

OMB Supporting Statement EFTPS Illinois State Pilot Survey

Background

In December 2006, the Financial Management Service (FMS), a bureau of the Department of the U.S. Treasury, in partnership with the Illinois Department of Revenue (ILDOR) launched a pilot program through which businesses in Illinois were able to make both Federal and State employment tax deposits using the Electronic Federal Tax Payment System (EFTPS) Web site. EFTPS is a free service of the IRS and the Financial Management Service (FMS), sister Treasury bureaus, that allows payment of any Federal tax by phone or Internet.

Nationally, businesses with Federal employment tax liabilities above \$200,000 are required to use EFTPS. Smaller businesses may use EFTPS or may make their deposits non-electronically by mail or by taking paper Federal Tax Deposit (FTD) coupons to financial institutions. More than 34 million FTD coupons were processed in FY07. Businesses with employment tax liabilities below \$50,000 account for 90 percent of the FTD coupons processed. Historically, Illinois ranks fifth in the nation in FTD coupon processing.

The state pilot program's goals include determining whether the ability to pay both Federal and State withholding taxes in a single session with one signon would encourage more small businesses—those with annual Federal deposits of less than \$50,000--to make these deposits electronically.

In general, an electronic payment transaction costs the Federal government 53 cents less than a paper transaction. A key goal for FMS is timely collection of Federal government receipts, at the lowest cost, through an all-electronic Treasury.

As part of the evaluation of this ongoing pilot effort, FMS desires to better understand how small businesses in Illinois paying both Federal and State employment taxes feel about the service, its benefits, and its functionality. Not only will a survey of these small businesses help evaluate the pilot program, but it will also inform any future expansion of this service to other States.

Research Objectives

Issues to be addressed in the research include:

- How did small businesses learn that EFTPS enabled them to pay both State withholding and Federal taxes?
- How important was State withholding tax functionality in the decision to enroll in EFTPS?
- Which features are most important to encourage continued use of EFTPS?
- How satisfied are users with specific EFTPS Web site features?
- Would users find it appealing if EFTPS's phone channel were expanded to include State withholding tax payments?

- What other State taxes would users like to pay using EFTPS?
- For which other States would users like to make tax payments through EFTPS?

Methodology

For purposes of this survey, FMS is interested in the opinions of Illinois businesses with a likely annual Federal employment tax liability of \$50,000 or less. The Internal Revenue Service (IRS) is unable to provide FMS with contact information for such businesses that have enrolled in EFTPS since the pilot began. ILDOR has identified approximately 3,500 small businesses with State withholding liabilities of \$1,500 or less that previously made State payments with paper and are now using EFTPS for this purpose. ILDOR will provide KRC Research with a list of these small businesses. We will conduct a 10-minute random sample survey of 350 small businesses that qualify. Screening criteria will be used to ensure we are talking to small businesses that have started paying both Federal and State taxes after the pilot program began.

Minimizing Impact on Small Businesses

Given this is a short, voluntary survey, it will have minimal impact on small businesses.

Estimated Burden Hours

We estimate the total time for all respondents to complete the survey would be approximately 65.1 hours. This includes completing 350, 10-minute telephone interviews totaling 58.3 hours among those who complete the survey.

$350 \times 10 \text{ minutes}/60=58.3 \text{ hours}$

We anticipate that 30 percent of those on the ILDOR list will qualify for the survey. Therefore, we would make an additional 816 contacts of people who do not pass the screening questions. We anticipate these contacts to take approximately 30 seconds, for a total of 6.8 hours.

$816 \times 0.5 \text{ minutes}/60=6.8 \text{ hours}$

Contact

For questions regarding the survey, contact:

Doug Baker
KRC Research
700 13th Street, NW, Suite 800
Washington, DC 20005
(202) 585-2829

E-mail address: dbaker@krcresearch.com