

**OMB Clearance Package
Nationwide Tax Forums 2009 Focus Group
Wage and Investment Accounting & Tax Payment Branch
Electronic Payment Options for Your Small Business Clients**

I. Introduction

Background

U.S. employers are required to make withholding tax (income tax and Federal Insurance Contributions Act taxes) and Federal Unemployment Tax Act payments on behalf of their employees. Employers with annual federal tax liability of \$200,000 or more are required to pay via the Electronic Federal Tax Payment System (EFTPS), a free service of the U.S. Department of the Treasury. EFTPS features Internet and phone channels as well as special software for tax professionals and payroll services.

EFTPS was launched in 1996 and to date has collected more than \$19 trillion in more than 740 million transactions. Based on dollar volume, 96 percent of all employment taxes are paid by electronic funds transfer. However, that represents less than half of transaction volume.

On average, a paper transaction costs the Federal government 45 cents more than an electronic transaction.

Businesses with federal tax liability under \$200,000 have the option of using EFTPS; mailing Federal Tax Deposit (FTD) coupons and payments to an IRS lockbox; or taking the coupons and payments to their financial institution. The overwhelming majority of these businesses opt for the third choice. In fiscal year 2008, 30.5 million coupons were processed. Employers with Federal tax liabilities below \$20,000 account for nearly 70 percent of businesses that use FTD coupons.

Past research on behalf of EFTPS, which is owned by the Internal Revenue Service (IRS) and Treasury's Financial Management Service (FMS), has indicated tax professionals are not interested in providing payment guidance or assistance to this group of small employers; rather, the tax professionals are interested in their core business of preparing forms and returns.

However, since the time the last research with tax professionals was conducted (2005), financial institutions have begun exercising their option not to accept FTD coupons to improve their bottom lines. Each coupon costs banks and credit unions \$2 to \$8 to process, and Federal regulation prohibits them from recouping that cost from the customer. Another dozen are in the process of phasing out coupons.

At the same time, small business use of the Internet has exploded. Research conducted for Wells-Fargo Bank in 2007 found two-thirds of all small-business owners use the Internet several times a week for business purposes; a 2007 Microsoft survey found 90 percent of small family businesses with six or more employees have Internet access, as do 77 percent of those with fewer employees.

IRS is very interested in determining how these marketplace changes may be impacting tax professionals' interest in assisting clients with Federal tax deposit payments as IRS and FMS work together to meet an overarching Departmental goal of becoming an all-electronic Treasury.

Research Objectives

The primary objective of the research is to determine whether marketplace changes have resulted in a greater interest by tax professionals in making Federal tax deposits for clients. If this is the case, we may follow up with quantitative research to determine how tax professionals can be encouraged to assist in the transition of small employers from coupon use to EFTPS.

We will conduct focus groups among tax professionals attending three of the 2009 IRS Nationwide Tax Forums to:

- Gauge interest among tax professionals to tell their clients about electronic payment and quantify/rank reasons why or why not
- Learn whether the shrinking number of financial institutions (FIs) that accept coupons is affecting tax professionals' behavior
- Learn whether marketplace changes are resulting in tax professionals becoming more open to paying Federal taxes on their clients' behalf

These voluntary focus groups will have minimal impact upon respondents as it will draw upon tax professionals who are already attending the tax forums, and thus will require no travel. Furthermore, the sessions will take place during the lunch hour and thus should not take away from their attendance at the forums.

II. Method

Sample Design

IRS with the assistance of Rapp will randomly solicit Nationwide Tax Forums attendees during registration and at the EFTPS exhibit booth to participate in the focus groups. Rapp is contracted through the Treasury Financial Agent (TFA) as the marketing firm for EFTPS. Screening questions will be utilized during registration and at the EFTPS booth to ensure that a representative sample (geographically and demographically) is surveyed.

Data Collection Dates

Data will be collected at the following Nationwide Tax Forums locations.

Las Vegas, Nevada	July 7 – 9, 2009
New York, New York	August 25 – 27, 2009
Atlanta, Georgia	September 22 – 24, 2009

Data To Be Collected

Since the focus group analysis is strictly qualitative in nature, feedback and impressions noted during the sessions will be reported. The data will result from critical questions and themes contained in the Moderator's Guide (Attachment B) that will be answered by the participants during the focus group sessions.

Demographic information and participant comments will be collected during the focus groups.

How Data Will Be Used

The data will be used to evaluate how well the outreach materials meet their communication goals, and answer the questions listed in *Research Objectives* above.

How Data Will Be Analyzed

As the data resulting from focus groups is qualitative in nature, the analysis will consist of a report of the feedback and behaviors recorded during the focus groups. The demographic data will be tabulated and frequencies will be reported.

Who Is Conducting Research?

W&I Electronic Payments in conjunction with Rapp will be conducting the research.

Location- Region/City And Facilities

Las Vegas, Nevada

Mandalay Bay Hotel
3950 LAS VEGAS BLVD
LAS VEGAS, NV 89119

New York, New York

Hilton New York
1335 AVENUE OF THE AMERICAS
NEW YORK, NY 10019

Atlanta, Georgia

Hilton Atlanta
255 COURTLAND STREET NE
ATLANTA, GA 30303

Recruitment Efforts

Attachment C includes the participant recruiting criteria that will be collected and recorded at each forum on the Recruiting Attempts Sheet (Attachment D). Recruiting will be conducted onsite to ensure that twenty-four participants at each location will meet the eligibility requirements listed in Attachment C. IRS/Rapp screener/scribes will recruit the participants by advertising from the EFTPS booth at each of the forums. They will use the Screener's Guide (Attachment A) to screen volunteers for eligibility. No more than twelve individuals will be recruited for each focus group. Each of these twelve individuals' first names will be noted on the Participant List (Attachment F) and they will receive a reminder card (Attachment G) so that they know when and where the focus group will be conducted.

Incentive

Participants' lunches will be complimentary, an approximate \$15 value per meal. The lunch incentive will encourage participation since Tax Forum participants generally have to purchase their own lunch.

Efforts To Not Duplicate Research

While the theme to be discussed is similar to previously conducted focus groups, since the time the last research with tax professionals was conducted (2005), financial institutions have begun exercising their option not to accept FTD coupons to improve their bottom lines. Each coupon costs banks and credit unions \$2 to \$8 to process, and Federal regulation prohibits them from recouping that cost from the customer. Independent research indicates Small Businesses comfort with using the internet for financial purposes has exploded in the interim. Therefore, IRS desires to determine whether these marketplace changes have had an effect on tax professional behaviors regarding electronic federal tax payments for their clients.

III. Participants Criteria

In order to participate in these focus groups, participants must have the following characteristics:

1. Be over the age of 18
2. Enrolled attendee at the IRS Nationwide Tax Forums
3. An enrolled agent, tax preparer or CPA with small employers that comprise more than 25% of clientele.

IV. Privacy, Security, Disclosure, Privacy

W&I Electronic Payments and Rapp will ensure that the utmost scrutiny is given to privacy, security, and disclosure when reporting comments from the focus groups. No individual taxpayer data will be used for this project. Only qualitative data derived from focus group discussion will be used in the report. During recruiter screening and moderation of the focus groups only the first name of participants will be used (and the initial of the last name in the event of duplicate first names). We will limit and control the amount of information that we collect to those items that are necessary to accomplish the research objectives.

We will protect the privacy of the focus group participants by not using names in our report. We will also control official access to the information and will not allow public access to the information. The demographic questionnaires will be destroyed when we have completed the project and there is not further need for the data. Tapes used to record focus group discussions will immediately be erased when we have completed the project and there is no further need for the data or after the information is transcribed.

We will apply fair information and record-keeping practices to ensure protection of all taxpayers. The criterion for disclosure laid out in the Privacy Act, the Freedom of Information Act, and section 6103 of the Internal Revenue Code, provides for the protection of taxpayer information as well as its release to authorized recipients.

V. Burden Hours

Completing six focus groups with twelve respondents each is expected to take a total of 101.2 hours.

This estimate is based on completing:

6, 75-minute focus groups (72 interviews x 75 minutes)/60 = 90 hours.

We are assuming that up to 600 contacts (up to 100 per focus group session) will be asked screening questions, but will not qualify for the focus groups. Each contact should last approximately one minute. Therefore, in addition to the 90 hours for interviewing respondents, there will be approximately 11.2 hours spent screening for participants.

Screening contacts:	Qualified participants	72 contacts x 1 minute/60 = 1.2 hours
	Non-qualified participants	600 contacts x 1 minute/60 = 10 hours
	Total	11.2 hours

Justification For Response Rates Below 50%

Through the attendance of seminars and workshops, the primary goal of tax professionals who attend the IRS Nationwide Tax Forums is to learn about current laws, practices, and procedures related to tax preparation. Due to scheduling and the multiple demands on their time, the majority of attendees will not have the availability to participate in focus groups. It is therefore estimated that more individuals will need to be screened to achieve the necessary 12 participants per session. We believe our estimate is conservative and that the lunch incentive will encourage participation.

VI. Estimated Cost

The total estimated cost associated with this study is: \$42,000. This consists of \$31,000 development and agency fees and \$11,000 estimated travel costs.

VII. Attachments

- A: Screener's Guide
- B: Moderator's Guide
- C: Eligibility Requirements
- D: Recruiting Attempts Sheet
- E: Participant List
- F: Reminder Card