

**Proposal For**  
**Mandate Awareness Research**  
**For Federal Form 990-N, *Electronic Notice (e-Postcard)* for Tax-  
Exempt Organizations Not Required To File Form 990 or 990-EZ**

**Prepared for:**



**Prepared by:**



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# Proposal Contents

<i>Subject Area</i>	<i>Page #</i>
<b>Background &amp; Purpose.....</b>	<b>1</b>
<b>Design, Sample Size, Respondent Qualifications &amp; Confidence Levels.....</b>	<b>2</b>
<b>Method.....</b>	<b>3</b>
<b>List Sizes Requested By Russell.....</b>	<b>3</b>
<b>Question Areas To Be Covered In Interview.....</b>	<b>3</b>
<b>Analytical Plan.....</b>	<b>3</b>
<b>Russell’s Deliverables.....</b>	<b>4</b>
<b>Cost.....</b>	<b>5</b>
<b>Timing.....</b>	<b>6</b>
<b>Safeguards.....</b>	<b>7</b>

**Proposal For Mandate Awareness Research**  
**For Federal Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt**  
**Organizations Not Required To File Form 990 or 990-EZ**

**Background & Research Purpose**

Beginning in 2008, small tax-exempt organizations that previously were not required to file returns may be required to file an annual electronic notice, Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ. This filing requirement applies to tax periods beginning after December 31, 2006. Organizations that do not file the notice will lose their tax-exempt status.

Small tax-exempt organizations, whose gross receipts are normally \$25,000 or less, are not required to file Form 990, Return of Organization Exempt From Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt from Income Tax. With the enactment of the Pension Protection Act of 2006 (PPA), these small tax-exempt organizations will now be required to file electronically Form 990-N, also known as the e-Postcard, with the IRS annually. Exceptions to this requirement include organizations that are included in a group return, private foundations required to file Form 990-PF, and section 509(a)(3) supporting organizations required to file Form 990 or Form 990-EZ. In addition, this filing requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches.

The IRS will mail educational letters starting in July 2007 notifying small tax-exempt organizations that they may be required to file the e-Postcard. The IRS is developing an electronic filing system (there will be no paper form) for the e-Postcard and will publicize filing procedures when the system is completed and ready for use.

The PPA requires the IRS to revoke the tax-exempt status of any organization that fails to meet its annual filing requirement for three consecutive years. Therefore, organizations that do not file the e-Postcard (Form 990-N), or an information return Form 990 or 990-EZ for three consecutive years, will have their tax-exempt status revoked as of the filing due date of the third year.

The Exempt Organizations Business Master File (EOBMF) shows that there are 650,000 organizations who would qualify for the mandate. However, TEGE suspects that many of these organizations are no longer in existence. TEGE wants to survey these organizations to assess if they are still in existence, their awareness of the mandate, its impact on their current/planned usage of the electronic notice, their ability to file electronically, and any non-Return related problems that they expect to encounter with 990-N. Results from this survey will be used to guide the TEGE in its marketing efforts.

Following is Russell Research's proposal for conducting the 990-N Mandate Awareness Study.

## **Research Design, Sample Size, Respondent Qualifications & Confidence Levels**

The 990-N Mandate Awareness Study will consist of a random sample of 1,000 respondents, drawn on an nth selection basis from the list of 650,000 organizations in the EOBFM database. Points of information that will be appended to the list include Organization Name, Address, Sub-section Codes (C3-8, 10 & 19), Group Exemption Classification (Yes/No), All Must Be 990 Filing Requirement "02".

Since respondent selection from the lists will be completely randomized, the ending research sample will closely reflect the proportions of each sub-list.

- For example, if the 350,000 of the records are classified as sub-section C3, then the proportion is 54%; which means that the ending sample of 1,000 will yield approximately 540 who are classified as section C3.

Data analysis would focus on the Total Sample, and on broad classification areas (as would be identified by the appended data on the IRS-provided list).

To qualify for the study, a respondent must be the person in an organization on the list(s) who WILL BE responsible for preparing and submitting Form 990-N for the organization. Usually we would survey the person who prepares IRS forms or returns for the organization; however these organizations have not been required to file the form prior to 2008. In many cases, the actual preparer is expected to be an external agent (or outside accountant/tax practitioner) to whom Russell will have to seek referral. To properly identify this person, we would call into an Exempt Organization, ask for the primary decision-maker for Federal tax filings and, after reaching this person, ask questions related to the organization overall and then ask for a referral to the person who actually will prepare Form 990-N. The remaining full interview will be conducted with the actual preparer. Note: we will maintain records of contact with potential respondents and have screening questions that will allow us to determine: (1) the percentage of organizations on the TEGE list who are still in operation (still exist) or not; and (2) the percentage of still-existing organizations that meet the \$25,000-Or-Less mandate criteria. The 1,000 completed surveys will be only with organizations that both exist and are qualified for the mandate.

Following are the confidence intervals (i.e., margin of error) for figures from the different possible analytical groups. We show rounded confidence intervals at the (least sensitive) 50% level as well as at the (more sensitive) 10% and 90% levels – all at the 95% confidence level (2-tailed testing):

	<u>@50%</u>	<u>@10% or 90%</u>
1. Total Exempt Organizations Not Required (n=1,000).....	± 3%	± 2%
2. For any sub-group of n=500.....	± 4%	± 3%
3. For any sub-group of n=400.....	± 5%	± 3%
4. For any sub-group of n=300.....	± 6%	± 4%
5. For any sub-group of n=200.....	± 7%	± 4%
6. For any sub-group of n=100.....	± 10%	± 6%

*Confidence intervals* mean that, if one were to replicate the survey in all respects, one could expect (with 95% confidence) that a given result would fall within the ranges shown above.

## **Method**

Interviewing will be conducted via telephone from the Russell-Wayne field center, with all respondents drawn from the lists provided by the IRS.

As with all IRS lists, the information in the lists used here will be protected from disclosure by Russell's strict non-disclosure procedures (detailed later in the "Safeguards" section of this proposal).

## **List Sizes Requested By Russell**

As noted before, the IRS expects to have approximately 650,000 total organizations who qualify for this new mandate. Since the final working research list will be diminished by phone number lookup, and the concern that a good proportion of these organizations will no longer be in business, we would request a random sample of 60,000 organizations.

**Important Note Regarding Lists: we have not built into this estimate a factor for the number of still-in-existence organizations who are NOT qualified for the mandate (i.e., have receipts of more than \$25,000 annually), as our assumption is that that proportion is extremely small and will not affect list size. However, if TEGE believes this proportion may be substantial/larger, then we should expand the list proportionately.**

**Also Important: From Kick-Off, we understand that the alert letter mailings will occur between July and December 2007. Since the goal is to be in field with the survey immediately after Thanksgiving, any organizations NOT having been mailed the alert letter by then should be omitted from the list.**

The final list received by Russell Research is expected to include the following information:

- Organization Name;
- Organization Address;
- Sub-section Codes (C3-8, 10 & 19);
- Group Exemption Classification (Yes/No)
- And all Must Be 990 Filing Requirement "02".

## **Question Areas To Be Covered In Interview**

Attached is the questionnaire to be used in the upcoming study. This shows all of the question areas for the survey.

## **Analytical Plan**

As noted earlier, results will be analyzed in total, and by broad classification areas identified on the lists.

## **Russell's Deliverables**

Russell's role in this task would include the following services:

1. **Participate in a kick-off question and answer conference call** with the IRS. The purpose of this teleconference would be to clarify the task and discuss any issues that should be covered in the upcoming study.
2. **Make any revisions of the survey instrument/questionnaire** based on learning from the kick-off question & answer conference call or subsequent IRS notes/comments.
3. **Provide the materials necessary for submission to OMB** – specifically, this proposal, the questionnaire and OMB submission materials.
4. **Look up the phone numbers** of organizations on the IRS lists, and to do so in sufficient number to accomplish the sample size objectives noted later. Note: In this proposal, Russell has provided the IRS with an estimate of the number of organizations necessary on the initial lists to reach sample size objectives.
5. **Contact and interview as many target respondents as necessary** (within the proposed samples sizes here) to secure a nationally representative sample of appropriate size (as proposed herein). Note: contact and interview will include keeping records of disposition of calls to record whether the organization is still operating or not as well as records of number of organizations still-in-existence but not qualified on the \$25,000 receipts criteria. Further note: all interviewing will be conducted by telephone from Russell's national interviewing facility in Wayne, New Jersey.
6. **Guard both the list information and data** in the manner described in the "Safeguards" section (later). Russell's Wayne Facility interviewers are trained in application of Safeguards procedures (as stated in the following "Safeguards" section) and the client is welcome to visit the facility to see how these standards are applied.
7. **Provide progress reports on a regular basis.**
8. **Analyze results of the survey.**
9. **Present findings in both a written report and oral presentation.** Note: findings can be presented via a telephone conference call with IRS.
10. And **deliver the report in three bound and two unbound hard copies** and on a **CD-ROM in Powerpoint format as well as in .PDF format.** All **raw data** will also be delivered to the IRS in ASCII format.

## Costs

The estimate total cost of the Return 990 Mandate Awareness Study would be **\$94,363.02**. This cost is based upon the following skill categories involved and estimated number of hours necessary for each category.

Labor Categories	Govt. Rate	Total Hrs.	Total Costs
RMR Partner	\$179.35	75	\$13,451.25
Account Exec.	\$98.64	58	\$5,721.12
Project Dir.	\$64.57	44	\$2,841.08
Dir. Field Svcs.	\$75.33	22	\$1,657.26
Field Manager	\$60.98	32	\$1,951.36
Shift Supervisor	\$48.43	44	\$2,130.92
Interviewer	\$43.04	1400	\$60,256.00
FG Moderator	\$95.05	0	\$0.00
Tabulation Dir.	\$75.33	25	\$1,883.25
Tab. Mgr.	\$46.63	19	\$882.17
Coder	\$34.07	44	\$1,499.08
Editor	\$30.49	31	\$945.19
Keypuncher	\$39.46	29	\$1,144.34
Statistician	\$107.61	0	
Sub-Contractor Fees / Coops		0	
<b>GRAND TOTALS</b>		<b>1,823</b>	<b>\$94,363.02</b>

## **Timing**

The study will be conducted starting **as soon as OMB approval is secured**.

Following is a **tentative schedule for the study, which assumes OMB approval by mid-to-late November, 2007**.

- Kick-off Meeting.....Occurring late July, 2007
- Russell Submits Survey Documents To IRS.....September 4, 2007
- Russell & IRS Revise Previous Survey Documents.....September 4—7, 2006
- IRS Submits Survey Docs to OMB.....September 10, 2006
- Expected OMB Approval.....**mid-late November, 2007**
- IRS List Available For Russell Lookups.....**Russell to receive lists prior to OMB approval**
- Russell List Lookups.....**Prior to OMB approval**
- Start of Russell Interviewing.....**November 26, 2007**
- End of Russell Interviewing.....**December 28, 2007**
- Russell Tabulation Period.....**January 2-15, 2008**
- Russell Analytical Period.....**January 16—January 31, 2008**
- Russell Draft Report Submitted to IRS.....**January 31, 2008**
- IRS Review Of Report.....**Week Of February 4th, 2008**
- Submission Of Final Report To IRS.....**Within One Week Of IRS Feedback On Report**
- Oral Presentation via Telephone.....TBD



## **Safeguards**

Having undergone a formal security audit in the past associated with IRS research, Russell has a government-approved system in place for safeguarding IRS lists. This system assures that, in performance of this contract, Russell will comply with the following requirements:

- A. All work shall be performed under the supervision of Russell's responsible employees.
- B. Any taxpayer or return information made available shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of the contract. We understand that inspection by or disclosure to anyone other than an officer or employee of Russell require prior written approval of the Internal Revenue Service – this would not be issue for us, as no others would have access the data.
- C. We understand that should a person (contractor or subcontractor) or one of our employees make any unauthorized inspection(s) or disclosure(s) of confidential tax information, the terms of the Default clause (FAR 52.2499), incorporated herein by reference, may be invoked, and the person (contractor or subcontractor) will be considered to be in breach of this contract.
  - C1. Taxpayer and return preparer names and addresses will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output shall be given the same level of protection as required for the source material. We agree to abide by the Statement of Work's requirements:
    - 1. The following safeguards will be provided by Russell for protecting the data:
      - a) Names and addresses will be provided in and worked from hard copy only.
      - b) Since the files may have to be printed and divided into sub-samples for use by different researchers in our national telephone facility, Russell would also impose strict hard copy controls (with responsible senior supervisors in control of the data at all times and dispensing data to interviewers on a sign-in, sign-out basis).
    - 2. With scheduling issues, it is not possible to name (this far in advance of the interviewing) the interviewers who will be working on the project. The Supervisors names will also be provided from the national telephone center.
    - 3. The manager will have control of one or more hard copy pieces of the sample.
    - 4. The manager will personally supervise each interviewer's use of the sample throughout the screening process, will not allow samples to leave the interviewing room, and will keep the samples locked in her personal files when not in use (for other security reasons).
    - 5. The manager's personal office in the telephone facility will be locked when not in use (for other security reasons).

**Safeguards** (Cont'd.)

6. The facility itself is always locked at the end of each interviewing day/evening.
  7. Russell employs cameras throughout its interviewing facility to monitor the movements of interviewers, lists, etc.
  8. After completion of all interviews and validation, the hard copy samples would be shredded by Russell (within approximately 8 weeks of the conclusion of the survey).
  9. Russell will provide the names of the people that will have access to the hard copy data including the interviewers under the direct control and supervision of the manager at the telephone facility.
  10. Russell certifies that the data processed during the performance of this contract shall be completely purged from all data storage components of our facility and that no output will be retained by Russell at the time the IRS work is completed. In the case that immediate purging of all data storage is not possible, Russell certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
- D. Any spoilage or any intermediate hard copy printout, which may result during the processing of IRS data, shall be given to the IRS Contracting Officer or his/her designee. When this is not possible, Russell will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and will provide the IRS Contracting Officer or his/her designee with a statement containing the date of destruction, description of material destroyed, and the method used.
- E. As it has in the past, the Internal Revenue Service shall have the right to send its officers and employees into the offices and plants of Russell for inspection of the facilities and operations provided for the performance of any work under this contract. On the basis of such inspection, the Contracting Officer may require specific measures in any cases where Russell is found to be non-compliant with contract safeguards.
- F. Clauses related to contracts, orders or agreements with other federal agencies are not applicable to this contract.

## **Safeguards (Cont'd.)**

### **Criminal/Civil Sanctions**

Russell fully understands the following criminal/civil sanctions possible with any violation of the above safeguards or the privacy notification acts shown later:

(l) Each officer or employee of any person (contractor or subcontractor) at any tier to whom returns or return information is or may be disclosed shall be notified in writing by the person (contractor or subcontractor) that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent unauthorized herein constitutes a felony punishable upon conviction by a fine of as much as \$5,000 or imprisonment for as long as five years, or both, together with the costs of prosecution. Such person (contractor or subcontractor) shall also notify each such officer and employee that any such unauthorized future disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount not less than \$1,000 with respect to each instance or unauthorized disclosure plus in the case of willful disclosure or an disclosure which is the result of gross negligence, punitive damages, plus the cost of the action. These penalties are prescribed by IRC Sections 7213(a) and 7431 and set forth at 26 CFR 301.6103 (n)-1.

(2) Each officer or employee of any person (contractor or subcontractor) to whom returns or return information is or may be disclosed shall be notified in writing by such person that any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract and that inspection of any such returns or return information for a purpose or to an extent not authorized herein constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as \$1,000.00 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person (contractor or subcontractor) shall also notify each such officer and employee that any such unauthorized inspection of returns or return information may also result in an award of civil damages against the officer or employee in an amount equal to the sum of the greater of \$1,000.00 for each act of unauthorized inspection with respect to which such defendant is found liable or the sum of the actual damages sustained by the plaintiff as a result of such unauthorized inspection plus in the case of a willful inspection or an inspection which is the result of gross negligence, punitive damages, plus the costs of the action. The penalties are prescribed by IRC Sections 7213A and 7431.

(3) Additionally, it is incumbent upon the contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a(i)(1), which is made applicable to contractors by 5 U.S.C. 552a(m) (1), provides that any officer or employee of a contractor, who by virtue of his/her employment or official position, has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is so prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

## **Safeguards (Cont'd.)**

### **52.224-1 PRIVACY ACT NOTIFICATION (APR 1984)**

The Contractor will be required to design, develop, or operate a system of records on individuals, to accomplish an agency function subject to, the Privacy Act of 1974, Public Law 93-579, December 31, 1974 (5 U.S.C. 552a) and applicable agency regulations. Violation of the Act may involve the imposition of criminal penalties.

### **52.224-2 PRIVACY ACT (APR 1984)**

(a) The Contractor agrees to:

(1) Comply with the Privacy Act of 1974 (the Act) and the agency rules and regulations issued under the Act in the design, development, or operation of any system of records on individuals to accomplish an agency function when the contract specifically identifies

- (i) The system of records; and
- (ii) The design, development, or operation work that the contractor is to perform;

(2) Include the Privacy Act notification contained in this contract in every solicitation and resulting subcontract and in every subcontract awarded without solicitation, when the work statement in the proposed subcontract requires the redesign, development, or operation of a system of records on individuals that is subject to the Act; and

(3) Include this clause, including this subparagraph (3), in all subcontracts awarded under this contract which requires the design, development, or operation of such a system of records.

- (b) In the event of violations of the Act, a civil action may be brought against the agency involved when the violation concerns the design, development, or operation of a system of records on individuals to accomplish an agency function, and criminal penalties may be imposed upon the officers and employees of the agency when the violation concerns the operation of a system of records on individuals to accomplish an agency function. For purposes of the Act, when the contract is for the operation of a system of records on individuals to accomplish an agency function, the Contractor is considered to be an employee of the agency.

(c)(1) "Operations of a system of records," as used in this clause, means performance of any of the activities associated with maintaining the system of records including the collection, use, and dissemination of records.

(2) "Record," as used in this clause, means any item, collected, or grouping of information about an individual that is maintained by an agency, including, but not limited to, education, financial transactions, medical history, and criminal or employment history and that contains the persons name, or the identifying number, symbol, or other identifying particular assigned to the individual, such as a fingerprint or voiceprint or photograph.

(3) "System of records" on individuals means a group of any records under the control of any agency from which information is retrieved by the name of the individual or by some identifying number, symbol, or other identifying particular assigned to the individual.