ez, 1040A, or 1040) series in the past 5 years.

Data Collection Date

Data will be collected during the week of August 7, 2006.

Data to be collected

Several different categories of data will be collected.

1. Demographic information
    a. Education level, age, income range

2. Behavioral Data
    a. Performance on questions about LT-11
        i. Response
        ii. Correctness of response
        iii. Time

3. Debrief Data - Qualitative responses
    a. General reaction to notice
    b. Improvement recommendations

How data will be used

The data will be used to evaluate how well the notices meet their communication goals. The notice will be evaluated across the following themes: format and design issues, navigation, comprehension, and task completion.

How data will be analyzed

Analysis of the data will be conducted by researchers within IRS Wage and Investment, Research Division, Strategic Forecasting and Analysis Research Group, and IRS Wage and Investment, Customer Account Services, Program Analysis.

Analysis of data from the comprehension questions will include basic and advanced statistical techniques.

As the data resulting from the debrief questions will be qualitative in nature, the analysis will consist of a report of the feedback and behaviors recorded. The demographic data will be tabulated and frequencies will be reported.

Who is conducting research?

W&I Notice Improvement Office in conjunction with W&I Strategic Forecasting and Analysis Research Group will be conducting the research.

Location- Region/city and facilities

Research will be conducted at the IRS Ogden Usability Lab, in Ogden, Utah.

Stipends

The stipend will be $75 per participant for a 90 minute session. The stipend is a reflection of the length of time required for participation in this study.

Recruitment efforts

Using a screening guide, a vendor will recruit participants for this study.

Efforts to not duplicate research

Direct interaction with taxpayers through individual testing and focus groups has been a research design used by the IRS for a number of years. While the themes to be tested and discussed in the present study are similar to those previously conducted, evaluation of the LT-11, Final Demand Notice, using comprehension testing has not been undertaken.

Test structure / design

The proposed study will utilize an experimental design in which participants will come to an IRS facility and individually read the LT-11 notice. Participants will then be asked a series of questions about their understanding and comprehension of the notice. Following this portion of the testing session, participants will be asked a series of open-ended questions about their reaction to and recommendations for changes to the LT-11.

## III. Participants Criteria

In order to participate in the study, participants must have the following characteristics:

1. Be over the age of 18
2. Native English Speakers
3. Have filed a federal tax return in the past 5 years
4. 1040 filer
5. Education level of grade 10 or above

## IV. Privacy, Security, Disclosure, Confidentiality

The data returned to IRS W&I Research will not have any form of identifying information relating specific records to individual taxpayers. Nonetheless, Research Personnel will ensure that privacy, security, and confidentiality of the aggregated results will receive utmost attention. Public and official access to the information will be tightly controlled. The computer files containing this tabulated information will remain password protected at all times. Data security approaching level C-2 will be accomplished using the Windows XP operating system.

DVDs used to record testing sessions will be either erased or destroyed when the project is completed and there is no further need for the data.

We will apply fair information and record-keeping practices to ensure protection of all taxpayers. The criterion for disclosure laid out in the Privacy Act, the Freedom of Information Act, and section 6103 of the Internal Revenue Code, provides for the protection of taxpayer information as well as its release to authorized recipients.

## V. Burden Hours

The estimated time to complete the participant screening is 5 minutes and the estimated time for each reminder call (one minute or less) and testing session is 1 ½ hours. An estimated 5% of taxpayers contacted for the study will qualify and be willing to participate. Using this percentage, a total of 375 individuals will need to be screened to recruit the needed 18 participants (12 study participants and 6 floater participants).

| | |
|---|---|
| Total number of potential participants screened | 375 |
| Estimated time to complete screening | 5 minutes |
| **Estimated participant screening burden** | **31.25 hours (375 x 5 /60)** |
| Number of participants | 12 |
| Time to conduct study | 1.5 hours |
| **Estimated participation burden** | **18 hours (12 x 1.5)** |
| **Total project burden hours** | **49.25 hours** |

## VI. Attachments

A. Screener's Guide
B. Reminder call script
C. Testing Protocol

Attachment A: Screener's Guide

# Comprehension Testing of LT-11 Final Demand Notice
# Wage and Investment Notice Improvement Office
# Screener's Guide

*Recruit using the following quotas*
*1. All must be over the age of 18*
*2. All must be native English speakers*
*3. All must have filed a federal tax return in the past 5 years*
*4. All must be a 1040 filer*
*5. All must have education level of grade 10 or above*

*Would like a mix of:*
*Age (over 18)*
*Gender*
*Income*

Hello, my name is ________________and I work for ________________. We are a marketing research company that is working with the IRS to improve IRS communications. We would like to better understand your communication needs with the IRS.

Do you have a few minutes to answer a couple of questions? Your participation is voluntary, but your help on this project would be very much appreciated. *[If respondent says yes, proceed with interview].*

1. Would you say that you are the adult in your household who is most familiar with the preparation and filing of your federal income tax returns?

Yes, most familiar..............1 **SKIP TO Q2**
Equally familiar..........................2 **SKIP TO Q2**
Not most/equally familiar....3

1b. Are you sufficiently familiar with your federal income tax return to answer some questions about it?

Yes..........1
No....................2 **Terminate**

2. Have you, in any of the past five years, filed a federal tax return?

_____Yes
_____ No **Terminate**

4. Are you 18 years of age or over? **RECRUIT A MIX OF AGE If Under 18 TERMINATE**

__________

5. Which of these categories does your total annual household income fall into? **RECRUIT A MIX**

____ Under $34,999
____ $35 - 59,999
____ $60 - 99,999
____ Over $100,000

6. Please select the statement that best describes the language spoken in your household.

_____English is the only language spoken
_____English is the primary language spoken
_____A language other than English is the primary language spoken [***terminate***]

7. Please identify your highest completed level of education. **RECRUIT A MIX**
_____ Grade School
_____ Some High School
_____ High School Diploma/GED
_____ Trade School
_____ Some College
_____ Associate's Degree
_____ Bachelor's Degree
_____ Master's Degree
_____ Doctoral Degree
_____ Professional Degree (M.D., J.P.)

8. What is your employment status?

_____ Full time student
_____ Student, working full time
_____ Student, working part time
_____ Employed full time
_____ Employed part time
_____ Not employed, but looking for employment
_____ Not employed and not looking for employment
_____ Retired

_______________ (company name) in conjunction with the IRS, is conducting research in which taxpayers like yourself will come in and answer questions regarding IRS communications. The purpose of this study is to better understand the communication needs of taxpayers. Are you interested in participating? (give times and dates)

Thank you for agreeing to help us with this valuable research. Now, I need to ask a few questions about the most recent federal tax return you filed, for most people this would have been your 2005 taxes filed by April 17, 2006.

9. Which of the following forms did you use when you filed your tax return last year? ***(IF NONE OF THE BELOW, SCREEN OUT)***

_____ Short Form 1040EZ – did not itemize deductions
_____ Short Form 1040A – did not itemize deductions
_____ Long Form 1040 without other forms or schedules
_____ Long Form 1040, with other forms or schedules
_____ Long Form, don't remember if had other forms/schedules

10. Did your most recent tax return include any of the following? (check all that apply)

_____ Earned Income Credit (EIC)
_____ Taxable Social Security
_____ Child Tax Credit
_____ Itemized Deductions
_____ Standard Deductions
_____ Dependants

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

*Internal Revenue Service*
*Tax Products Coordinating Committee*
*SE:W:CAR:MP:T:T:SP*
*1111 Constitution Ave. NW, Washington, DC 20224*

## Attachment B: Reminder Call Script

Hello, my name is ____________________ with ____________________. May I speak with ________________________________________{Participant name}.

{Once you have participant on the phone}

We just wanted to remind you that we are looking forward to seeing you tomorrow at (time) at (location) to talk about IRS communications.

# LT-11 Testing Protocol

*Greet participant and thank him or her for coming.*

## Introduction of Moderator

Welcome, and thank you for coming today. My name is ___________, and I am from the Internal Revenue Service. Before we get started, I want to let you know that I will be reading from a script. We are talking with a number of people this week, and we want to be sure we say the same things in the same way to everyone.

The material we are testing today is part of a study about a balance due notice that IRS sends out to taxpayers.

I will be leading today's session. We will be audio- and video-taping this session to ensure that we collect complete information. The entire session will take no more than 90 minutes.

Some representatives from IRS will be observing from behind the mirror. They are very interested in hearing your thoughts. We can meet them at the end of the session if you would like.

Okay? Any questions?

## Confidentiality

I want to confirm that you have read and signed the consent form. I want to assure you that all of the information we collect today is confidential, and we will not identify you by name when we compile our results. In addition, we will not use your full name, address, or any other identifying information in reports, papers, or videos based on this research.

## About the Session

First, I would like to give you some background information about the testing.

Every year, the Internal Revenue Service sends out different types of notices to inform individual taxpayers about their tax returns.

As one of the primary ways in which the IRS communicates with taxpayers, it's very important that these notices provide correct information in the best way possible.

The goal of today's session, and why we've asked you here, is to test a notice that is sent to some taxpayers who owe money they have not paid to the IRS. These are called Balance Due notices.

Today, I am going to ask you to read and then respond to a series of questions about a particular type of balance due notice. As I go through these questions, and you give me your responses, please remember that there are no right or wrong answers. We are not testing you; we're testing the notice.

We want to learn from you what works best for taxpayers to help them understand the notices that IRS sends them.

# Structured Interview for LT-11 Testing

First, I'm going to ask you to read the notice.

Next, I'm going to ask you some specific questions about the information contained within the notice.

And finally, after we've completed the information questions, I'm going to ask you some more general questions about the notice.

When I provide you with the notice, please read this notice as you would if you were at home.

Please take as much time as you need to read the notice. You may read it as many times as you like.

When you are finished, let me know, and we'll start the questions.

Do you have any questions before we begin?

***Note to Moderator:*** **If "yes" answer questions.**

***Note to Moderator:*** **If "no":**

Let's begin.

# Step 1: Reading the Notice

In a moment, I am going to give you an IRS notice received by a fictitious taxpayer.

***Note to Moderator:*** **Provide participant with a copy of the scenario.**

The questions I will ask later refer to this scenario.

***Note to Moderator:*** **Read scenario to participant.**

When Steve filed his 2002 taxes on April 15th of 2003, he knew he had a balance due to the IRS of $5000.

Steve did not have $5000 to pay the IRS, so he did not send a check with his return.

On May 30th of 2003, Steve received a notice from the IRS requesting payment of the $5000. Steve did not have $5000 and did not to respond to the first notice.

Six weeks later, on July 15th, Steve received a 2nd notice from the IRS requesting payment and again Steve did not to respond to the notice.

On September 30, 2003, Steve received a Final notice from the IRS requesting payment of his balance due and he still did not respond.

It is now November 15th, 2003, and Steve received this notice in the mail from the IRS.

Here is a copy of that notice which I would like you to read.

***Note to Moderator:*** **Present participant with copy of LT-11 Notice.**

***Record:***
**(1) Time to read notice.**

Are you finished reading the notice?

***Note to Moderator:*** **If "no":**

Please continue reading and let me know when you are finished.

***Note to Moderator:*** **If "yes": move to Step 2.**

# Step 2: Comprehension Questions

1. Could you please tell me briefly, in your own words, what is the key message of this notice?

I'm now going to ask you some specific questions about the notice. Remember that these questions refer to the scenario I provided earlier.

You may refer to the notice as much as you'd like to answer the questions.

***Note to Moderator:*** **Provide participant the list of questions. Ask each question in sequence.**

**Potential prompt:**

**(1) Would you like to skip this one and move to the next question?**

***Record:***

**(1) Answers.**

**(2) Time to answer each question.**

**(3) Any use of notice that you would like to follow up during the debrief.**

2. What immediate action should Steve take upon receiving this notice?
3. What types of options does Steve have in responding to this notice?
4. What action or actions will the IRS take if Steve again does not respond to this notice?
5. What should Steve do if he disagrees with the notice?
6. Does Steve have the option to appeal the IRS's proposed action?
7. What should Steve do if he wishes to appeal?
8. What does the term LEVY mean to you?
9. What does the term LIEN mean to you?

# Step 3: Debrief

I'm now going to ask you about your experience with the notice.

As you answer these questions, please know there is no right or wrong answer. We are simply interested in your opinion of the notice.

Referring back to the notice…

***Note to Moderator:* Provide participant with a copy of these questions.**

1. What was your initial reaction to the notice?

2. Were their any terms or sections of the notice that were unclear?

3. On a scale of 1 to 5, rate the tone of the notice. (1=very friendly, 5=very unfriendly. (Probe: Do you think the tone conveyed by the notice is appropriate? Why or why not?)

4. On a scale of 1 to 5 (1=very easy, 5=very difficult), how easy or difficult is it for you to understand this notice? (**Probe**: Why? What is it about the notice that led you to your decision?)

5. On a scale of 1 to 5 (1=very clear, 5=very unclear), how would you rate the overall clarity of the information in the notice?

6. What do you think about the organization of information in this notice? (**Probe:** Explain your response)

7. Would you change anything about the design of the notice? (Probe: If so, what?)

8. What did you think of the length of the notice? (Probe: Was it too long? Was it too short?)

9. Is there anything you feel we could improve to make this notice more understandable? (**Probe**: Is there anything you particularly liked or disliked? If so, what and why?)

10. **Final Question:** Have you ever received a written communication from the IRS? How recently?

That concludes the testing we are conducting today.

Do you have any questions for me?

***Note to Moderator:* If "yes": answer questions.**

***Note to Moderator:* If "no":**

Thank you for your participation.