

OMB Supporting Statement
IRS Notice Effectiveness Measurement Development Team
Segmentation Study
NOTICE EFFECTIVENESS FOCUS GROUPS
November 1-5, 2010

OMB # 1545-1349

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Background

In July of 2008, at the direction of Commissioner Shulman, the IRS formed a team to overhaul the notices the agency uses to communicate with taxpayers. Before this Taxpayer Communication Taskgroup (TACT) team was established, notices were revised on an individual and ad hoc basis by around 120 notice “owners” using 44 different production systems. Numerous surveys the IRS conducts indicate that issue resolution is the top priority improvement area for most taxpayers, and the notices that taxpayers receive surrounding post-filing issues are seen as complex and confusing.

Guided by the values of simplicity and communicability, the TACT team has created a library of text segments the IRS can mix and match to generate its notices, resulting in more consistent messaging across the notice system. The IRS recognizes that there is no such thing as a “perfect notice” and that the overall process of helping customers with post-filing interactions is a never-ending challenge. Therefore, the Notice Effectiveness Measurement Development Team is working with a contractor to develop a segmentation scheme to be used in the ongoing dynamic evaluation of notices. Such a segmentation scheme will enable the IRS to identify which segments are lagging in their response, relatively speaking, so that alternative communications, incentive and service treatments can be applied.

The multi-segment evaluation approach will identify key segments of interest and inform efforts to adjust and tailor the messages differently among various segments of the notice recipient market. The segmentation effort relies on internal data, therefore it represents a relatively cost-effective evaluation approach however, this data cannot be used to explore the attitudes, beliefs, behaviors and perceived barriers taxpayers face. These attitudes, beliefs and barriers influence behavior and drive taxpayer non-response to notices. The IRS team has determined that additional qualitative data on taxpayers’ perceptions and experiences are needed to supplement existing quantitative data to characterize the segments and identify how messages can be tailored to address these segments. For example, focus groups can reveal what the taxpayer did—contact IRS, practitioner, etc.—what their understanding of the notice was, their beliefs about consequences, their experience with IRS services (if any), what barriers they faced and what thoughts they have about what could have been done differently to help them resolve the issue in a more timely manner.

To gather this additional information from customers receiving a balance due notice (501, 503 and/or 504), a private vendor will conduct three telephone focus groups to gain more specific information from these taxpayers about their experiences. These focus groups will help identify the attitudes, beliefs and perceived barriers taxpayers face, how this influences their behavior and what steps can be taken to address these issues.

Research Methodology

Focus group interviews use interview and discussion techniques, in a small group setting, to capture qualitative information. While these interviews are not representative of any particular population, they are useful in identifying areas of concern and in gaining a better understanding

of segmentation analysis results. Attachment B: Moderator's Guide will be provided to the Pacific Consulting Group in order for them to lead the focus groups' discussion.

Recruitment Efforts

IRS balance due notice recipients will be selected by a private recruiting firm, utilizing Attachment A: Recruiting Guide/Screeners, from a list provided by the IRS. Individuals who agree to participate will initially receive Attachment C: Confirmation Fax/Email and then, closer to the focus group date, they will receive a phone call based on the content of Attachment D: Follow-up Call Script. Participants will then join one of three telephone focus groups that will take place during the week of November 1, 2010.

Participants will be recruited from a mix of locations in the United States to gain feedback from a variety of taxpayers receiving 501, 503 and/or 504 notices.

Our experience with previous customer focus groups with individual taxpayers has shown that the OMB approved \$50 incentive yielded the minimum number of participants desired for telephone focus groups. In the current project, we will follow that successful model and offer a \$50 incentive for the telephone groups.

Rationale for Incentives

Incentives are commonly used in research in order to encourage participation and bolster response. While a carefully thought-out strategy for contacting participants will be essential to the success of this research effort, offering a financial incentive is a very effective and proven method of providing respondents with meaningful motivation to participate. As a specialized respondent group (individuals who have received a balance due notice), recruiting participants for this project will be challenging. Incentives have been shown to be a particularly effective method when trying to reach individuals who may be reluctant to discuss their situation. A financial incentive draws attention to the study, and provides a symbolic appreciation of their effort.

Providing an incentive may also help to ultimately reduce recruiting costs, as fewer resources will need to be devoted to follow-up.

Optimal Amount:

In general, financial incentives are a token amount. They are in no way intended to compensate the respondent for their time – only to acknowledge the cost respondents incur by taking time away from their work, and to reward them for this additional effort. An incentive of \$50 should be sufficient for this population to attract their attention and acknowledge the time they have taken to participate in the study.

Estimated Burden Hours

Participant Screening

Participant screening for the three focus groups is expected to take 30 hours. This estimate is based on the research facilities confirming 14 participants to ensure that 8 participants join the three telephone groups. This assumes that 10 contacts will need to be made to secure one confirmation for each type of group. Each contact should average five minutes per interview.

$$(14 \text{ participants} \times 10 \text{ contacts} \times 5 \text{ minutes} \times 3 \text{ groups}) / 60 = 35 \text{ hours}$$

Focus Groups

Twenty-four people are expected to participate in three hour-long telephone groups. No travel time will be required.

$$(3 \text{ groups} \times 8 \text{ participants in group} \times 1 \text{ hour focus group}) = 24 \text{ hours}$$

Grand Total

35 hours--participant screening
24 hours--focus group participation
59 hours total burden

Estimated Cost: \$25,472

Privacy, Security, Disclosure and Anonymity

All participants will be subject to the provisions of the Taxpayer Bill of Rights II during this study and the contractor will ensure that all participants are treated fairly and appropriately.

The security of the data used in this project and the privacy of taxpayers 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 A & B. Physical security measures include a locked, secure office. Notes are stored in locked cabinets or shredded. Data security at the C-2 level is accomplished via the Windows NT operating system. 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 taxpayers. This includes criteria 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.

The focus group materials will not contain tax return or taxpayer information. Focus group participants will not be identified in any of the documents or files used for this project. We will limit and control the amount of information we collect to those items that are necessary to accomplish the research questions. We will carefully safeguard the security of data utilized as well as the privacy of the respondents. We will apply the fair information and record-keeping practices to ensure protection of all respondents. 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 information as well as its releases to authorized recipients.

Contact Information

For questions regarding the study or discussion guide design, contact:
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ATTACHMENT A

Telephone Recruitment Screener

**IRS Notice Effectiveness
Taxpayer Focus Group
Recruiting Guide/Screeners**

The list provided by PCG will include taxpayers who received a balance due notice in May-June 2010.

Recruit 12-14 people per group in anticipation that 8 will participate.

There will be three telephone focus groups total.

Recruit at least 75% who did not use a tax professional

Recruit at least three of each of the following [This information will be available in the list from PCG and will not be asked of the taxpayer]:

- *Successful response*
- *Failed response*

Recruitment Script

[Phone recruiting from the list PCG provides]

Hello, my name is _____ and I'm calling from Pacific Market Research. We are working with the IRS to better understand your needs and your interactions with the IRS and help them improve the notices issued to taxpayers. We are setting up a 1-hour telephone focus group discussion among taxpayers who received a notice from the IRS regarding a balance due. This is NOT a call about your specific case. This is an opportunity to tell the IRS what your experiences have been and to make recommendations for change.

Your participation with this research is voluntary, but your help on this project would be very much appreciated. As a token of our appreciation for your time, you will receive \$50. Are you interested in participating? *[If no, thank taxpayer for their time, and hang up]*

If respondent is unsure:

1. During the group, you do not have to answer any questions you do not want to.
2. You will only be identified by your first name.
3. Your answers and comments will be kept private.

The focus group will be held via telephone on DAY DATE at (TIMES Eastern Time). All participants will call in to an 800 number to join the conference call. The discussion will last about one hour. You will be joined by a group of about seven people who, like you, have received a notice from the IRS regarding a balance due. You will not be asked about your specific tax situation, only about your experience with this process. Would you be able to participate? *[If no, thank them and terminate the call].*

Are you or is anyone in your immediate family an employee of the IRS?

_____ Yes *[explain, thank, then terminate the call]*

_____ No

Do you recall the letter you received from the IRS notifying you of your balance due?

Yes – continue

No— thank and terminate call

Were you personally involved in the process of resolving this issue?

Yes – recruit 75%

No, used a tax professional — recruit 25%

Don't recall – thank and terminate call

Record Gender (Don't not ask this question)

Male.....1

Female.....2

.....*[recruit a mix if possible]*

We are delighted that you will participate in our group.

Do you have any questions? We would like your mailing address to send you the token of appreciation for your participation.

[Ask respondent for the following:]

Respondent Name _____

Respondent Address _____

We would like to e-mail or fax to you some information about the group (for example, time, date, call-in number). Where can we send that?

Respondent E-Mail Address

Respondent Fax _____

We would also like to give you a reminder call on the day of the group. Would we reach you at this number or another? [if other, record number]

Here is the information for you to dial-in to the call.

The Dial-In Number for this call is **XXX-XXX-XXXX**. A recording will then ask you to provide the conference code which is **XXXXXXXX#**. The call is being hosted by your moderator at Pacific Consulting Group.

You will be placed on music hold until the call begins.

For record keeping:

_____ *Confirmation letter Emailed or faxed*

_____ **Reminder call**

The Paperwork Reduction Act requires that IRS provide an OMB Control Number on all approved public information requests. That number is 1545-1349. Also, if you like, I can give you an address where you can send comments and questions regarding this process or suggestions for making it simpler.

READ ONLY IF RESPONDENT ASKS FOR ADDRESS: Send your comments and suggestions to:

Internal Revenue Service
IRS Tax Products Coordinating Committee
1111 Constitution Avenue NW
Washington, DC 20224

Thank you and have a nice day. We look forward to meeting with you on [DATE] at [TIME].

Participant name: _____

Focus group time: _____

ATTACHMENT B

Moderator's Guide

IRS – Notice Effectiveness Focus Group
DRAFT Moderator’s Guide – Aug 12, 2010
[Notes to the moderator are in CAPS]

Overview (Welcome):

Hello, I’m (NAME) from Pacific Consulting Group. I will be leading our discussion today. We are interested in your recent experience with the IRS regarding the balance due notice you received, and your ideas for potential improvements to this notification process.

First, I would like to thank all of you for calling in today. Our discussion will take about one hour. Your input is really important to us. Please be as open as you can in telling us how you really feel. We are recording this session, *[and we have some observers with us,]* but again, our focus here is on your experiences and opinions, not on your individual identities.

Statement of Objective:

Our objective tonight is to gather information that will help the IRS develop a clearer, fairer, less threatening and more productive notice process for taxpayers such as yourselves. Everyone knows that getting a notice from the IRS can be a very upsetting experience. We want to understand as much as we can about the feelings, thoughts and opinions taxpayers have so the IRS can make the notice process less distressing and more productive for the taxpayer.

Specifically:

- Understanding your reactions to the notice and what you did in response
- Understand what additional information you need to respond to the notice
- Understand what can be improved in the notice that will help motivate a prompt response.

Please note that we will not be addressing issues related to your specific tax situation. Your personal information will not be shared with the IRS and will remain anonymous.

Guidelines (Ground Rules):

Before we begin, I would like to go over some ground rules for our discussion:

- All comments are strictly anonymous. We will use first names only, and no names will be used in this report.
- My role as moderator will be to guide discussion.
- The session is tape recorded to allow us to write a comprehensive report. The recordings are for note taking purposes.
- I need to hear from all of you, but that doesn’t mean that everyone must speak to every issue.
- Please speak clearly and in a loud voice. This ensures that the tape recorder will pick up everything accurately.

- Also, please speak one at a time. I want to hear everything you have to say, and this is difficult to do if many people are speaking at once.
- There are no right or wrong answers. I'm here to gather all points of view.
- Please remember everyone has something to contribute based on their experience.
- We will be here approximately 1 hour.
- We ask that you try to limit background noise as much as possible. If you need to mute your line, you can do that by pressing XX and XX to unmute.

Warm-up:

Now, let's go around and quickly introduce ourselves. Please say your first name; where you're from; and since we're from different places, tell us what the weather is like where you are. You already know who I am, and the weather here is **XXXXX**. How about (**FIRST NAME ONLY**)?

Topic Discussion:

[Sub-bullets are probes for the moderator]

Notice from IRS

[This section addresses the letter sent to taxpayers informing them of their balance due.]

First, I'd like to ask you about the letter you may have received from the IRS notifying you that you had a balance due.

- What was your initial reaction when you first got the notice? Can you describe what you felt?
 - Fear? Worry? Confusion? Overwhelmed? Anger?
 - Why did you feel this way?
- Any other emotions you would use to describe your reaction?
- What did you do?
 - How was your action related to the emotions you just described?
 - For example, maybe you contacted your practitioner because you were confused, or maybe you ignored the notice because you thought you thought the IRS was being unfair?
 - Did you open the letter? Why or why not?
 - How did you feel after you read the notice?
 - Was the letter easy to understand?
 - What was unclear? What questions did you have about the letter?
 - Did you respond? Why or why not?

- Did you agree with the amount owed? [that was stated in the letter or through other communication]
 - What did you do if you did not agree?
- Were you aware of the benefits of responding when first notified?
- Did you understand from the letter that interest and penalties were accruing on your account?
- Was it clear that various payment options were available to you?
 - [IF YES TO ANY OF THE ABOVE] if you still did not respond, can you explain why?
- What kind of information would have helped you to respond?

Getting More Information

I'd like to understand where you went for information or help in responding to these notices.

- Where did you go for help after receiving the notice? Was there a resource you used to help you respond?
 - Where would you like to go for information about your situation?
 - What kind of information were you looking for?
 - Were there any tools or guides that could have helped you?
- Did you contact the IRS by phone regarding your case? Can you describe that process. [BRIEF DISCUSSION]
 - How did you feel before you made the call?
 - How about after the call?
 - What did you do after the call? Why?
 - Did the IRS representative answer all of your questions?
 - Did the IRS representative offer to send you the information you needed?
 - What questions were unanswered? What did you do next?
- In general, do you use the Internet for getting information? [BRIEF DISCUSSION]
 - If not, why not?

IF YES:

- Did you go to the IRS website for information?
- Would you use the Internet for resolving your issue? Why or why not?
- If information regarding this issue were easily accessible on the IRS website, would you go to it?
- What kind of information would you like to see?
- Would you be interested in having a special area of our Web site just for taxpayers who need to respond to a balance due notice?

- What are the most important things you would like to know about responding to a balance due notice?

Time to Respond

Most people getting a collection notice for one reason or another do not respond right away. I'd like to understand more about how taxpayers feel when they get a notice and what keeps them from getting back to the IRS right away.

- Did you respond right away? Why or why not?
- What could the IRS do to help you respond sooner?

General Questions [AS TIME PERMITS]:

- What can the IRS do to respond to your initial reactions to the notice?
- Without describing specifics, were there other circumstances that prevented you from paying your balance?
- Are there any additional areas you think the IRS can improve upon to achieve better customer satisfaction for taxpayers?
- The IRS is considering several changes to improve the process for resolving a balance due issues. Would it help you if:
 - The IRS provided explicit calculations of penalties and interest that will result from a delay?
 - The IRS provided explanations of how your balance due was calculated?

Wrap-up

Those are all the questions we have. Is there anything else you would like to say about the notices before leaving?

Finally, for the IRS to speak with the public, we are required to have approval from the Office of Management and Budget. Their approval number for this project is XXXX-XXXX. Also, if you have any comments regarding the time estimates associated with this study or suggestions on making this process simpler, please write to the: IRS Tax Products Coordinating Committee, 1111 Constitution Avenue, NW, IR-6526, Washington, DC 20224.

Thank you again for your participation in our discussion.