OMB Clearance Package
Testing Free File Marketing Strategies and Free File Company Choice,
Wage and Investment Notice Improvement Office

I. Introduction

Background/overview

In July 2005, Congress mandated the Internal Revenue Service (IRS) to create a five-year plan for IRS service delivery. To fulfill this mandate, the IRS created the Taxpayer Assistance Blueprint (TAB) project to gather information about taxpayer needs, preferences, and behaviors and develop a strategic plan to enhance services the IRS delivers to taxpayers and partners. The Taxpayer Services Program Management Office (TSPMO) is chartered with ensuring the enhancements highlighted in TAB are institutionalized throughout the IRS.

In TAB Phase 2, migrating taxpayers to electronic channels and services is one of the five areas identified for improvement of IRS service delivery to increase value to all stakeholders. According to key TAB 2 findings associated with taxpayer needs, electronically-filed returns have the lowest late filing, underpayment and math error rates of all returns filed.

In addition, two of the five service improvement categories within the TAB 2 Service Improvement Portfolio address marketing, promoting and improving electronic service channels to help the IRS reach its desired future state of service delivery. The *Electronic Interaction Enablement* category includes recommendations about how to make electronic channels the taxpayer's first choice for obtaining information and services to comply with their tax obligations. One such recommendation is enhancing Web site design and usability. The second category related to electronic channels is *Marketing and Promotion*. This category includes improved marketing of channel alternatives, specifically the electronic channel, to improve awareness of service delivery channels and capabilities.

The Electronic Tax Administration and Refundable Credits (ETARC) leads IRS efforts to promote electronic products and services, especially electronic filing. In FY 2007, ETARC focused its marketing strategy on promoting the Free File program. Free File is a free federal income tax preparation and electronic filing program for low-income taxpayers, developed through a partnership between the IRS and the Free File Alliance LLC, a group of private sector tax software companies. Recent Wage and Investment Research and Analysis (WIRA) reports suggest Free File may be a gateway to future electronic filing.

ETARC and TSPMO seek to test the effectiveness of Free File marketing strategies in an effort to increase electronic filing and improve service awareness, access, and quality. One of the best ways to do this is through comprehension testing. Comprehension testing involves a one-on-one test between a moderator and a taxpayer. This method is useful in determining the comprehension and process a taxpayer uses when reading a marketing tool and completing a task.

For the current task, ETARC and TSPMO intend to test both a Free File marketing tool and taxpayers' ability to begin the Free File process by choosing a Free File company that qualifies them to file their return for free within the same testing session. ETARC and TSPMO expect that taxpayers will provide specific suggestions to improve the marketing tool and information available on the Free File Web site.

Objectives of data collection

The objectives of this project are twofold. The first task was designed to assess taxpayers' ability to understand the following communication goals of a Free File Marketing tool targeted to young V-Coders who meet the Free File income requirement and have never used Free File or e-file services:

- Do the taxpayers understand what the Free File program is?
- Can the taxpayers identify who is eligible to Free File?
- Does the marketing tool inform the taxpayer of the benefits of using the Free File program?
- Do taxpayers comprehend how to Free File?

The overall objective of the second task is to assess taxpayers' ability to understand and accurately begin the Free File process by choosing a Free File company that best fits their filing needs.

II. Methodology

Sample Design

The population for this study consists of taxpayers, between the ages of 24 and 35, with an income less than or equal to $54,000, who filed a V-Coded return in tax year 2006, have not used Free File or e-file services within the past 5 years, file a Form 1040 return, and are familiar with their own tax return. In addition, at least 50% of participants must have completed their own tax return last year.

Data Collection Date

Data will be collected during the week of July 7, 2008.

Data to be collected

Several different categories of data will be collected.

1. Demographic Information
    a. Education level, age, employment status

2. Behavioral Data
    a. Completion of choosing a company to use for Free File
    b. Observations of participant while choosing Free File company
    c. Comprehension questions regarding communication goals of marketing tool
    d. Performance on questions about marketing tool
        i. Response

ii. Correctness of response
iii. Time

3. Debrief Data - Qualitative Responses
   a. Debrief questions from marketing tool review
      i. General reaction to marketing tool
      ii. Sections of the marketing tool which were reread or skipped
      iii. Ratings of tone
      iv. Ratings of understandability
      v. General reaction to design and layout
      vi. Improvement recommendations
   b. Processing questions regarding choosing a Free File company
      i. Process used to choose a Free File company
      ii. Use and understanding of information on the Free File Web site
      iii. Additional information needed to choose a Free File company
      iv. Improvement recommendations for Free File Web site and online tool for choosing a company to Free File with
      v. Ratings of difficulty

How data will be used

The data collected during the evaluation of the Free File marketing tool will be used to evaluate how well the marketing tool meets its communication goals. The notice will be evaluated across the following themes: comprehension, task completion, format and design issues, and navigation. This information will be used to guide changes to the marketing tool prior to its release for the 2009 Free File Marketing Campaign.

The data collected when participants choose a Free File company will be used to determine overall participant accuracy and to identify possible improvements to the Free File Web site, including the online tool taxpayers can use to assist them in choosing a Free File company. In addition, data will be used to asses the process participants used to choose a Free File company.

How data will be analyzed

Analysis of the data will be conducted by researchers within IRS Wage and Investment (W&I), Research and Analysis Division Research Group 2. Analysis of data from the comprehension questions will include basic and advanced statistical techniques.

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

Who is conducting the research?

TSPMO and ETARC in conjunction with W&I Research and Analysis Division Research Groups 2 and 3 will be conducting the research.

Location- Region/city and facilities

Research will be conducted at a non-IRS facility in the Richmond, Virginia area. An exact location will be identified by a contractor.

Stipend

The stipend will be $75 per participant for a 90 minute session. The stipend is a reflection of the length of time required for participation in this study.

Recruitment efforts

Using a screening guide, a vendor will recruit participants for this study.

Efforts to not duplicate research

Direct interaction with taxpayers through individual testing and focus groups has been a research design used by the IRS for a number of years. While ETARC has tested marketing strategies using focus groups and database information, individual testing of taxpayers has not been used to test marketing strategies or gather information about the Free File process. In addition, testing intended to gauge taxpayers' ability to comprehend marketing tool communication goals and identify taxpayers' ability to choose a Free File company that allows them to file a return for free has not been undertaken

Test structure / design

The study will utilize a quasi-experimental design in which participants complete two tasks.

First, participants will individually read a marketing tool designed to reach young V-Coders who are eligible to Free File. Using information given to them in a scenario, participants will be asked comprehension questions about the information in the marketing tool to test whether they understood the information necessary to Free File and interpreted the messages in the marketing tool the way they were intended. W&I Research and Analysis Division will also ask debrief questions to get general impressions about the marketing tool design and access readability.

Second, participants will be given a scenario and asked to choose a Free File Alliance company that qualifies them to file their return for free. Participants will have access to the internet and will not be given any instructions beyond the information provided in the marketing tool and scenario. Behavioral data will be collected through observations of the participant during task completion and task performance (i.e. fit of choice based on options provided by Free File team, time, etc.). Debrief questions will also be asked to gather more information about the process the participant went through to choose the company and recommendations to improve the process.

III. Participants Criteria

In order to participate in the study, participants must have the following characteristics:

1. Be between the ages of 24 and 35
2. Filed a V-Coded return in tax year 2006
3. Have an annual income equal to or less than $54,000
4. Have not used Free File or e-file services within the past 5 years
5. Speak English proficiently
6. Form 1040 filer and familiar with their own tax return

In addition, at least 50% of participants must have completed their own tax return last year.

IV. Privacy, Security, Disclosure, Confidentiality

The data returned to IRS W&I Research will not have any form of identifying information relating specific records to individual taxpayers. Nonetheless, Research Personnel will ensure that privacy, security, and confidentiality of the aggregated results will receive utmost attention. Public and official access to the information will be tightly controlled. The computer files containing this tabulated information will remain password protected at all times. Data security approaching level C-2 will be accomplished using the Windows XP operating system.

DVDs used to record testing sessions will be either erased or destroyed when the project is completed and there is no further need for the data.

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

The estimated time to complete the participant screening is 5 minutes. The estimated time for each reminder call is 1 minute, with each testing session lasting 1 ½ hours. Since the contractor will recruit from a list of qualified taxpayers, it is estimated that 10 percent of taxpayers contacted for the study will qualify and be willing to participate. Using this percentage, a total of 600 individuals will need to be screened to recruit the needed 60 participants (50 study participants and 10 floater participants).

Total number of potential participants screened	600
Estimated time to complete screening	5 minutes
Reminder phone calls (study participants only)	60 minutes (60 x 1 minute/call)
Estimated participant screening burden	**51 hours (600 x 5 + 60/60)**
Number of participants	50

Time to conduct study	1.5 hours
Estimated study burden	**75 hours (50 x 1.5)**
Estimated Total project burden hours	**120.8 hours**

VI. Estimated Costs

The total estimated cost associated with this study is $28,000.

VII. Attachments

A. Screener’s Guide
B. Reminder call script
C. Testing Protocol