

Advancing E-File Phase II, Focus Groups

OMB Clearance Package

I. Introduction

Background/Overview

In 1998, Congress passed the IRS Restructuring and Reform Act establishing a goal of having 80% of tax returns filed electronically by 2007. This year, approximately 60% of Individual tax returns were filed electronically. Since 1998, there has been extensive research on both Taxpayers and Tax Practitioners and their attitudes toward and levels of satisfaction with electronic filing. Recently, the IRS (in *Advancing e-file Phase I*) conducted a review of this body of research and looked at Taxpayer/Preparer behavior and preferences, e-file progress and technology adoption theory, e-file experiences from States and other countries, and options to promote Federal e-filing of individual tax returns.

Key findings from that review and analysis were that:

- There is no silver bullet. An advancing e-file strategy must take into consideration many complex factors, and there is no quick fix or any single option approach for the IRS to convert remaining paper filers.
- The IRS cannot meet the goal without help. The multifaceted landscape of the US tax system, by its very nature, requires that the IRS rely on strong partnerships with third party partners, stakeholders, and Congress in order to advance e-file.
- Technology is secondary to motivating behavior. Even the most innovative technology would not help the IRS achieve the 80% goal unless it is grounded in a thorough understanding of the intricacies of filer behavior—their motivators, concerns and relative position on the technology adoption curve.

Data Collection Objective

The proposed *Advancing E-File focus groups* will provide information about how taxpayers currently file their tax returns and their key motivating factors for the tax filing method of choice. The goal of this research is to assess the current customer filing preferences, the attributes that drive those preferences and to present additional choices that help advance the IRS's initiative for greater e-filing. Focus groups will provide understanding from the taxpayer perspective and will, ultimately, help advance the IRS's Advancing E-filing Initiative.

II. Methodology

This is a one-time series of four focus group sessions to be held across two days in a single location. Each group will be approximately 90 minutes in length, and held in the evenings. The groups will include a representative mix of individual taxpayers by income, gender, self-preparer vs. those who use preparers, and tax filing method (those who file by paper and those who file electronically).

A professional focus group facility will be used to hold the sessions. Respondents will be offered a \$75 honorarium for their participation. This honorarium amount is a standard amount that has been offered in a number of IRS surveys of individual taxpayers.

Sample Design

The sample will be comprised of approximately 40 individual taxpayers. The target audience is individual taxpayers who have had a federal tax return filed either in 2008 or 2007. A total of 13 individuals will be recruited for each session to ensure participation by 10 people per session. The contractor will strive to create a representative mix of taxpayers in each session by income, gender, how the most recent federal tax return as prepared (self or using a preparer) and how the most recent federal tax return was filed (mail or electronically).

How Data Will Be Used

The findings from these focus groups will lead to better IRS understanding of the underlying motivations behind how taxpayers prepare and file their federal tax returns. This qualitative information will help provide insights for additional analysis and modeling of proposed e-file initiatives.

Data Collection Dates

Precise data collection dates are not yet known, pending OMB authorization, but the focus groups sessions would ideally begin as early as the week of February 23rd. The four focus groups will be administered over a two-day evenings, with two sessions per evening.

Data to Be Collected

Data to be collected are detailed in the attached moderator's discussion guide.

Who Is Conducting Research

The research is being conducted by IRS contractor, Pacific Consulting Group.

Location – Region/City and Facilities

Washington DC. Facility will be a professional focus group facility to be determined.

Stipend

An honorarium amount of \$75 will be offered to each participant. This is a standard amount that has been used for many other IRS focus groups among individual taxpayers.

Recruitment Efforts

Professional recruiters will conduct the recruiting of participants.

Expected Response Rate

We will strive to achieve a 70% response rate based on comparable research conducted in the past.

Maximizing Response Rate Methods

The dates will be set to maximize respondent availability (mid-week as opposed to early in the week or on Fridays). Multiple callbacks will be made to each household to maximize the response rate. Additionally, a follow-up phone reminder will also be made one day in advance of each session.

Efforts to Not Duplicate Research

No other focus groups among taxpayers on this topic are currently being conducted; thus there is no duplication with other research.

III. Participants' Criteria

To qualify for this survey, participants will have needed to file a federal tax return either this year or in 2007. While there are no other disqualifying criteria, we are striving to achieve a mix of taxpayers by income, gender, tax filing method (paper or e-file), and whether or not they prepared their own taxes or used a preparer.

IV. Privacy, Security, Disclosure

V.

VI. 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. Videos are stored in locked cabinets. Data security at the appropriate level has 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.

Privacy will be safeguarded. During the data collection process, participants will not be identified to IRS personnel. In addition, no participant names will be mentioned in the reports or data files. Participants will be advised that comments will be videotaped. Privacy is assured by virtue of agency policy. The terms of IRS's contract with the data collection requires that the Privacy of any data be maintained.

V. Burden Hours

The research has been designed to minimize burden on the taxpayer. The time that a respondent takes to participate has been carefully considered and only the most important areas are being asked. The current selection criteria established in the methodology will allow the respondent to participate in only one focus group session. This will aid in decreasing taxpayer burden.

The sample will include 40 individual taxpayers

The estimate for taxpayer burden of the four focus groups is 4,194 minutes or 70 hours. Details follow:

- Focus group recruiting: 542 minutes
 - Respondents (52 people x 10 mins) = 520 minutes
 - Non respondents (22 people x 1 min) = 22 minutes
- Focus group reminder call: 52 mins
 - 52 calls x 1 minute per call
- Focus group session
 - 40 people x 90 minutes = 3,600 mins

VI. Attachments

- Moderator's Guide – Attached
- Telephone Screener/Reminder Call Script – Attached
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- Cover Letter/Correspondence – Not applicable here.
- Questionnaire – Not applicable here.
- Scenarios – None
- **Follow-up Postcards – Not applicable here.**