

OMB Survey Clearance Package

Annual Form 944 Program Participant Satisfaction Surveys

Introduction

Taxpayer burden is defined as the time or money expended by taxpayers to fulfill their responsibilities.¹ A large part of that burden is completing tax forms. The Small Business/Self-Employed Office of Taxpayer Burden (TBR) continuously explores ways to reduce unnecessary burden on taxpayers.

Based on external stakeholder requests, the Internal Revenue Service (IRS) studied and replaced the *quarterly* Form 941 employment tax filing requirement with an *annual* Form 944 filing program in Tax Year 2006 for small businesses that met specific criteria. The objective of the annual Form 944 program is to reduce the burden on the smallest of small business taxpayers. The Form 944 program established rules and processes that would allow certain employers to file their employment tax returns annually using the new Form 944, as well as pay the employment tax due with their return.

Specifically the Form 944 program applies to all current Form 941 filers who owe less than \$1,000 in total annual employment taxes. New businesses self-identify themselves for the annual filing, annual payment program by indicating they expect to pay wages of \$4,000 or less per year when they request their Employment Identification Number (EIN).

TBR initially identified over 1 million small businesses that qualify for the Form 944 employment tax program. Using A.D. Little Methodology it was estimated that the program would result in three million fewer returns and save approximately 46.2 million hours of taxpayer burden.²

The IRS successfully launched the Form 944 program and the first annual employment tax returns were filed in January 2007. In order to better evaluate the overall program, TBR would like to gather feedback from small business taxpayers that qualified for the program. The Small Business/Self-Employed (SB/SE) Denver Research office will administer a survey to two different groups of program participants. The first group contains small business taxpayers who filed a Form 944 during the first year of the annual Form 944 program. The second group includes program participants who filed more than one unpostable quarterly Form 941 during the first year of the program even though their filing requirement was changed to Form 944.

¹ IRM 22.24.1.1.1.1.1 Measuring Taxpayer Burden.

² "Form 944, Employer's Annual Federal Tax Program Is Coming: A Bird's Eye View of the Taxpayer Burden Reduction Process." *Connection Newsletter*. July 2005.

Objectives

The objectives of this study are to:

- 1) Determine overall satisfaction with the Form 944 program
- 2) Determine why taxpayers continue to file unpostable returns
- 3) Evaluate what taxpayers think the IRS should do with the program

Methodology

The SB/SE Denver Research office will conduct two paper surveys by selecting simple random samples from IRS internal databases of eligible small business taxpayers. The surveys will be designed in Microsoft Word and completed survey responses will be transcribed into an electronic format for analysis. The printing, packaging, and mailing of the surveys to the targeted audiences will be coordinated by the SB/SE Denver Research office.

Sample Design and Participant Criteria

This study targets two different market segments of annual Form 944 participants. The first segment contains **active filers** which are small business taxpayers identified as eligible for the annual Form 944 in 2006. The approximate size of this population is 273,000 small business taxpayers.

Active Filers: The sampling frame for the active filer market segment includes annual Form 944 eligible small business taxpayers who filed a Form 944 that posted to Master File as of cycle 200717. Participants with a Centralized Authorization File (CAF) or Reporting Agents File (RAF) on file were excluded from the sampling frame because the agent filed the Form 944 for the taxpayer. These taxpayers would have little or no experience with the program. Less than five percent of Form 944 filers have a RAF or CAF representative.

The second market segment includes annual Form 944 participants who repeatedly filed quarterly Form 941's in 2006. The size of this population is approximately 63,000 small business taxpayers.

Unpostables: The sampling frame for the unpostable market segment contains annual Form 944 program participants who filed more than one quarterly Form 941 in 2006. When filed, the Form 941 goes unpostable because the taxpayer's account is flagged as having a Form 944 filing requirement. Participants who filed a 200603 and 200606 unpostable Form 941 and did not file another unpostable for 2006 are excluded from the sampling frame because these taxpayers did not receive a timely letter in response to their 200603 unpostable returns. We can assume this group understood that their filing requirement

changed to Form 944. For the same reason outlined above, participants with a CAF or RAF on file were also excluded from the unpostable sampling frame.

Overall, our sampling plan will allow us to achieve a 95 percent confidence level with a precision level within plus or minus three percent. The sample sizes are shown in Table 1.

Table 1 – Sample Sizes for Active Filer and Unpostable Surveys

Survey	Sampling Frame	Confidence Level	Confidence Interval	Sample Size
Active Filer	256,898	95%	+/-3%	1,063
Unpostable	57,522	95%	+/-3%	1,048

Data to be Collected

SB/SE Denver Research will design the surveys using Microsoft Word. The questions are designed to answer the study objectives. Specifically, the survey instruments intend to collect information on the following:

Customer Satisfaction Survey: Overall satisfaction level of active filers

Program Survey: Reasons for repeated filing of unpostable quarterly Form 941's

Both surveys will ask respondents to share their opinion on how the IRS should proceed with the 944 program. The survey documents are contained in Appendices D & E.

SB/SE Denver Research will administer a multi-wave survey. The four steps are as follows:

- 1) **Wave I:** The first mailing is an advance notice letter to the potential respondent to advise of the coming survey (see Appendix A). This notification will be sent so it is received about one week prior to the survey mailing.
- 2) **Wave II:** The second mailing consists of a cover letter (Appendices B & C) and the survey document (see Appendices D & E). The mailing will include a self-addressed stamped envelope to reduce taxpayer burden and increase the response rate. The cover letters will include the reason for the survey, emphasize their importance to the IRS, and request a prompt reply.
- 3) **Wave III:** The third mailing is a follow-up postcard sent to everyone in the sample. It will express appreciation to those who have responded and remind those who have not yet responded to the survey (see Appendix F).
- 4) **Wave IV:** To the extent possible, the fourth mailing will only be sent to those taxpayers in the sample that have not responded. The mailing will include a second cover letter (see Appendices G & H), a replacement survey and another self-addressed stamped envelope.

Data will be collected from mailed or faxed survey responses received from the small business taxpayers identified in each survey sample. The survey responses will be transcribed into an electronic format. The results will be transferred into a statistical software package for further analysis. Each taxpayer will be assigned a survey control number and data will be cross-referenced using the respondents Employment Identification Number (EIN).

Data Collection Dates

SB/SE Denver Research will administer two, multi-wave surveys over a period of eight weeks. The pre-notification letter is sent 10 days prior to the survey and the timeframes for the remaining waves are two weeks apart. The following table illustrates the four stages of the surveys and our target dates.

Table 2: Target Dates for the Active Filer and Unpostable Surveys

Survey Wave	Wave Description	Target Date
Wave I	Pre-Notification Letter	03/03/08
Wave II	Survey Questionnaire	03/12/08
Wave III	Reminder Postcard	03/26/08
Wave IV	Final Survey mailing	04/09/08

How Data will be Used

Upon completion of the survey administration, the SB/SE Denver Research office will summarize the participant’s responses in a survey report. The Customer Satisfaction Survey contains nine questions and two of the questions allow the taxpayer an opportunity to fill in a response. The Program Survey consists of ten questions and two of the questions allow the taxpayer to fill in a response. These responses will be qualitative in nature and will not be used to make critical decisions. SB/SE Denver Research will measure project success by our response rate and whether or not the received responses address the project objectives. In addition, Research will inform TBR of all data limitations.

SB/SE Denver Research will also acquire demographic variables from an alternate data source for each of the 2,111 business taxpayers in our study. This data will be used in the non-response analysis to identify similarities between the respondents and non-respondents.

TBR did not specify any formal action standards for this qualitative research project; however any ideas and suggestions offered by the respondents may be used to improve the 944 program. The summary data will provide TBR a better understanding of satisfaction and experiences with the Form 944 program.

Who is Conducting the Research?

SB/SE Denver Research office

Cost of Study

The estimated costs for the customer satisfaction survey are:

Postage	\$2,686
Printing	\$693
Total	\$3,379

The estimated costs for the program survey are:

Postage	\$2,656
Printing	\$693
Total	\$3,349

Stipend

No honorarium will be offered to complete and return the survey(s)

Recruitment Efforts

Not Applicable

Location – Region/City and Facility

The surveys will be mailed to a randomly selected sample of small business taxpayers across the United States and program participants located in Puerto Rico, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands.

Expected Response Rate and Justification

SB/SE Denver Research does not know what the response rate will be since surveys of this nature have not been administered. Based on other customer satisfaction surveys administered by the IRS, an optimistic response rate for the surveys is 25%; however the delivery of this survey will occur roughly two years after the eligible small business taxpayers were invited into the program. Given that some of the invitees may no longer qualify for the program, we expect the response rate to be around 10%.

After receiving all survey responses, Denver Research plans on conducting a non-response analysis for both target markets to identify similarities between the taxpayers who responded and those that did not respond to the survey and predict what the non-responder responses could have been.

SB/SE Denver Research will treat the findings as qualitative in nature if the response rate is below the level required for inference to the population. If this occurs, critical decisions will not be made based solely on the findings of these surveys. Nevertheless, qualitative data will be beneficial to TBR in understanding taxpayer experience with the Form 944 program.

Methods to Maximize Response Rate

Various methods will be employed to increase the survey response rates. These methods include: administering a multi-wave survey; including a postage paid envelope; and providing a fax number to facilitate responses. Each business taxpayer may be contacted a total of four times. External research supports the notion that response rates improve by sending additional reminders.³

SB/SE Denver Research will apply three different techniques to evaluate the extent to which respondents differ from non-respondents on characteristics relevant to the study. These techniques require an alternate data source independent of the survey itself. The characteristics used for the non-response analysis might include, but are not limited to: length of time in business, type of business (NAICS code), location (city, state, zip), and size of business (gross receipts). The three techniques will consist of:

1. A comparison of survey respondents and survey non-respondents
2. A comparison of early respondents (Wave II), moderate (Wave III), and late respondents (Wave IV)
3. A comparison of late respondents (Wave IV) and non-respondents (no response to survey)

Test Structure/Design

Not applicable

Efforts to not Duplicate Research

The annual Form 944 program is new program which began with the 2006 tax year. The first due date for Form 944 was January 31, 2007. This effort is the first time surveys are being administered to obtain qualitative data from businesses who were invited into the annual Form 944 program. The survey responses will assist TBR in evaluating customer satisfaction with the new program. Additionally, the data gathered could provide insight into areas where the program can be improved upon.

³ D.A Dillman, Mail and Internet Surveys: The Total Design Method, New York, John Wiley & Sons, 1978, page 325.

Privacy, Security, Disclosure and Confidentiality

SB/SE Research will carefully safeguard the security of the acquired data and the privacy of the taxpayers in conducting this research. We will control official access to the information and will not allow unauthorized public access to the information. We will apply fair information and record-keeping practices to ensure protection of all taxpayer information. The criterion for disclosure explained in the Privacy Act, the Freedom of Information Act, and section 6103 of the Internal Revenue Code provides for the protection of information as well as its releases to authorized recipients.

Confidentiality will be safeguarded during the data collection and survey process. Participants will be identified to IRS personnel by a record locator number. This number will be used for control purposes only. In addition, no taxpayer or business names will be mentioned in the final report.

A confidentiality statement will be included in all letters received by taxpayers (Appendices A, B, C, G, H). We will inform each taxpayer that participation is voluntary and how confidentiality will be maintained. The OMB control number for this collection of data will be given to all taxpayers along with an address in which to direct comments and questions.

Physical security measures include a locked, secure office. Data will be stored on a server that complies with data security measures. Systems are password protected and users are profiled for authorized use. Printouts of sensitive data will be placed in a locked cabinet. All computer files will be deleted and printouts of sensitive data shredded 12 months after completion of the project. The scheduled date for this to occur is September 1, 2009.

The Servicewide Research Council Data Standards will be followed regarding certification of files and databases. Data certification will be completed for the file of survey responses created in this project. The provisions will also be applied to the original data sets obtained from internal databases and to the new data added from the survey. The data will be validated by computing frequencies for categorical variables.

Estimated Burden Hours

Tables 3 and 4 provide a summary of estimated burden hours for each survey. In total, 2,111 taxpayers will be contacted to complete one of two surveys. The surveys will take about 10 minutes to complete. The total estimated burden imposed on the taxpayers for both surveys will be 623 hours.

Table 3 – Summary of Burden Hours for Form 944 Customer Satisfaction Survey

Survey Category	Wave Description	Quantity & Estimated Time	Estimated Minutes	Estimated Hours
Wave I	Pre-Notification Letter	1,063 * 2 min	2,126	35
Wave II	Cover Letter & Survey Questionnaire	1,063 * 10 min	10,630	177
Wave III	Thank You/Reminder Postcard	1,063 * 1 min	1,063	18
Wave IV	Final letter & survey to non-responders	500 * 10 min	5,000	83
Total Estimated Burden Hours – Customer Satisfaction Survey				313

Table 4 – Summary of Burden Hours for Form 944 Program Survey

Survey Category	Wave Description	Quantity & Estimated Time	Estimated Minutes	Estimated Hours
Wave I	Pre-Notification Letter	1,048 * 2 min	2,096	35
Wave II	Cover Letter & Survey Questionnaire	1,048 * 10 min	10,480	175
Wave III	Thank You/Reminder Postcard	1,048 * 1 min	1,048	17
Wave IV	Final letter & survey to non-responders	500 * 10 min	5,000	83
Total Estimated Burden Hours – Program Survey				310

Special Tallies and Other Information

Denver SB/SE Research will provide the following information within 60 days after the close of the survey data collection:

- Number of requests for taxpayer participation
- Number of completed surveys returned by taxpayers
- Date the data collection began
- Date the data collection ended
- Actual burden hours
- Cost
- Summary of Findings

Attachments

Appendix A: Pre-Notification Letter.....	A-1
Appendix B: Cover Letter for Customer Satisfaction Survey.....	B-1
Appendix C: Cover Letter for Program Survey.....	C-1
Appendix D: Form 944 Customer Satisfaction Survey.....	D-1
Appendix E: Form 944 Program Survey.....	E-1
Appendix F: Thank You / Reminder Postcards.....	F-1
Appendix G: Final Letter for Customer Satisfaction Survey.....	G-1
Appendix H: Final Letter for Program Survey.....	H-1