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Submission for OMB Clearance

Focus Group Screener and Guideline for Internal
Revenue Service (IRS) Taxpayer Segmentation
Study

OMB Number: 1545-1349

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Focus Group Screener and Guideline for Internal Revenue Service (IRS) Taxpayer Segmentation Study

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I. Introduction

Background

The majority of tax administrations around the world, including IRS, use taxpayer segmentation to improve the performance of their examination, collection, and services functions. However, detailed and extensive segmentation research can also be a huge driver of performance, allowing the tax administration to vary the type of message, the particular tone of the message, or the method of communicating that message to particular taxpayer groups defined by the segmentation work. A broad study, such as the one performed for Her Majesty's Revenue and Customs, is an example of a broad-based segmentation study. While IRS already conducted a broad segmentation study, the data is over ten years old. As a result, an updated segmentation study, including both demographic and psychographics, is needed.

In an effort to enhance and maintain future taxpayer services and compliance, IRS seeks to develop a broad segmentation study that would inform IRS of taxpayer behavior and provide a better understanding of their needs and preferences.

The goal is to drive the insight gained from segmentation through the agency so that it permeates IRS organization. Each Business Operating Division (BOD) may find that it will concentrate on specific groups and drill down into those segments.

This segmentation work would include the development of personas to make the segments come alive within the organization. Creating personas that have descriptive personalities will assist IRS in designing and developing more effective services and communication programs to better serve the taxpayers and drive compliance.

This effort will begin by answering questions about taxpayers' behavior and their needs and preferences. Taxpayers are defined as individual taxpayers (W&I), large and mid-size businesses, small business/self employed, and tax exempt/government entities. For example:

1. How do taxpayers relate to taxes in general and view the importance of tax compliance?
2. What are taxpayers' needs and preferences in relation to interacting with IRS?
3. How do taxpayers prefer to communicate?

Through this engagement, IRS will get answers to these and other related questions. It can design, evaluate, and target services and compliance efforts in a manner that will result in a more effective communication with the taxpayer and drive compliance.

Objectives for Data Collection

The objectives of the focus group research are to elicit perceptions, feelings, beliefs, associations, and attitudes from taxpayers about and around paying taxes and interacting with IRS. Using a series of projective, interactive, and ask-and-answer techniques, the goal of these groups will be to derive a set of likely contexts, behavioral inhibitors/facilitators, psychographic motivations, goals, and emotional states that affect (impede or promote) taxpayer compliance. This information will then be used to inform and guide the development of a quantitative survey instrument.

Forrester and the Definitive Insights team have conducted several such focus groups on behalf of IRS in the past, and have found them to provide incredibly fertile ground for insight development.

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II. Methodology

Who Is Conducting Research

The IRS has contracted with Forrester Research to conduct the research. Forrester Research is partnered with Definitive Insights (DI) to conduct focus groups as qualitative research in understanding taxpayer behaviors and attitudes pertaining to compliance with the IRS.

Sample Design

Forrester Research will conduct eight, two-hour focus groups with eight to ten participants each in four geographically diverse US locations (for a total of 64 to 80 focus group participants across the series).

All of the focus groups will consist of taxpayers. All participants will be between the ages of 18-74 who filed a tax return for the 2009 tax year.

The groups will include a mix of types of returns filed (IMF-only or IMF & BMF), filing methods used (electronic, paper), filing status (single, married filing separately or jointly, head of household), preparation of return (use tax preparer or not), prior contact with the IRS, and non-compliant behaviors. These groups will also reflect a representative mix for each geographic location of demographics, such as gender, age, race/ethnicity, education, income, etc.

All participants in the research will be recruited from local databases maintained by the focus group facility / recruiter in each location, and offered a cash incentive as a token of appreciation for their time.

Focus group participants will be contacted via telephone to be screened as a good fit for participating in the focus groups. Those taxpayers who pass the screener will be invited to participate in a two-hour focus group at a location to be determined.

The eight (8) focus groups will be moderated by Definitive Insights using a series of questions from a prepared guideline (See section VI: Attachment B).

Data to Be Collected

Data from the focus groups will be qualitative in nature. The focus groups will consist of a series of discussion questions designed to meet the objectives stated above and elicit customer expectations and attitudes on compliance with the IRS. Please see the attached screener and guideline (see Attachments A and B) for the details of the focus group screener and guideline.

How Data Will Be Used

Data from this research will be the “voice of the customer” about and around paying taxes and interacting with IRS. Findings from the focus groups will be used to inform the survey instrument that will be used to segment the W&I taxpaying population. Ultimately, findings from the segmentation will enable the development of recommendations for messaging process improvement to enhance compliance.

How Data Will Be Analyzed

Since the data will be qualitative in nature, the moderator of the focus groups will synthesize impressions and key learnings gained from the focus groups. Transcripts of each focus group session will be prepared and analyzed by the moderator in order to provide the IRS with accurate verbatim feedback from

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participants in order to facilitate understanding of the voice of the customer regarding their attitudes about paying taxes, the IRS, and compliance.

Data Collection Date

Focus group participants will be recruited for approximately two-three weeks after OMB approval is received. Focus groups will be administered for approximately two weeks after recruitment. Ideally, recruiting will take place during January, 2011, and focus groups will be administered during February, 2011.

Location

The Focus Group Interviews will be conducted in four (4) cities in the United States in order to obtain a participant group which represents a diverse demographic and socio-economic population, and that is likely to provide a good mix of relevant recruitment criteria (*see Section III for summary of recruitment criteria*). At this time, the actual locations are to be determined based on availability and travel logistics after OMB approval has been received.

The focus group sessions will be conducted in a professional focus group facility in each location that includes a respondent discussion room equipped with a one-way mirror, an observation room, and audio- and video-taping capabilities.

Cost of Study

The approximate cost of this study is \$157,948. This number includes recruitment costs, labor costs, participant stipend, and other direct costs.

Stipend

A \$100 cash stipend will be provided to each focus group participant. The purpose of the stipend is to encourage participation, and to thank respondents for sharing their time and contributions to the discussion. A stipend of this amount is typical when conducting focus groups with populations that may incur child care and/or transportation expenses to attend the discussion, and is in line with the industry standard.

Recruitment Efforts

All participants will be recruited via phone by the professional focus group facility, and qualified for participation using a short screening survey instrument.

Twelve participants will be recruited for each group, to ensure a minimum number of eight-to-ten participants per group.

Recruitment will begin as soon as possible after receiving OMB approval. The recruiting facility will keep track of recruitment burden hours. Participants will receive a confirmation letter in advance of the focus group discussion date, and will be reminded via telephone the day prior to the focus group session in order to ensure participation.

Expected Response Rate

The expected response rate for the focus group recruitment is 60%. This means that 160 potential respondents will be screened for qualification, which will ultimately result in 96 recruited participants. We expect approximately 75% of those who are recruited will actually show up to the focus group on time, giving us a final count of 64-80 focus group participants across the four focus group locations.

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Methods to Maximize Response Rate

Forrester/DI will strive to maximize response and cooperation rates among those selected for screening as well as those who are recruited. Potentially qualifying respondents will be targeted from the focus group recruiters' databases based on demographic or other potentially qualifying criteria as possible. Once recruited, respondents will receive a confirmation letter with maps and directions to the facility, and a reminder call the day before the scheduled group date.

Efforts to Not Duplicate Research

The goal of the research is to build upon the foundation already laid by previous research efforts. While some similar questions and answer option lists may be used in the current research in order to ensure continuity of data across studies, the research design team has reviewed previous segmentation research conducted in the past by the IRS in order to avoid duplication of the research.

Test Structure/Design

Each focus group will take no more than two hours (120 minutes). Prior to the testing session, participants will be asked to read and sign a privacy and permission to be recorded statement (Attachment D).

An outline of the areas of discussion for the taxpayer focus groups is below. The full moderator's guides are available in Attachments A & B.

Section 1: Introduction

- Moderator introduces self, topic of discussion, and ground rules (audio/video taping, presence of viewers, privacy, anonymity, etc.)
- Respondents introduce themselves

Section 2: Psychographic Foundations of Compliance / Non-compliance

- Elicit top-of-mind associations with taxes
- Explore attitudes about taxes: (burden vs. duty; the "right thing to do" vs. necessity to avoid penalty; fairness)
- Explore extent of focus/awareness of taxes

Section 3: Taxpaying Behaviors

- Understand typical taxpaying behaviors (types of returns / schedules filed, complexity, use of professional help, filing method, filing time, routines / preparations / technologies and tools used, assessment of expertise in tax issues)

Section 4: Prior Experience with / Expectation of IRS

- For those with prior contact, will ask about expectations prior to contact, and actual assessment of experience
- For those without prior contact, will ask about expectations and needs for contact with IRS
- Areas of exploration / assessment include:
 - o Channel, who initiated, stage of filing process, complexity of issue, use of technology/tools, problems with interactions / suggested improvements/ideal, overall impressions

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Section 5: Exploration of Compliance

- Definition of compliance / associations with taxpaying
- Identify types of compliance problems (Structural vs. Functional, Willful vs. Accidental)

Section 6: Linkage of compliance with process issues

- Discussion of barriers and unmet needs that create risks for compliance
- Identify process improvements that would aid compliance
- Identify IRS behavior/process area improvements that would aid compliance

Section 7: Closing

- Elicit final suggestions / recommendations from participants
- Address any additional questions from observers

III. Participant Criteria

The target population for the focus groups is the universe of people who are W&I taxpayers, between the ages of 18-74, who have filed a tax return for the 2009 tax year. Please refer to the attached focus group screener (Appendix A) for more specific qualification criteria. A summary is below:

Participant Criteria – Taxpayer Groups	
Must not work in tax preparation, market research, or management consulting	100%
Must have filed (or plan to file) a tax return in 2010 (for the 2009 year)	100%
Gender	Geographically representative mix
Race/Ethnicity	Geographically representative mix
Age	Geographically representative mix; minimum age 18, maximum age 64
Income	Geographically representative mix
Education	Geographically representative mix
Type of filer (IMF, IMF/BMF)	Mix
Use of tax preparer	Mix
Filing status (Single, Married filing separately or jointly, Head of Household)	Mix
Filing method (electronic, paper)	Mix
Prior contact with IRS	Mix
Non-compliant behaviors	Mix (had a problem with prior taxes or received a notice from IRS – variety of reasons)
Past Focus Group participation	Must not have participated in a focus group within the past 3 months

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IV. Privacy, Security, Disclosure, Anonymity

We will protect the privacy of participants in the focus group sessions by not using names in our reports or transcripts. Any respondent profile information made available to observers during the focus group sessions will include participant first names only; additionally, no contact information will be included. We will also control official access to the information and will not allow public access to the information. The screening questionnaires and any data collected during the focus groups (audio and video recordings, transcripts, and any moderator notes) will be stored in a secure location for one year, and then destroyed.

All participants will be informed of the use of audio and video taping at the beginning of the session. They will also be assured of their privacy and anonymity – that their identity will not be connected to any of their comments. They will sign a privacy agreement as part of their participation in the research (see Attachment C).

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. Data security at the appropriate levels 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.

Anonymity 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 audio taped. Anonymity is assured by virtue of agency policy. The terms of IRS's contract with the data collection requires that the anonymity of any data be maintained.

V. Burden Hours

The estimated time to complete the participant screening is approximately 10 minutes per person screened. The estimated time to complete each focus group is two hours (120 minutes).

We anticipate that approximately 60% of taxpayers contacted for this study will qualify; therefore, we will need to screen approximately 160 taxpayers to get 96 taxpayer recruits.

Total number of potential participants screened: 160
Estimated time to complete screening: 10 minutes
Estimated participant screening burden: 27 hours

Estimated number of focus group participants: 80
Focus group participation time: 2 hours
Estimated participant travel time to and from site: 30 minutes
Estimated participation burden: 200 hours

Total Burden (screening and study participation): 227 hours

VI. Attachments

Attachment A: Focus Group Screener

Forrester IRS Segmentation Focus Group Research (DI# 10-1050)
SCREENER FOR TAXPAYERS

GROUPS: 2 groups per market

RECRUIT: Recruit 12 for 8-10 to be seated per group

INCENTIVE: \$xxx

LENGTH: 2 hours per group

GROUP DATES / TIMES:

City	Day / Date	Time	Group Type
City 1 - TBD	TBD pending OMB approval	5:30pm	Taxpayers
City 1 - TBD	TBD pending OMB approval	7:45pm	Taxpayers
City 2 - TBD	TBD pending OMB approval	5:30pm	Taxpayers
City 2 - TBD	TBD pending OMB approval	7:45pm	Taxpayers
City 3 - TBD	TBD pending OMB approval	5:30pm	Taxpayers
City 3 - TBD	TBD pending OMB approval	7:45pm	Taxpayers
City 4 - TBD	TBD pending OMB approval	5:30pm	Taxpayers
City 4 - TBD	TBD pending OMB approval	7:45pm	Taxpayers

Taxpayer Recruitment Guidelines

- Must not work in tax preparation, market research, or management consulting
- Must be between 18 years old and 74 years old – **SEEK GOOD MIX OF AGE**
- Must have filed (or plan to file) a tax return in 2010 (for the 2009 year)
- Seek representative (based on local area) mix of:
 - o Income
 - o Gender
 - o Age
 - o Race / Ethnicity
 - o Education
- Seek mix of:
 - o Filing status – individual, joint return, etc.
 - o Method of filing – electronic, mail
 - o Preparation of return – use tax preparer or not
 - o Type of returns filed – personal, business
 - o Those who have had contact with the IRS

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- o Those who have had a non-compliant behavior (had a problem or received a notice from the IRS)
- Must not have participated in a focus group in the last 3 months

Forrester IRS Segmentation Focus Group Research (DI#10-1050)

CONTACT / RECRUITMENT INFORMATION FOR TAXPAYERS

NAME			
ADDRESS			
CITY		STATE	ZIP
PHONE – DAY		EVENING	CELL
EMAIL ADDRESS:			
RECRUITED BY:			DATE RECRUITED:
CONFIRMED BY:			DATE CONFIRMED:

Location	Group Type	Date / Time	CHECK IF ATTENDING
City 1	Taxpayer	TBD @ 5:30pm	()
City 1	Taxpayer	TBD @ 7:45pm	()
City 2	Taxpayer	TBD @ 5:30pm	()
City 2	Taxpayer	TBD @ 7:45pm	()
City 3	Taxpayer	TBD @ 5:30pm	()
City 3	Taxpayer	TBD @ 7:45pm	()
City 4	Taxpayer	TBD @ 5:30pm	()
City 4	Taxpayer	TBD @ 7:45pm	()

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