

**OMB SURVEY CLEARANCE PACKAGE
2009 W&I TAX PROFESSIONALS SURVEY
March 2009**

A. Introduction

Background/Overview

The TAB Phase I and II reports have recognized the important role that tax practitioners assume as intermediaries between the IRS and taxpayers and have recommended conducting additional research studies to identify and better understand practitioners' needs, preferences, and behaviors.

In 2008, W&I Research conducted a survey to determine the preferences, needs, and behaviors of tax practitioners. This survey provided an overview of the universe of W&I tax practitioners. This year, we would like to expand on that survey to obtain a more in-depth picture of tax practitioners' business models. A more comprehensive understanding of practitioner business models and interactions with the IRS will allow us to better manage and communicate with these segments.

This research will expand the understanding of the characteristics of tax professionals and increase the agency's knowledge of tax practitioner business models, including the often-overlooked commercial preparer market. By understanding and meeting the needs of tax practitioners, the IRS will be better prepared to help these intermediaries in their efforts to serve taxpayers.

Objectives of Data Collection

The overall objective of the study is to expand the IRS's understanding of the W&I tax practitioner business models and nature of interactions with the IRS. Specific business questions include:

- What are the most common tax practitioner and tax preparer business models, and who do they serve?
- How do practitioners interact with the IRS? More specifically, what channels do tax preparers use for different types of interactions with the IRS?
- What is the nature of the interaction between the IRS and tax preparer business models, and does this interaction suit the tax preparer's needs?
- How can we leverage relationships with preparers to decrease service gaps and improve voluntary compliance?

B. Methodology

Sample Design

W&I Research & Analysis will provide a list of preparers compiled from data from the Electronic Tax Administration Individual Master File (ETA IMF) Marketing Database, Tax Year 2008. Data will be extracted from three tables: (1) enrolled agents, (2) PTIN, and (3) applicants database, and provided in a single de-duplicated list of 7,200 records to the sampling/analysis vendor, Macro International Inc. (Calverton, MD). The sampling frame will be comprised of tax preparers who satisfy the following two criteria:

1. **Inclusion criteria:** The practitioner must have prepared ten (10) or more returns in the tax year 2007 as a paid preparer;
2. **Exclusion criteria:** the practitioner only prepared returns for VITA, AARP, TCE, and Military taxpayers.

Macro will locate additional contact information (i.e., mailing addresses and/or telephone numbers) for tax professionals selected in the sample whose information is missing in the ETA IMF data. The sampling method will be a simple random sample. Macro has designed a sample size that will provide results at +/-2.3% maximum overall sampling error at a 95% confidence level.

The survey will be administered via mail, web, and computer-assisted telephone interviewing (CATI). The mail and telephone surveys are considered to be the primary methodologies, with the web survey offered as an additional methodology for the convenience of the respondent and to enhance the response rate.

Macro will assign a unique tracking code to each tax professional in the sample and will provide a file with the names and addresses to Macro's survey administration center in Burlington, VT for the survey administration,

Respondents will be offered the option to complete the survey online via instructions in the mail survey cover letters and the reminder postcard. Controls will be in place so that a respondent cannot submit multiple surveys via both methods. At the close of the mail survey period, Macro will attempt to contact the non-respondents (those who did not complete a mail or online survey) by telephone to elicit their participation by phone.

Data to be Collected

Initial plans call for a minimum completed sample of 1,800 respondents, which is intended to accurately represent the population of W&I tax practitioners, including those who are enrolled agents, CPAs, tax attorneys, and other tax professionals.

How Data is Collected and Used

Macro will administer the survey by mail, web and telephone. Macro will summarize the quantitative ratings of all the survey items and produce a national report. All relevant database variables will be included in the analysis, and the survey responses will be weighted as necessary to accurately reflect the population of tax professionals.

Macro will perform the following analyses for the national report:

- Survey counts and overall response rates
- The frequencies for all survey items
- Summaries of the different tax professionals' business models and types of interactions with the IRS
- Summaries of the client needs of the tax professionals, and how their tax issues are addressed by the IRS
- Levels of customer satisfaction
- Differences in responses across identified customer segments
- Analysis of the relationship between survey responses
- Analysis of the open-ended questions

Macro will hold the identities of respondents confidential. Macro will not provide the IRS with data or status updates that are linked to individual respondents. Upon completion of data collection and cleaning, Macro will provide de-identified survey data to the IRS. This data will not include any individually identifying information such as name, address, or taxpayer identification number.

Data Collection Period

Mail data collection will begin late May 2009 and run until mid July 2009. Online data collection will start late May 2009 and end mid August 2009. Telephone follow-up will begin mid July 2009 and end mid August 2009.

Who is Conducting the Research and Where

Macro (Calverton, MD) will be responsible for pulling the sample and conducting data analysis. Macro's Burlington, VT office will be responsible for administering the web and telephone surveys. A separate Government Printing Office (GPO) vendor will be responsible for printing and distributing the survey via mail. W&I Research & Analysis (Atlanta, GA) will also conduct additional data analysis as needed.

Cost of Study

Macro contract: \$163,278.

There will be no stipends paid to participants.

Recruitment Efforts

The sampling frame will be provided by the IRS. This study will use a multi-wave and multi-modal approach, which is intended to maximize the response rate. This is accomplished through carefully staged recruitment communications and by

accommodating to tax practitioners' preferred ways to respond. The multi-wave component is achieved by using a sequence of correspondence that begins with an introductory letter from the IRS to explain the initiative, followed by the First Package which contains a cover letter, survey, and return envelope, then a reminder postcard, and finally the Second Package (contents the same as the first). The multi-mode component integrates data collection through a paper survey, web survey, and finally via phone, thus providing tax practitioners with three different vehicles to provide the needed data.

Location-Region/City and Facility

- Data extract: Electronic Tax Administration Individual Master File (ETA IMF) Marketing Database, Detroit Computing Center
- Sampling and analysis: Macro Headquarters, Calverton, MD
- Mail, Web and telephone data collection: Macro, Burlington, VT

Expected Response Rate

In the previous tax professional survey conducted in 2008, a response rate of 33% was achieved. While the 2009 survey targets a different population of tax professionals, the same multi-mode survey approach is to be followed, so it is likely that this number represents a minimum response rate to be expected. The survey is longer, however, so a realistic minimum response rate of 35% has been established.

Methods to Maximize Response Rate

A multi-mode delivery of the survey will be employed to maximize the overall survey response rate. Additionally, standard procedures will be used to obtain the highest response rate possible for each mode. For the mail survey, these would include:

- 1) Pre-notification letter on IRS / W&I Division letterhead
- 2) [First package] Cover letter, questionnaire, and return postage paid envelope (RPPE)
- 3) Postcard reminder
- 4) [Second package] Cover letter, a copy of questionnaire, and RPPE to non-respondents.

In addition, Macro will attempt to contact non-respondents using a CATI telephone survey. Macro will make up to 5 attempts to reach each practitioner. The interviewers will be specifically trained on gaining "gatekeeper" cooperation in order to avoid refusals from persons not actually in the study sample - such as administrative staff. Equally, Macro's interviewing team will apply specific techniques to gain selected respondent cooperation to complete the interview.

Finally, for those tax practitioners who do not choose to fill out a mail survey or perform a telephone survey, Macro will offer a web-based survey that will be available during the mail and telephone administration.

Testing and Survey Structure/Design

The W&I Tax Professionals Survey is attached. The survey asks respondents to describe the nature of their business model, client needs, the types of interactions they typically have with the IRS, and the extent to which desired outcomes were achieved. This will facilitate a comprehensive understanding of the different business models adopted by tax professionals, the nature of the tax issues that their clients face, and the extent to which the IRS is helping the tax professional to address those client needs through their contact with the IRS.

The survey includes various questions about the tax professional's business, what IRS information sources they rely on, method of contact with the IRS, and were the desired outcomes achieved, in addition to several demographic questions. A measure of overall satisfaction is also provided, as well as room for comments or suggestions for improvement.

Efforts Not to Duplicate Research

This survey is the only survey being administered by the IRS that is collecting data on taxpayer business models.

Participants Criteria

The sampling frame consists of W&I tax professionals who satisfy two criteria: (1) the practitioner must have prepared ten or more returns in the previous tax year as a paid preparer, and (2) did not exclusively prepare only returns for VITA, AARP, TCE, or Military taxpayers. This sample will include enrolled agents, CPAs, tax attorneys, and other tax professionals.

C. Privacy, Disclosure, Confidentiality, Security Issues

All participants will be subject to the provisions of the Taxpayer Bill of Rights II during this study and the vendor 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 survey will not contain tax return or taxpayer information. Survey 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 survey respondents. We will apply the fair information and record-keeping practices to ensure protection of all survey 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.

PRA Statement and OMB Control Number

For the W&I Tax Professionals Survey, the OMB Control Number and required information will be provided on the survey itself.

D. Burden Hours

The W&I Tax Professionals Survey has been designed to minimize burden. The time that a respondent takes to complete the survey has been carefully considered and only the most important areas are being surveyed. The items ask about the tax professional's business, their clients' needs, modes of interaction with the IRS, and satisfaction with services and products. The questions are generally one sentence in structure and on an elementary concept level.

There are a total of 90 item ratings per respondent in total. The average completion time will vary by survey mode: paper, web, or phone. For paper which represents the majority of completes, this translates to an average time for survey completion of less than 15 minutes. The CATI-based phone surveys are anticipated to take 20 minutes. In order to achieve the desired minimum of 1,800 completed surveys but in light of a somewhat longer survey for 2009, the total sample was set at 7,200 to compensate for the possibility of a lower response rate. Given this sample of 7,200, and using a return rate of 35%, the burden hours have been estimated below.

7,200 pre-notification letters x 2 minutes = 240.0 hours

7,200 cover letters x 2 minutes = 240.0 hours

7,200 reminder postcard x 1 minutes = 120.0 hours

4,320 reminder cover letter (accompanied by survey, estimate 60% of initial sample)
x 2 minutes = 144.0 hours

Mail Respondents (@62% of 1,800 total completes)
1,116 completed surveys x 15 minutes = 279.0 hours

Web Respondents (@26% of 1,800 total completes)
468 completed surveys x 15 minutes = 117.0 hours

Telephone Respondents (@12% of 1,800 total completes)
216 completed surveys x 20 minutes = 72.0 hours

TOTAL BURDEN = 1,212.0 hours

E. Statistical Contact

For questions regarding the study or questionnaire design or statistical methodology, contact:

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F. Attachments

Statement of Work (SOW)

Survey Materials:

- 2009 W&I Tax Professionals Survey
- Pre-Notification Letter
- Cover Letter to Accompany Survey (first package)
- Reminder Postcard
- Reminder Cover Letter to Accompany Survey (second package)