

**OMB Supporting Statement**  
**Electronic Federal Tax Payment System (EFTPS) Small-Business Focus Groups**

**Background**

Two bureaus of the Department of the U.S. Treasury – the Internal Revenue Service (IRS) and the Financial Management Service (FMS) conducted a year-long campaign in fiscal year 2006 to encourage small businesses to enroll in and use the Electronic Federal Tax Payment System (EFTPS) for employment tax obligations instead of paper Federal Tax Deposit (FTD) coupons. The campaign targeted small businesses with employment tax liabilities below \$50,000 in specific metropolitan areas where the vast majority of FTD coupons are generated. While coupon usage declined 8 percent, that was below the stated goal of 10.4 percent. In addition, the rate of decline among the target audience was no different from that of all businesses that used coupons in fiscal year 2005.

Businesses with employment tax liabilities below \$50,000 account for 90 percent of the FTD coupons processed.

Nearly 40 million FTD coupons were processed by financial institutions in FY06. In general, an electronic payment transaction costs the Federal government 53 cents less than a paper transaction.

FMS is very interested in determining what actions short of a mandate could be taken to persuade these small businesses to adopt electronic employment tax deposits.

**Research Objectives**

The primary research objective is to find out what, if anything, would encourage small businesses to pay their federal employment liability taxes electronically instead of with FTD coupons. Issues to be addressed in the research (focus groups) include:

- Sources for information, especially financial information, related to their business.
- Internet usage, particularly in making purchases and payments online.
- The way FTD coupons are used and attitudes toward them.
- Reactions to an explanation of what EFTPS is and how it works.
- Functional and operational changes that would encourage small businesses to no longer use FTD coupons.
- What impact payment of state withholding and other taxes through EFTPS would have on small-business use of FTD coupons.

## **Methodology**

To meet these objectives, KRC Research will conduct six focus groups among small-business owners with Federal employment tax liability of \$50,000 or below who currently use FTD coupons. This audience makes up about 90 percent of all FTD coupon users and is critical in the government's effort to reduce coupon usage and save taxpayer dollars. We would use a screening questionnaire in the recruitment process to ensure we are inviting the correct type of small businesses to participate and that the person we recruit is a primary decision maker on the way federal employment tax liability is paid.

For each group we would recruit 12 participants to ensure seven to 10 people take part in each group. Each focus group would last approximately two hours and be conducted in a professional focus group facility.

Two focus groups would be conducted in each of the top three coupon-producing cities nationally:

- New York, New York (Manhattan)
- Chicago, Illinois
- Los Angeles, California

## **Estimated Burden Hours**

Completion of six focus groups with each group having seven to 10 participants among our target audience is expected to take a total of 147 hours of time for those contacted through the screening process and those participating in the groups.

Participant screening for the six focus groups is expected to take 27 hours. This estimate is based on research facilities confirming 12 participants to ensure that seven to 10 small businesses participate in each group, and that 18 contacts will need to be made to secure 12 participants in each group. Each contact should average 15 minutes per interview.

$(18 \text{ contacts} \times 15 \text{ minutes} \times 6 \text{ groups}) / 60 = 27 \text{ hours}$

Completion of six two-hour focus groups is expected to take approximately 120 hours. This estimate is based on the completion of six focus groups where each group would have 10 participants and last about two hours.

$(60 \text{ participants} \times 2 \text{ hours}) = 120 \text{ hours}$

## **Justification for Nonstandard Honoraria**

It is generally accepted as a standard industry practice to offer an incentive to individuals who participate in focus groups. Since participants are giving their personal time and have to commute to and from the facility, providing them with an incentive is a way to compensate them for their time and participation. In addition, offering an incentive increases participation rates

and in turn reduces recruiting costs. This also minimizes the burden small businesses face in participating in the research project.

Our experience with similar groups of very busy small business owners has shown that a \$250 incentive yields the number of participants desired for the focus groups. Therefore, for this project, KRC Research recommends a \$250 incentive to make it possible to recruit the desired number of participants within a reasonable amount of time.

### **Contact**

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