

**Office of Management and Budget
Clearance Package**

**Wage & Investment Division
Market Segmentation Survey 2007**

**Internal Revenue Service
Wage and Investment
Strategy and Finance, Research, Survey Administration and Analysis
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I. Introduction

Background and Overview

IRS has replaced its traditional measures of accomplishment with a balanced measurement system consisting of business results, customer satisfaction, and employee satisfaction. Current Wage & Investment (W&I) transactional surveys such as Automated Collection System (ACS), Automated Underreporter (AUR), Compliance Services Collection Operation (CSCO), Accounts Management (Adjustments), Compliance Center Examination, Toll-Free, Innocent Spouse, Field Assistance, etc.), concentrate primarily on the post-filing aspect of our customers' experience. While Toll-Free and Field Assistance do address pre-filing and filing concerns, they do so reactively: i.e., the customer takes the initiative because of a problem, issue or question they have, and those functions respond as best they can. Relatively little was known about the pre-filing and filing needs and preferences of the more than 125 million Wage & Investment tax filers (current year) until the W&I Market Segmentation Studies were conducted beginning in 2002. Because W&I is devoting a major increase in resources and attention to problem prevention for its customers, it is important to keep gaining a better understanding of the needs and preferences of the mass market of W&I taxpayers, most of whom have little contact with the IRS.

Objectives of Data Collection

The purpose of this task is to assist the Wage & Investment Division in developing a more thorough understanding of the mass market they serve. The Market Segmentation 2007 telephone study will be administered to a random sample of taxpayers who filed a Tax Year 2006 tax return. The study will yield valuable information on Wage & Investment taxpayer behavior patterns, their interactions with the IRS, and potential fail points in the tax administration system. In addition, it will prioritize taxpayer needs and reveal penetration and acceptance of key W&I products and services.

Additionally, for Market Segmentation Survey conducted 2006 for Tax Year 2005, Limited English Proficient (LEP) customers were also surveyed. That segment of our customer base will be targeted again this year to ensure their needs are being met and that we gain a greater opportunity to improve the level of service we provide.

II. Methodology

Sample Design

The vendor will use random-digit dialing (RDD) to locate potential respondents. While the IRS maintains lists of taxpayers, they do not, as a rule, contain phone numbers. Although phone numbers could be looked-up using names and addresses, the incidence of unlisted numbers across the population would bias the sample against high and low income individuals (more likely to be unlisted) and against certain geographic areas. Pacific Consulting Group (PCG) anticipates using about 18,000 working numbers based on the numbers for the Market Segmentation Study conducted in 2006. PCG will work with SRBI, the data collection subcontractor, to ensure that the sampling is representative of the general US taxpayer population.

Sampling Plan

The audience for this survey will include individual taxpayers. The sample size for this study will aim to yield approximately 3,100 completed surveys from households that filed taxes in 2006, 400 of which will be comprised of Spanish-preferred households. The confidence levels for the total sample of 3,100 is 95% +/- 1.8%, and for the 400 Spanish-preferred household is 95% +/- 5%.

We will use random digit dialing to reach qualified taxpayers. Qualified taxpayers are:

- Individual taxpayers over the age of 18,
- filed 2006 federal income tax returns either by themselves, by friends/relatives, or preparers (paid and unpaid), and
- living in a valid US zip code

Weighting procedures, similar to those employed for prior segment surveys and for many of the transaction surveys conducted for W&I, will be employed to assure that overall results are representative of the W&I taxpayer base. W&I will provide PCG with the necessary population values for the sub-segments recommended here needed to construct the weighting.

The random digit dialing method ensures that the sample reflects the US population geographically.

Data Collection

Data collection will start at the beginning of July 2007. The telephone survey will be administered over a two-month time frame. This date is essential to make sure that participants' recollections of the 2007 tax-filing season experiences are fresh in their minds. This information-gathering effort is W&I's primary means of obtaining information relative to the pre-filing, filing, and post-filing experiences of "uneventful" taxpayers, i.e., those whose only real contact with the IRS is filing a tax return.

See the attached screening questions and questionnaire for the details of information to be collected.

Use of Data

The data from 2007 Market Segmentation Survey will be compared to earlier segmentation surveys data to determine the amount of improvement made since prior administrations of this survey. In addition, it will prioritize customers' needs and reveal penetration and acceptance of key W&I products and services. Finally, the Market Segmentation Survey will produce balanced measures for Submissions Processing without the need for a separate study and will provide a different perspective on the Toll-Free and Field Assistance experiences. The study will provide feedback for our taxpayer education and outreach functions; i.e., the W&I SPEC (Stakeholder Partnerships, Education, and Communication), and MLI (Multi-Lingual Initiative) organizations.

Conducting Research

Pacific Consulting Group will conduct this research. PCG will work with SRBI to conduct the data collection task. PCG, with W&I's assistance will conduct interviewing training at SRBI and PCG will provide weekly updates to W&I to ensure that the process is going smoothly and to address any issues that arise throughout the research process.

Efforts to NOT Duplicate Research

This is the only survey that provides quantitative and qualitative data on the pre-filing and filing process for individual taxpayers, including those who have no contact with the IRS other than filing their return. Little, if any, duplication exists, as W&I does not collect this information on the other customer satisfaction surveys currently in use. See also "Use of Data."

Stipend

No payment or gift will be provided to respondents.

Recruitment Efforts

This data gathering effort will be carried out telephonically through the use of random digit dialing and eligible participants will be selected by using the screening questions located at the beginning of the questionnaire and numbered S1 through S5c.

Methods to Maximize Response Rate

PCG will strive to maximize response and cooperation rates among those selected in the sample. If necessary, we will make up to twelve callbacks (at least one in the evening and one on Saturday), in attempts to reach a respondent. Once the telephone is answered, twelve attempts will be made to contact the person most familiar with the tax filling process. Interviewers will go through study-related training; part of this training will be teaching them refusal avoidance and refusal conversion techniques.

We will make all attempts to achieve the best response rate possible. Similar studies indicate a 49% response rate. All efforts will be made to reach a 60% response rate.

Test Structure/Design

PCG will conduct two types of questionnaire testing. First, PCG will check the internal consistency of the questionnaire, including all branching and drill-down. Second, PCG will conduct a two-evening field test of the questionnaire, with a minimum of 25 completed responses to ensure: 1) correct CATI programming; 2) good questionnaire flow and logic based on the ease of the respondent being able to follow the questioning; 3) clarity of the questions and rating scales for the respondents and an interviewer debriefing each night of pre-testing. Based on the test, PCG will make necessary changes approved/requested by W&I.

Participant Criteria

The target universe for this study will be based upon Wage and Investment taxpayers (18 years or older) who have filed calendar year 2006 returns in calendar year 2007.

See Screener Questions S1. through S5c. at beginning of questionnaire (attached).

III. Privacy, Security, Disclosure, Confidentiality

The IRS will ensure compliance with Taxpayer Bill of Rights II. All participants will be treated fairly and appropriately.

The security of the data used in this project and the privacy of participants will be carefully safeguarded at all times. Security requirements are based on the Computer Security Act of 1987 and Office of Management and Budget Circular A-130, Appendices A7B. Physical security measures include a locked, secure office. Audiotapes are stored in locked cabinets. Transcription of audiotapes are stored in locked cabinets or shredded. Data security at the appropriate levels have been accomplished. Systems are password protected, users profiled for authorized use, and individual audit trails generated and reviewed periodically.

The IRS will apply and meet fair information and record-keeping practices to ensure privacy protection of all participants. This includes criterion for disclosure—laid out in the Privacy Act of 1974, the Freedom of Information Act, and Section 6103 of the Internal Revenue Code—all of which provide for the protection of taxpayer information as well as its release to authorized recipients.

Confidentiality will be safeguarded. During the data collection process, participants will not be identified to IRS personnel. In addition, participant names will not be mentioned in the reports or data files. Participants will be advised that comments will be

audiotaped. Confidentiality is assured by virtue of agency policy. The terms of IRS's contract with the data collection requires that the confidentiality of any data be maintained. Only aggregate results will be reported to W&I.

IV. Burden Hours

The survey interview has been designed to minimize burden on the taxpayer. The time that a respondent takes to complete the survey has been carefully considered and only the most important areas are being surveyed. The average expected time of survey completion is expected to be 21 minutes. The interview questions are generally one sentence in structure and on an elementary concept level. While the questionnaire is long, no respondent will answer all of the questions and most respondents will follow a skip pattern that eliminates the majority of the questions. In fact, the 2006 survey shows that approximately 57% of respondents have had no contact with the IRS in the last year (except to file their return); this population will only answer one-third of the survey. The burden hours factor in this detail.

We have made every attempt in designing this survey to maximize response rate.

We assume the response rate of 50 percent.

Pretest burden hours:

15 taxpayers who have no contact with IRS in past year x 7 minutes = 105 mins
10 taxpayers who have had contact with IRS in past year x 21 minutes = 210 mins
25 non-respondents x 2 minutes = 50 mins

Total pretest burden time = 365 mins or 6.08 hours

Survey burden hours:

1,860 taxpayers who have no contact with IRS in past year x 7 minutes = 217 hours
1,240 taxpayers who have had contact with IRS in past year x 21 minutes = 434 hours
3,100 non-respondents x 2 minutes = 103 hours

Total survey burden time = 754 hours

Grand total is estimated to be 761 hours.

The expected cost associated with this study is \$350,673.

Other Information

The following information will be provided to Statistics of Income, Statistical Support Section within 60 days after the close of the survey data collection operations:

- Findings: A brief summary of significant findings that were evidenced in the results.
- Actions taken or lessons learned: A brief summary of any action taken or lessons learned as a result of the findings.
- Number of completed questionnaires

Statistical Contacts

For questions regarding the study or questionnaire design or the statistical methodology, contacts:

Elaine Lowitz and Wei Tang
Pacific Consulting Group
399 Sherman Avenue, Suite 1
Palo Alto, California 94306
(650) 327-8108

Attachments:

Screener and Questionnaire (one document)