

**Office of Management and Budget
Clearance Package**

**Wage & Investment Division
Market Segmentation Survey 2009**

**Internal Revenue Service
Wage and Investment
Strategy and Finance, Research, Survey Administration and Analysis**

June 9, 2009

Office of Management and Budget Clearance Package Market Segmentation Survey 2008

I. Introduction

Background and Overview

IRS has replaced its traditional measures of accomplishment with a balanced measurement system consisting of business results, customer satisfaction, and employee satisfaction. The current transactional surveys involving Wage & Investment (W&I) customers (ACS (Automated Collection System), ACS Support, Automated Underreporter (AUR), Compliance Services Collection Operation (CSCO), Accounts Management (Adjustments), Compliance Center Examination, Toll-Free, Innocent Spouse, Field Assistance) concentrate primarily on the post-filing aspect of the customer's experience. While Toll-Free and Field Assistance do address pre-filing and filing concerns, they do so reactively: i.e., the customer takes the initiative because of a problem, issue or question they have, and those functions respond as best they can. Relatively little was known about the pre-filing and filing needs and preferences of the approximately 122.5 million Wage & Investment taxpayers until the W&I Market Segmentation Studies were conducted beginning in 2002. Because W&I is devoting a major increase in resources and attention to problem prevention for its customers, it is important to keep gaining a better understanding of the needs and preferences of the mass market of W&I taxpayers, most of whom have little contact with the IRS.

Objectives of Data Collection

The purpose of this task is to assist the Wage & Investment Division in developing a more thorough understanding of the mass market they serve. The Market Segmentation 2009 telephone study will be administered to a random sample of taxpayers who filed a Tax Year 2008 tax return. The study will yield valuable information on Wage & Investment taxpayer behavior patterns, their interactions with the IRS, and potential fail points in the tax administration system. In addition, it will prioritize taxpayer needs and reveal penetration and acceptance of key W&I products and services.

II. Methodology

This year's study will be administered online.

Sample Design

A list of individuals from Knowledge Networks will be used for the online component. A random selection method will be used to ensure that households selected to participate in the survey will represent the US population geographically.

Qualified taxpayers are:

- Individual taxpayers over the age of 18
- Filed 2008 federal income tax returns either by themselves, by friends/relatives, or preparers (paid and unpaid)
- Report living in a valid US zip code
- Speak Spanish but have limited English reading and/or speaking proficiency

Sampling Plan

The audience for this survey will include individual taxpayers. The targeted number of completed interviews will consist of 3,105 interviews (2,400 English, 400 Spanish and an oversampling of 305 taxpayers who have visited local IRS offices).

Weighting procedures, similar to those employed for prior segment surveys and for many of the transaction surveys we do for W&I, will be employed to assure that overall results are representative of the W&I taxpayer base. W&I will provide PCG with the necessary population values for the sub-segments recommended here needed to construct the weighting.

Data Collection

Data collection will start in August of 2009. The survey will be administered over a two-month time frame. This date is essential to make sure that participants' recollections of the 2008 tax-filing season are fresh in their minds.

Please see the attached questionnaire for the details of information to be collected.

This information gathering effort is W&I's primary means of obtaining information relative to the pre-filing, filing, and post-filing experiences of "uneventful" taxpayers, i.e., those whose only real contact with the IRS is filing a tax return.

Use of Data

The data from 2009 Market Segmentation Survey will be compared earlier segment surveys data to 1) provide balanced measures of customer satisfaction with IRS W&I services, and 2) to gauge whether or not some improvement was made since prior administrations of this survey. In addition, it will prioritize customers' needs and reveal penetration and acceptance of key W&I products and services. The Spanish population portion of the study will provide comparable information for the MLI (Multi-Lingual Initiative) organization.

Conducting Research

Pacific Consulting Group will conduct this research. PCG will work with Knowledge Networks to conduct the data collection task of administering the survey online.

Efforts to NOT Duplicate Research

This is the only survey that provides quantitative and qualitative data on the pre-filing and filing process for individual taxpayers, including those who have no contact with the IRS other than filing their return. Little, if any, duplication exists, as W&I do not collect this information on the other customer satisfaction surveys currently in use. See also "Use of Data."

Stipend

To further encourage participation of the Spanish-dominant population (with limited English proficiency), we will offer cash honorarium of \$20 for the first 200 respondents and \$10 for the second 200 respondents, totaling \$6,000. No stipends will be offered to other respondents as the cooperation rate is high among the non Spanish-dominant segments.

Recruitment Efforts

This data gathering effort will be carried out online. Eligible participants will be selected by using the screening questions located at the beginning of the questionnaire.

Methods to Maximize Response Rate

PCG will strive to maximize response and cooperation rates among those selected in the sample. The fielding period has been extended to encourage greater participation. We will make all attempts to achieve the best response rate possible. In addition to offering a stipend to the Spanish-dominant population, PCG will ensure that follow up telephone reminders are placed to these households. Last year, this study employing the same methodology yielded a response rate of 63% among the English population.

Test Structure/Design

PCG will conduct two types of questionnaire testing. First, PCG will check the internal consistency of the questionnaire, including all branching and drill-down. Second, PCG will also conduct a pretest of the questionnaire, with approximately 60 online respondents (30 English and 30 Spanish) to ensure: 1) correct CATI/online programming; 2) good questionnaire flow and logic based on the ease of the respondent being able to follow the questioning; 3) clarity of the questions for the respondents. Based on the test, PCG will make necessary changes approved/requested by W&I.

Participant Criteria

The target universe for this study will be based upon Wage and Investment taxpayers (18 years or older) who have filed calendar year 2008 returns in calendar year 2009.

See Screener Questions at the beginning of questionnaire (attached).

III. Privacy, Security, and Disclosure

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. Audiotapes are stored in locked cabinets. Transcription of audiotapes are stored in locked cabinets or shredded. Data security at the appropriate levels have 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.

Privacy 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 audiotaped. Privacy is assured by virtue of agency policy. The terms of IRS's contract with the data collection requires that the privacy of any data be maintained.

IV. Burden Hours

The survey interview has been designed to minimize burden on the taxpayer. The time that a respondent takes to complete the survey has been carefully considered and only the most important areas are being surveyed. The average expected time of survey completion is expected to be 21 minutes. The interview questions are generally one sentence in structure and on an elementary concept level. While the questionnaire is long, no respondent will answer all of the questions and most respondents will follow a skip pattern that eliminates the majority of the questions. In fact, the 2008 survey shows that approximately 60% of respondents have had no contact with the IRS in the last year (except to file their return); this population will only answer one-third of the survey, which will take approximately 7 minutes to complete. The burden hours factor in this detail.

We have made every attempt in designing this survey to maximize response rate. We assume the response rate of 50 percent.

Pretest burden hours:

36 taxpayers who have no contact with IRS in past year x 7 minutes = 252 min

24 taxpayers who have had contact with IRS in past year x 21 minutes = 504 min

60 non-respondents x 3 minutes = 180 min

Total pretest burden time = 15.6 hours

Survey burden hours:

1,860 taxpayers who have no contact with IRS in past year x 7 minutes = 13,020 min

1,245 taxpayers who have had contact with IRS in past year x 21 minutes = 26,145 min

3,105 non-respondents x 3 minutes = 9,315 min

Total survey burden time = 808 hours Total Burden 808 + 16 = 824

IV The total cost is projected at \$545,000.

Other Information

The following information will be provided to Statistics of Income, Statistical Support Section within 60 days after the close of the survey data collection operations:

- Findings: A brief summary of significant findings that were evidenced in the results.
- Actions taken or lessons learned: A brief summary of any action taken or lessons learned as a result of the findings.
- Number of completed questionnaires

Statistical Contacts

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

Elaine Lowitz and Wei Tang
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399 Sherman Avenue, Suite 1
Palo Alto, California 94306
(650) 327-8108

Attachments:

Questionnaire – Including PRA Statement & OMB Control Number