

## Advancing e-file Phase II, Preparer Study

### OMB Clearance Package

#### I. Introduction

##### Background/Overview

In 1998, Congress passed the IRS Restructuring and Reform Act establishing a goal of having 80% of tax returns filed electronically by 2007. This year, approximately 60% of Individual tax returns were filed electronically. Since 1998, there has been extensive research on both Taxpayers and Tax Practitioners and their attitudes toward and levels of satisfaction with electronic filing. Recently, the IRS (in *Advancing e-file Phase I*) conducted a review of this body of research and looked at Taxpayer/Preparer behavior and preferences, e-file progress and technology adoption theory, e-file experiences from States and other countries, and options to promote Federal e-filing of individual tax returns.

Key findings from that review and analysis were that:

- There is no silver bullet. An advancing e-file strategy must take into consideration many complex factors, and there is no quick fix or any single option approach for the IRS to convert remaining paper filers.
- The IRS cannot meet the goal without help. The multifaceted landscape of the US tax system, by its very nature, requires that the IRS rely on strong partnerships with third party partners, stakeholders, and Congress in order to advance e-file.
- Technology is secondary to motivating behavior. Even the most innovative technology would not help the IRS achieve the 80% goal unless it is grounded in a thorough understanding of the intricacies of filer behavior—their motivators, concerns and relative position on the technology adoption curve.

##### Objectives Of Data Collection

The proposed *Preparer Study* would be one of several components of *Advancing e-file Phase II* (others being a planned *Taxpayer Study* and *Conjoint Research*). The overall objective of the Preparer Study is to conduct targeted research among key segments of Preparers and look closely at what their motivators and concerns are with e-filing Individual client returns.

Specific objectives include determining:

- Preparer awareness and understanding of, and disposition toward, electronic filing/e-file;
- Specific reasons for non-usage among key remaining Non-User and Light User segments;
- The role of Preparer-client relationships in usage/non-usage;
- The role of Preparer business models in usage/non-usage;
- Preparer needs/importances across a range of possible e-file motivators and the extent to which electronic filing/e-file is perceived as meeting needs/providing motivating benefits;
- And reaction to possible incentives/inducements to usage among Non-Users and Light Users.

## II. **Methodology**

### **Sample Design**

The sample for this study would consist of 3 cells of Preparers:

- 2008 Non-Users Of e-file (Zero e-filed Individual Returns In '08)
- 2008 Light Users Of e-file (50%+ Of Total '08 Individual Returns Filed On Paper)
- 2008 Heavy Users Of e-file (95% Of Total '08 Individual Returns e-filed) – with this cell serving as a “control” cell against which non-usage and light usage can be analyzed.

### **How Data Will Be Used**

Each cell in the above design would provide important information which, when compared, would lead to better IRS understanding of how to target Non-Users of e-file as well as Light Users. For example:

- Planned analysis of differences between Heavy Users and Light Users and Non-Users would help pinpoint and confirm the key motivators/concerns/needs of Light Users and Non-Users.
- While analysis of differences across Light Users and Non-Users would identify any unique needs/knowledge/attitudes and lead to hypotheses about ways for the IRS to target each group.
- Note: while it is not anticipated at this time that the 3 cells will be combined into a “Total Preparer” analytical group, if they are, then appropriate weighting would be applied to the combined group so as to accurately represent each sub-group within that total.

### **Data Collection Dates**

Precise data collection dates are not yet known, pending OMB authorization, but fieldwork would ideally begin as early as week of January 21, 2009 in order to expedite Phase II project completion and the report due date of March 31<sup>st</sup> and to avoid as much of the January-April tax season as possible. With 2,250 total interviews to be completed, the fieldwork period is likely to be approximately 5 weeks, with 450 surveys completed per week.

### **Data To Be Collected**

Data to be collected are detailed in the attached survey instrument/questionnaire.

### **Who Is Conducting Research**

The research is being conducted by IRS contractor, Russell Research.

### **Location – Region/City And Facilities**

The research would be conducted from the national telephone interviewing facilities of Russell Research in Wayne, New Jersey.

## **Stipend**

The survey has been pre-timed at approximately 15 minutes in length and with this length, no stipend is necessary. (Note: the attached questionnaire may appear to be somewhat longer than 15 minutes, but it must be kept in mind that most respondents answer only one of several cell-specific questions in the survey).

## **Recruitment Efforts**

All respondents would be recruited from lists of Preparers to be provided by IRS. Russell would provide telephone number lookup of potential respondents on the lists provided by IRS.

All interviews would be conducted by telephone from the Russell-Wayne field center in New Jersey, using the above lists – with respondents selected for interviewing on an every “nth” basis from each list. Telephone interviewing would be conducted manually in order to avoid electronic trails of Preparer interviewing records, with all paper versions of the completed surveys destroyed after the completion of all Russell and IRS work related the survey (leaving only the raw dataset, which does not contain Preparer names or identification with responses or sensitive information) – this to comply with the Safeguards agreement between Russell and the IRS Disclosure Office.

## **Expected Response Rate**

The response rate for this study is expected to be approximately 50-60%, with the rate possibly on the low side of the range because of the overlap of fieldwork with the tax season. For the purposes of Burden Hours (later), we have used a mid-range response rate of 55%.

## **Methods To Maximize Response Rate**

The researchers would employ the following methods to maximize response: 1) at least 3 and up to 5 interviewing attempts on each respondent; and 2) assigning refusals on initial attempts to senior interviewing personnel trained in refusal conversion.

## **Test Structure/Design**

A total of approximately 2,250 interviews would be conducted, yielding statistically readable sample sizes of 1,000 Non-Users, 750 Light Users, and 500 Heavy Users. The confidence intervals for each key analytical group in the study are as follows:

- For the sample of 1,000, the confidence interval would be +/- 3.1% at the 50% level and +/-1.9% at the 10% and 90% levels, using a 95% confidence level.
- For the sample of 750, the confidence interval would be +/- 3.6% at the 50% level and +/- 2.2% at the 10% and 90% levels, using a 95% confidence level.
- For the sample of 500, the confidence interval would be +/- 4.4% at the 50% level and +/- 2.6% at the 10% and 90% levels, using a 95% confidence level.

## **Efforts To Not Duplicate Research**

No other comprehensive e-file usage surveys are currently being conducted among Preparers, thus there is no duplication with other research.

### **III. Participants' Criteria**

To qualify for this survey, respondents would need only to be included on IRS lists being drawn by the IRS in consultation with Russell.

#### IV. **Privacy, Security, Disclosures**

The information in the IRS lists would be protected from disclosure by Russell's strict non-disclosure safeguards (see below). Note: These lists will not contain sensitive tax return or taxpayer or preparer information. In addition, survey participants would not be identified in any of the documents or files used for this project. Nonetheless, as with all IRS studies, Russell would limit and control the amount of information collected to those items that are necessary to accomplish the research questions. Russell would carefully safeguard the security of all data as well as the privacy of the survey respondents (as detailed below). Russell would also apply 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.

##### Russell's Non-Disclosure Safeguards

Having undergone a formal security audit by the Disclosure Office and aware of the penalties that apply to disclosure, Russell has a Disclosure-approved system in place for safeguarding IRS lists and assuring non-disclosure of any information from any IRS study. This system includes compliance with the following requirements:

- A. All work shall be performed under the supervision of Russell's responsible employees.
- B. Any Taxpayer or Tax Professional information made available in IRS lists shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of the contract. Russell understands that inspection by or disclosure to anyone other than an officer or employee of Russell requires prior written approval of the Internal Revenue Service – this would not be issue, as no others would have access the data.
- C. Russell understands that should a person (contractor or subcontractor) or any employee make any unauthorized inspection(s) or disclosure(s) of confidential tax information, the terms of the Default clause (FAR 52.2499), incorporated herein by reference, may be invoked, and the person (contractor) will be considered to be in breach of this contract.
  - C1. Taxpayer and Tax Professional names and addresses would be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output shall be given the same level of protection as required for the source material. Russell agrees to abide by its contract requirements that:
    1. The following safeguards would be provided by Russell for protecting the lists:
      - a) Names and addresses would be provided in and worked from hard copy only.
      - b) Since the files may have to be printed and divided into sub-samples for use by different researchers involved in the field process, the contractors would also impose strict hard copy controls (with responsible senior supervisors in control of the data at all times and dispensing data to interviewers on a sign-in, sign-out basis).
    2. With scheduling issues, it is not possible to name (this far in advance of the interviewing) the interviewers who would be working on the project. The Supervisors names are available from Russell's national telephone center.
    3. The manager of the Russell telephone facility would have control of one or more hard copy pieces of the sample.
    4. The manager would personally supervise each interviewer's use of the sample throughout the screening process, would not allow samples to leave the interviewing room, and would keep the samples locked in his/her personal files when not in use (for other security reasons).
    5. The manager's personal office in the telephone facility would be locked when not in use (for other security reasons).
    6. The facility itself is always locked at the end of each interviewing day/evening.
    7. Russell's facility employs cameras throughout its interviewing facility to monitor the movements of interviewers, lists, etc.
    8. After completion of all interviews and validation, the locked-down hard copy samples would be shredded by Russell (within approximately 8 weeks of the conclusion of all Russell and IRS work on the survey).
    9. Russell would provide the names of the people who would have access to the hard copy data including the interviewers under the direct control and supervision of the manager at the telephone facility.
    10. Russell certifies that all Taxpayer and Preparer-related data processed during the performance of this contract shall be completely purged from all storage components and that no output would be retained by the contractors at the end of the contract. In the case that immediate purging of all data storage is not possible, Russell certifies that any IRS data remaining in any storage component would be safeguarded to prevent unauthorized disclosures. Note: the IRS would be provided with the raw data set and computer tabulations and can keep this on hand for possible future re-use of data.

#### IV. Privacy, Security, Disclosures...Non-Disclosure Safeguards (Cont'd.)

- D. Any spoilage or any intermediate hard copy printout, which may result during the processing of IRS data, shall be given to the IRS Contracting Officer or his/her designee. When this is not possible, Russell would be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and would provide the IRS Contracting Officer or his/her designee with a statement containing the date of destruction, description of material destroyed, and the method used.
- E. As it has in the past, the Internal Revenue Service shall have the right to send its officers and employees into the offices and facilities of Russell for inspection of the facilities and operations provided for the performance of any work under this contract. On the basis of such inspection, the Contracting Officer may require specific measures in any cases where Russell is considered non-compliant with contract safeguards.

#### V. Burden Hours

Using the mid-range 55% response rate noted earlier, it is expected that a total of 4,091 Preparers would have to be contacted in order to reach the 2,250 who participate in the study, leaving 1,841 not participating.

- The contact time to determine non-participation could be up to 1 minute, with the resulting burden for **non-participants** being  $1,841 \times 1 = 1,841$  minutes / 60 minutes = **30.68 burden hours**.
- Then, for those **Preparers who do participate**, the length of the survey is 15 minutes, with the time burden for that group being  $2,250 \times 15$  minutes = 33,750 total minutes / 60 minutes = **562.5 burden hours**.
- Thus, the **total burden hours for the study would be (30.68 + 562.5 = ) 593.18 hours**.

#### VI. Attachments

- **Questionnaire** – Attached.
- **Moderator's Guide** – Not applicable here.
- **Cover Letter/Correspondence** – Not applicable here.
- **Telephone Screeners** – Incorporated into the attached Questionnaire.
- **Scenarios** – None
- **Follow-up Postcards** – Not applicable here.