

**OMB Survey Clearance Package
A Survey Conducted By the Taxpayer Advocate Service**

**Small Business Owner's and Tax Preparers
Awareness and Experience with the Taxpayer Advocate Service
Research Project (TBD)**

Introduction

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that is available to help taxpayers resolve tax issues that they cannot get resolved through normal IRS channels. In order for TAS to be effective, taxpayers must be aware of the organization and know how to contact TAS if they need help. TAS would like to have a better understanding of its customers, especially by different market segments. To this end, the Taxpayer Advocate Service has identified two customer market segments for further study.

The first market segment is small business owners. TAS is concerned that these taxpayers are a segment of taxpayers whose problems with the IRS are not being surfaced to TAS for assistance. Business taxpayers represent a much smaller proportion of TAS inventory than their prevalence in the general taxpayer population. TAS has decided that it must reach out to this group of taxpayers to determine if this group is aware of TAS and its services, and also to determine their satisfaction with any TAS services which have been used.

The second market segment includes tax preparers. It is particularly important to TAS that this market segment is aware of TAS services and whether these preparers are properly referring cases to TAS. Further, TAS needs to know if tax preparers are aware of the criteria that must be met in order for TAS to assist a taxpayer since some clients problems qualify for TAS assistance while others do not.

Objectives

The objectives of this project are to:

1. Determine awareness of TAS existence among the same groups.
2. Determine TAS name recognition among Tax Preparers and Small Business Owners.
3. Evaluate whether each group understands which types of taxpayer problems qualify for TAS assistance.

4. Determine the level of awareness in each group that TAS services are free to eligible Taxpayers.
5. Determine whether any awareness of TAS comes from any of the various types of TAS outreach/advertising used over the past four years, or from other sources.

Methodology

TAS Research will select a stratified random sample from IRS internal databases of Small Business Owners and Tax Preparers. Surveys will be designed with specialized software, and completed surveys will be scanned using Cardiff's Teleform software. A vendor will be printing, packaging, and mailing the surveys to the targeted audiences.

Sample Design and Participants Criteria

The study targets two different market segments. The first segment contains small business organizations. This population files about 42 million tax returns annually and includes individual taxpayers, partnerships, and corporate entities. Individual taxpayers represent file about 34 million returns each year, while small business partnerships and corporations file slightly over 8 million returns annually.

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The sampling frame for is the small business taxpayers includes all taxpayers assigned to the IRS Small Business and Self-Employed Operating Division.

The sampling frame will be divided into two strata, as follows:

1. Small business owners filing a Form 1040 \
2. Small business owners filling a partnership or corporate return.

The second market segment includes tax preparers. The size of this population is approximately 800,000.

We will divide the sampling frame for the preparer market segment into two stratum based upon the number of returns prepared so that TAS may obtain and compare input from both smaller and larger return preparation businesses.¹ The stratum are as follows:

1. Tax preparers who complete less than 100 returns.
2. Tax preparers who prepare 100 or more returns.

¹ The number of returns completed by a preparer will be determined from a special IRS data extract which counts the number of number of returns completed by each preparer. Preparers with counts of less than five returns will be excluded, as previous studies have shown that these entities are usually individuals preparing returns for other family members, as opposed to professional tax return preparers.

A stratified simple random sample (without replacement) will be selected from each study group. The sample size will allow us to make statistically valid statements for each stratum and combination of strata.

Overall, our sampling plan will allow us to achieve a 95 percent confidence level with a precision level within plus or minus five percent. These parameters presume about 400 responses per question. The strata and sample size are shown in Tables 1a and 1b.

Strata	Population	Sample	Estimated Response Rate	Sample Size	Undeliverable Mail ² (10 percent)	Estimated Returned Samples
Form 1040 SBSE Taxpayers	34,000,000	450	25%	2,000	200	1,800
Non Form 1040 SBSE Taxpayers	8,400,000	450	25%	2,000	200	1,800
Total	42,400,000	900		4,000	400	3,600

Table 1a - Sample Size (Small Business Owners)

Strata	Population ³	Sample	Estimated Response Rate	Sample Size	Undeliverable Mail ⁴ (10 percent)	Estimated Returned Samples
Tax preparers who prepare less than 100 returns	705,302	450	50%	1,000	100	900
Tax preparers who prepare 100 returns or more	276,365	450	50%	1,000	100	900
Total	981,667	900		2,000	200	1,800

Table 1b - Sample Size (Tax Preparers)

In an effort to improve survey response rates a multi-contact mailing process will be used. Each taxpayer may be contacted a total of four times. External research supports the notion that response rate improves by sending additional 'reminders'.⁵

- o The first mailing is an advance notice letter or postcard to the potential respondent, advising of the coming survey (see Appendices A and B). This notification will be sent so it is received about one week *prior* to the actual survey.
- o The second mailing consists of a copy of the survey document (see Appendices C and D) and a cover letter (see Appendices E and F). This mailing includes a self-addressed

² Mail quantities were increased in anticipation that 10 percent of the mail would be undelivered.

³ Tax Year 2005 data. Sample will be selected from Tax Year 2006 data.

⁴ We also increased our mail out to account for 10 percent undeliverable mail.

⁵ D.A. Dillman, Mail and Internet Surveys: The Total Design Method, New York, John Wiley & Sons, 1978, page 325.

stamped envelope to reduce taxpayer burden. The cover letters include the reason for the survey, emphasize its importance to the IRS, and requests a prompt reply.

- o The third mailing is a follow-up postcard which is 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 Appendices G and H).
- o To the extent possible, the fourth mailing will be sent only to those taxpayers in the sample that have not previously replied. This mailing will include a second cover letter (see Appendices I and J), replacement survey (Appendices C and D), and another self-addressed, first-class postage paid return envelope.
- o The survey and letters are subject to minor changes by the customer.

Data to be Collected

The survey questions for the market segments, small business owner and individual income tax return preparers are designed to answer the study objectives. Specifically, the survey instruments are designed to obtain basic facts about the respondent ⁶ and other specific data items collected include the following:

- Awareness of an IRS organization to assist with resolution of tax problems.
- Name recognition of Taxpayer Advocate Service.
- Experience using Taxpayer Advocate Service.
- Reasons for contacting (or referring a client) to Taxpayer Advocate Service.
- Criteria and timing for contacting Taxpayer Advocate Service.
- Communication channels for the Taxpayer Advocate Service as well as general tax information.
- Experience and satisfaction with Taxpayer Advocate Service.

The actual survey documents are contained in Appendices C and D.

How Data Will be Collected and Used

Data will be collected from mail survey responses. The survey documents are machine scannable via Teleform Software. The software is configured to allow for a manual review of the survey document image when the response choices are not clearly marked on the survey. The scanned results will be transferred into a statistical software package for further analysis, cross reference, and inference.

⁶ For example, small business owners will be asked to report their number of years in business, while tax return preparers will be asked about their number of years preparing returns and their type of practice.

The data will provide TAS and the Communications and Liaison (C&L) Office within TAS with a better understanding of customers' awareness of TAS and its services, and the customer service experiences for those who have used TAS services for small business owners and tax preparers. The research will allow TAS to better determine awareness of TAS and taxpayer and practitioner understanding of the criteria for requesting TAS assistance. The findings will suggest potential ways for improving customer service and awareness among underserved taxpayers and tax preparers.

This data will be studied to determine how TAS can better serve small business owners and tax practitioners, promote awareness of TAS services and criteria and to communicate better with these groups. Additionally, this survey data will be utilized to form a baseline of TAS awareness and use among these market segments so that the effectiveness of future outreach and advertising efforts of TAS services may be measured. Lastly, the data will also be utilized to estimate the number of small business owners eligible for, but not receiving, TAS assistance.

Data Collection Date

The initial surveys will be sent out on or about September. 15, 2007. Data collection will end four weeks after the final survey document is mailed by the print contractor.

Who is Conducting the Research?

TAS Research.

Cost of Study

The estimated costs for the small business owner survey are:

Postage	\$4,000
Printing	\$4,500
Total	\$8,500

The estimated costs for the tax preparer survey are:

Postage	\$2,000
Printing	\$2,250
Total	\$4,250

Stipend

None

Recruitment Efforts

Not applicable

Location-Region/City and Facility

The surveys will be mailed to a randomly selected (and stratified) sample of small business owners and tax preparers across the United States.

Expected Response Rate and Justification

Expected response rates are higher for tax preparers (50 percent) than small business organizations (25 percent). The 50 percent response rate for the tax return preparers is based on prior results of an IRS survey of similar length to a random sample of preparers. The 25% response rate is estimated conservatively and is based upon prior survey results from other IRS taxpayer surveys.

TAS will treat the findings as qualitative in nature if response rates are below the levels required for inference to the population. If that is the case, critical decisions will not be made based solely on the findings of these studies. Nevertheless, even qualitative data will be beneficial in supporting TAS' mission to provide its services to all types of taxpayers and their representatives.

Methods to Maximize Response Rate

In an effort to achieve a higher response rate, several steps recommended by Kinnear and Taylor⁷ and Don A. Dillman⁸ have been incorporated into planning this project. These steps include a multi- contact mail-out (as described earlier), using first-class postage in mailing the surveys to the taxpayers and providing a stamped self-addressed return envelope.

Test Structure/Design

Not applicable.

Efforts to not Duplicate Research

Although TAS has contracted for, and is conducting research regarding individual taxpayer awareness, use, and satisfaction with its services, TAS has not conducted research into the small business owner and tax preparer market segments. The current survey will allow TAS to baseline the level of awareness of TAS among small business owners and TAS preparers. This baseline data will be used to measure the results of future TAS outreach efforts, but at the current time, even baseline data on these market segments is not available. The surveys will also allow TAS to determine which marketing venues will best increase awareness of TAS services among these market segments. These surveys are being done concurrently with another study that TAS has commissioned. The other study includes market segments not included in this study (e.g., struggling young families). TAS believes our market segments are mutually exclusive.

⁷ Thomas C. Kinnear and James R. Taylor, Marketing Research An Applied Approach, 5th Edition, New York, McGraw-Hill, Inc., 1996, pp. 338 – 342.

⁸ Don A. Dillman, Mail and Telephone Surveys, The Total Design Method, New York, John Wiley & Sons, 1978, page 325.

Participants' Criteria

Small Business Owners

The small business owners sample will be selected from taxpayers classified into the IRS Small Business and Self-Employed Operating Division. This includes individual taxpayers filing Schedules C, E, F, and Form 2106 and other business entity types such as partnerships and corporations with an asset value less than \$10 million dollars. Please see the sample design for further information on how the sample will be stratified within this group of taxpayers.

Tax Preparers

The tax preparer sample will be selected from tax preparers submitting more than five returns to the IRS for Tax Year 2006.⁹ Please see the sample design for further information on how the sample will be stratified within this group of taxpayers.

Privacy, Security, Disclosure and Confidentiality

TAS 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.

Physical security measures include a locked, secure office. Data will be stored on computers that comply with data security at the C-2 level through the Windows XP operating system. Systems are password protected, users are profiled for authorized use, and individual audit trails will be generated and reviewed. Printouts of sensitive data will be placed in locked cabinets. All computer files will be deleted and printouts of sensitive data shredded when they are no longer needed to support study findings.

Only the required amount of information to send a survey will be provided to IRS' Multimedia Division and the vendor (i.e., name, address, and control number (which is not the SSN)). Multimedia is aware of and is expected to follow all applicable disclosure policies in the conduct of the survey. The contract process (which IRS Multimedia Publishing Services is responsible for) includes making the contractors aware of and the expectation to follow all applicable disclosure policies in the conduct of this survey. The vendor will be made aware that names provided are confidential and cannot be used for any other purpose than the mailing for this survey.

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 of the Service Wide Research Data standards will be strictly followed. The provisions will be applied to the original data sets obtained from internal databases and to the new data added from the survey (the survey results file). The data will be validated by computing descriptive statistics (mean, minimum, maximum, standard deviation) for continuous variables and frequencies for categorical variables.

⁹ Includes Tax Year 2006 returns filed through June 2007. Prior studies have shown that individuals listed as preparer on five or fewer returns are usually not engaged in professional return preparation.

Estimated Burden Hours

Table 2 provides a summary of burden hours. Nine thousand taxpayers will be contacted to complete a survey (mail out less anticipated undeliverable mail). The survey will take about 10 minutes to complete. Assuming the response rate as indicated in Table 2, the burden imposed on the taxpayers will be 300 hours.

Table 2 - Summary of Burden Hours

Survey Category	Contacts	x Response Rate	x Time to Complete	= Total Time
Small Business Owners	3,600	25%	10 minutes	150 hours
Tax Preparers	1,800	50%	10 minutes	150 hours
Total	5,400			300 hours

Although we are hopeful of increasing our survey response rate, we base our response rate at 25 percent for small business organizations and 50 percent for tax preparers. These response rates are based upon our previous survey experience with the same or similar market segments.

If substantial changes are required as a result of the feedback we receive, we will provide notification by submitting an update to this package.

Special Tallies and Other Information

The following information will be provided within 60 days after the close of the survey data collection operations:

- o Findings.
- o Actions taken or lessons learned.
- o Taxpayer Participation
- o Number of requests for taxpayer participation.
- o Number of completed questionnaires returned by taxpayers.
- o Date the data collection began.
- o Date the data collection ended.
- o Cost.

Attachments

Appendix A – Advance Notice Postcard – Small Business Owner

Appendix B – Advance Notice Postcard – Tax Preparer

Appendix C – Survey – Small Business Owner

Appendix D – Survey – Tax Preparer

Appendix E – Survey Cover Letter _ Small Business Owner

Appendix F – Survey Cover Letter – Tax Preparer

Appendix G – Follow-up Letter (Thank You/Reminder) – Small Business Owner

Appendix H – Follow-up Letter (Thank You/Reminder) – Tax Preparer