

**OMB SUPPORTING STATEMENT  
FOR THE STUDY TO MEASURE CUSTOMER SATISFACTION OF  
IRS SMALL BUSINESS/SELF-EMPLOYED CUSTOMER BASE  
December 2008 – December 2009**

**Introduction**

IRS has replaced its traditional measures of accomplishment with a balanced measurement system consisting of business results, customer satisfaction, and employee satisfaction. IRS currently has twelve transactional surveys involving Small Business and Self-Employed customers (ACS, Adjustments, Automated Underreporter, Field Collection, Compliance Services Collection Operations, Field Examination, Excise Tax, Employment Tax, Estate and Gift Tax, Compliance Center Examination, Practitioner Priority Service (PPS), and Toll-Free). These surveys concentrate primarily on the post-filing aspect of the customer's experience and focus on those who have had an interaction with the IRS to resolve an issue. While the Toll-Free operation does deal with pre-filing and filing concerns, it does so reactively: the customer takes the initiative because of a problem issue or question they have, and the Toll-Free assistants respond as best they can. Relatively little is known about the pre-filing and filing experiences of the 45 million Small Business and Self-Employed taxpayers, most of whom have little contact with the IRS beyond filing their tax returns or depositing quarterly payments. The Small Business/Self Employed Division's (SB/SE) only source of customer feedback is derived from a small subset, who most likely have had a problem to resolve which could heavily influence their opinions of the IRS. In order for SB/SE to make the best decisions possible for setting its customer satisfaction strategy, it is essential that the organization gain a better understanding of the needs and preferences of the mass market of SB/SE taxpayers.

SB/SE initiated a Customer Base Survey in FY 2003, surveying Small Business/Self-Employed taxpayers in September and October 2003. SB/SE reiterated the Customer Base survey in FY 2004, surveying taxpayers in September 2004 through January 2005, in FY 2005, surveying taxpayers in October 2005 through January 2006, in FY 2006, surveying taxpayers in March 2007 through June 2007, and in FY 2007, surveying taxpayers in March 2008 through July 2008. The results of these surveys provided SB/SE with its first-ever strategic measure of customer satisfaction. They also provided critical information that has helped SB/SE better understand their customers' expectations, experiences, and needs – thus, assisting SB/SE leadership in determining a strategic agenda for customer satisfaction improvement.

The purpose of this task is for PCG to assist the Small Business and Self-Employed Division in continuing to develop a more thorough understanding of the mass market they are trying to serve by means of a survey directed at its major customer base. The survey will yield valuable information on Small Business and Self-Employed taxpayer behavior patterns, their interactions with the IRS, and fail points in the system. In addition, it will prioritize their needs and preferences and reveal penetration and acceptance of key SB/SE products and services.

**Customer Satisfaction Survey**

The survey (attached) will be conducted via a computer-assisted telephone interview. Completion of the survey interview is expected to take approximately eighteen minutes.

The questionnaire was developed based on the questionnaires used in 2007, 2006, 2005, 2004 and 2003, which had incorporated input from eight focus groups with various sub-segments of SB/SE customers in 2003. The questionnaire covers the following areas: taxpayer experiences with various aspects of the tax system, satisfaction with various aspects of experience, incidences of service failure, measures of communication effectiveness, use of services, and demographics. The results should facilitate more effective management of SB/SE by:

- Providing insight from the customer’s perspective about possible improvements.
- Providing useful input for program evaluation and execution at the programmatic and area office level of service delivery.

Survey scoring for this contract will be based on the Customer Satisfaction Survey Score response average to the keystone question – “How satisfied are you with your overall tax experience for 2007?” Questions will utilize a 5-point rating scale, with 1 being very dissatisfied and 5 being very satisfied. All survey responses generated will be anonymous. The vendor shall ensure that taxpayers responding to the survey interview are guaranteed anonymity.

**Design and Methodology**

The computer-assisted telephone survey will be based upon a sample of 4,200 SB/SE taxpayers who have filed tax year 2006 returns in 2007 as indicated in the CDW database. The vendor will conduct telephone lookups on a list of SB/SE taxpayers from the CDW database. The IRS will randomly select 4,200 taxpayers from the CDW database who filed Form 1040 with Schedule C, Schedule E, or Schedule F, Form 1120/1120A, Form 1120S, or Form 1065. The data collection contractor will order the sample into replicates in each of the cells below.

The following table lists the approximate number of respondents by type of form, provided in the CDW Database. A response rate of 60% will yield 2,500 completed surveys.

Segment (Form Type)	Valid Responses
1120/1120A	350
1120S	400
1065	400
1040 Schedule C	700
1040 Schedule E	400
1040 Schedule F	250
Total	2,500

**Data Collection Timeframe**

The vendor will administer the survey by telephone from January 2009 through April 2009.

**Who is conducting research**

Pacific Consulting Group (PCG) and its sub-contractor Pacific Market Research (PMR) will conduct this research. PMR will conduct data collection at their Seattle facility. PCG will oversee the pre-test, data collection, and produce all reports

### **Testing structure/design**

PCG/PMR will conduct two types of questionnaire testing. First, PMR will check the internal consistency of the questionnaire, including all branching and drill-down. Second, PCG/PMR will also conduct a field test of the questionnaire, with a minimum of 25 completed responses, to ensure: 1) correct CATI 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 and rating scales for the respondents and an interviewer debriefing each night of pre-testing. Based on the test, PCG will make necessary changes approved/requested by SBSE.

### **Maximizing Response Rates**

Standard procedures will be used in order to obtain the highest response rate possible for the phone survey. These will include: 1) an advance letter about the survey; 2) the initial phone call with an explanation of the survey, its importance, and the anonymity for the respondent, and 3) up to six callbacks for those who do not answer the phone (e.g., answering machines, busy signals, forwarding number). Taxpayers who refuse to participate will not receive any additional calls. Interviewers will go through study-related training, part of this training will be teaching them refusal avoidance and refusal conversion techniques.

### **Stipend**

No payment or gift will be provided to respondents.

### **Reporting**

The vendor will provide a draft report by September 30, 2009, which will include survey results and recommendations. A month and a half after the delivery of the draft report, the vendor will produce a final report with additional analyses. The vendor will include any relevant database variables in the analysis and will weight the survey responses as necessary to reflect accurately the entire customer base.

### **Evaluation**

For the report of survey findings, the vendor will use basic and advanced statistical techniques including, but not limited to, analysis of variance and the prioritization of improvement priorities using vendor's established technique.

- Survey counts and overall response rates for the population segments.
- The overall level of customer satisfaction with services provided by SB/SE.
- The averages and frequencies for all ratings questions.
- The differences in satisfaction ratings and attitudes across customer segments.
- Which areas of service, in priority order, SBSE should focus its resources to improve overall satisfaction.
- Cross tabulations of variables for the customer surveys.
- Analysis of the relationship between survey responses.
- Analysis of any open-ended questions.

### **Efforts to Avoid Duplicating Research**

This is the only survey that provides quantitative and qualitative data on the pre-filing and filing process for small business and self employed taxpayers. Little, if any, duplication exists, as no similar information is collected by SBSE in the other customer satisfaction surveys currently in use.

### **Privacy, Security, Disclosure, Anonymity**

The IRS will ensure compliance with Taxpayer Bill of Rights II. All participants will be treated fairly and appropriately.

We will limit and control the amount of information we collect to those items that are necessary to accomplish the research questions. 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 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 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, if any conversation is recorded. Anonymity is assured by virtue of agency policy. The terms of IRS's contract with Pacific Consulting Group requires that the anonymity of any data be maintained.

### **Estimates of the Burden of Data Collection**

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 time of survey completion is expected to be 18 minutes. The interview questions are generally one sentence in structure and on an elementary concept level. The advance letters will take about 2 minutes to read and understand.

We have made every attempt in designing this survey to maximize response rate. Using the response rate of 60 percent, the total burden in hours is estimated to be 928 hours broken down as follows:

Survey Respondents: 834 hours (2,500 surveys X 20 minutes (18 minutes for the survey plus 2 minutes for reading advance letters) / 60 minutes).

Survey non-respondents: 85 hours (1,700 surveys X 3 minutes (1 minute for survey refusal plus 2 minutes for reading advance letters)/ 60 minutes).

Pre-test respondents: 8 hours (25 surveys X 18 minutes / 60 minutes). The pre-test will have no advance letter.

Pre-test non-respondents: less than one hour (17 surveys X 1 minute / 60 minutes).

The grand total is estimated to be 928 hours.

### **Other Information**

**The cost for this survey is \$366,791.00.**

The following information will be provided to the Statistics of Income Division (SOI) within 90 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.
- Dates on which the data collection began and ended.
- Cost (excluding regular salaries of IRS employees).

### **Statistical Contact**

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

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