

# **Office of Management and Budget (OMB) Clearance Package**

---

**IRS Communications and Liaison Division (CLD) Web Survey**

*Understanding Small Business / Independent Contractor  
Communication and Outreach Preferences*

**Internal Revenue Service  
Small Business/Self-Employed Research and Analysis**

**May 6, 2010**

## Table of Contents

I. Introduction.....	1
Background/Overview.....	1
Objectives of Data Collection.....	3
II. Methodology.....	3
Sample Design (Target Market).....	4
Data Collection Date.....	5
Data to be Collected.....	5
How Data will be Used.....	5
How Data will be Analyzed.....	5
Who is Conducting the Research?.....	6
Location – Region/City and Facilities.....	6
Stipend.....	6
Recruitment Efforts.....	6
Methods to Maximize Response Rate.....	7
Expected Response Rate.....	7
Test Structure/Design.....	7
Efforts to not Duplicate Research.....	7
III. Participant Criteria.....	8
IV. Privacy, Security, Disclosure and Anonymity.....	8
V. Burden Hours.....	8
VI. Research Cost.....	8
VII. Appendices.....	1
Appendix 1 – Focus Group Discussion Questions.....	1
Appendix 2 – Online Web Survey.....	4
Appendix 3 – Sample Web Survey Invitation with Link.....	7

## Office of Management and Budget (OMB) Clearance Package

### IRS Communications and Liaison Division (CLD) Web Survey

#### *Understanding Small Business / Independent Contractor Communication and Outreach Preferences*

## I. Introduction

### Background/Overview

During the months of March and April of 2010, the Internal Revenue Service (IRS) Communication, Liaison and Disclosure (CLD) organization, with assistance from IRS Small Business/Self-Employed (SB/SE) Research, conducted focus group interviews to determine the efficacy of existing outreach programs and to gain input on developing and delivering new outreach approaches and messages to the growing small business owner community (OMB Clearance #: 1545-1349). Reaching Small Business Owners (SBO) and educating owners on their tax responsibilities is the first step to improving overall tax compliance.

In 2008, Congress mandated that the IRS research the impact of taxpayer services, including outreach efforts on voluntary taxpayer compliance. A report titled “Measuring the Indirect Effects of Services and Enforcement on Taxpayer Compliance” was produced for IRS in December 2008 and provides the following information:

- *“Given the range and scale of IRS service offerings, it is a considerable challenge to measure and monitor their ultimate compliance outcomes. While there is a general consensus among tax administrators that taxpayer services are beneficial to compliance, little more than anecdotal evidence exists to guide judgments about the relative impacts of different services or to make an informed decision on the optimal overall level of service.”*
- *“IRS is beginning long-range research to measure the marginal impact of services on voluntary taxpayer compliance.”*
- *“There was broad consensus that segmentation analysis would serve as a useful tool for identifying and understanding the sources of heterogeneity among taxpayers with respect to their motivations and compliance behavior. Segmentation analysis was proposed as a means of dividing taxpayers into separate groups according to their apparent motivations and behaviors.”<sup>1</sup>*

Segmentation analysis refers to the division of a market or customer base into uniform groups that react differently to various activities, such as outreach. Rather than treating taxpayers as one uniform group, segmentation analysis means not treating taxpayers

---

<sup>1</sup> Measuring the Indirect Effects of Services and Enforcement on Taxpayer Compliance: Final Report, December 3, 2008. Produced by IBM for the IRS under contract TIRNO-08-K-00292.

as one unified market with identical needs, desires and motives. Effective segmentation analysis can lead to improved outreach strategies by creating targeted messages based on certain characteristics that resonate with an identified segment. As it applies to the IRS, “segmentation analysis can be used to generate insights into the underlying reasons that service and enforcement activities impact compliance.”<sup>2</sup>

In IRS testimony before the Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies Committee on Appropriations United States Senate, April 27, 2006, the following statements were provided:

- *The IRS is facing a challenge. It has a responsibility to serve all taxpayers with limited resources. Thus, it must decide by taxpayer segment how to deliver needed services in the most effective and efficient manner possible, and in a way that does not negatively impact taxpayers’ ability to comply with the tax laws. Toward this end, the IRS must gather data and develop criteria to make those decisions.*
- *We must collect more primary source data about taxpayer service needs. We must then identify the gaps between taxpayer service needs and our present service offerings by analyzing how well our current level and type of service is actually serving different taxpayer segments<sup>3</sup>*

In support of other compliance activities, the IRS is trying to identify and connect with newly evolving and growing segments of the small business community that are not being reached through traditional points of contact and mainstream messaging. The information gathered can be used to evaluate the efficacy of existing outreach programs for those segments. The results can be used to identify processes for developing and delivering new outreach approaches and messages to growing audiences within the small business community. In addition, the results can be used gain insights into the tax-related behaviors of business owners in new segments of the small business community and how they can be influenced toward increasing compliance.

The IRS engaged its Federally-Funded Research and Development Center (FFRDC), the MITRE Corporation, to conduct the focus group sessions and document the results. MITRE relied on IRS CLD to work through their field offices to identify third party organizations that could reach SBOs representative of the target market segments being researched. Prior to the focus group sessions, conducted in Houston, Miami, Los Angeles, and New York, the participants were provided with a copy of the questions that would be asked during the focus group. To review the previous focus group questionnaire, please reference Appendix 1. The session then focused on allowing participants to discuss their issues and solutions to improving overall communications from the IRS regarding their preferred methods and sources for receiving tax

<sup>2</sup> Measuring the Indirect Effects of Services and Enforcement on Taxpayer Compliance: Final Report, December 3, 2008. Produced by IBM for the IRS under contract TIRNO-08-K-00292.

<sup>3</sup> Nina E. Olson, “Written Statement of Nina E. Olson, National Taxpayer Advocate Before the Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies Committee on Appropriations United States Senate, April 27, 2006, <http://www.irs.gov/pub/irs-utl/ntatestimonysenateapprop042706.pdf>

information as it relates to their tax responsibilities and obligations as small business owners.

The IRS has recently engaged the FFRDC to assist SB/SE Research to gather additional feedback from small business owners related to the preferred methods of receiving business information, their trusted and most common sources of information and their attitudes and business practices that most influence their tax compliance.

The FFRDC will conduct a web-based survey to explore outreach and compliance strategies to reach small business owners to assist in reducing the U.S. Tax Gap resulting from non-compliance. Small business owners will be asked to complete a survey to get their opinion on potential ways to improve communication and understanding of tax obligations and overall tax compliance.

Getting feedback from this large market segment will enable the IRS to determine:

- Preferred method of receiving business information
- Attitudes and business practices that influence compliance
- Trusted and most common sources of information

### **Objectives of Data Collection**

The primary goal of the web survey is to follow up on the information received during previous focus group interviews, and gather additional ideas on how best to improve overall small business tax compliance through outreach and education. Three specific objectives were identified for the web survey:

- o Objective #1  
Gather data that can be analyzed to determine outreach preferences of small business owners related to both how information is received and the most trusted sources for receiving such information.
- o Objective #2  
Gather feedback from a larger set of small business owners to gauge the impact of existing outreach efforts and identify potential solutions to improve overall tax compliance.
- o Objective #3  
Receive input from small business owners on what factors most influence overall tax compliance.

## **II. Methodology**

MITRE worked with SB/SE Research and IRS CLD to develop a web survey to collect ideas from Small Business Owners (SBO) on ways to improve tax compliance. This survey was developed based on the findings and results from the SBO focus groups conducted during March and April 2010. This online survey will be based on voluntary participation from a number of targeted SBO market segments that CLD communicates with through its outreach and marketing activities.

The potential size and characteristics of the various SBO segments targeted to participate in the survey is not fully known. The voluntary target population will consist of members of various organizations whose full membership size is not known and their membership may be duplicative. As the total size of the voluntary participant population for the web survey is unknown, it will not constitute a sampling survey. Therefore, no statistical inferences will be made about the total population of small businesses and independent contractors.

The survey will request the participants to rate various outreach channels and methods for receiving information and solicit additional ideas. These ratings and participant feedback will provide inputs to outreach and education strategies and recommendations for additional programs and initiatives going forward.

The results will indicate that the participant population included small businesses and independent contractors who were aware of the survey and chose to voluntarily participate.

The proposed web survey is shown in Appendix 2. The suggested web introduction to the survey link to share with organizations that will include the survey on their sites can also be included in Appendix 3.

### **Sample Design (Target Market)**

The sample for the focus group interviews included small business owners and independent contractors. As directed by the IRS CLD stakeholders, the web survey will also target small business owners and independent contractors across different geographic locations and market segments, such as women-based, Asian, Hispanic, young entrepreneur and retiree businesses.

The web survey is based on voluntary participation of small business owners and independent contractors that choose to participate based on IRS CLD marketing activities. Therefore, we will not make any statistical inferences on the entire population, rather we will provide profile information on how a certain percentage of respondents rated or answered the questions.

A communications campaign will be conducted to notify small business owners belonging to the major market segments of the web-based survey. CLD will provide communications regarding the survey to third party organizations supporting small businesses and independent contractors to encourage their members to take the survey. These organizations could include Chambers of Commerce, Small Business Associations (SBA), and other professional and business organizations. The communication will include the objectives and purpose of the web survey, why they should participate, and will provide the web survey link.

From previous survey efforts conducted with OMB approval, a target of about 2500 participants has been established as the ideal respondent size. This web survey will also aim to keep participation within that target threshold.

**Data Collection Date**

The web survey will be ready to receive responses from June 15, 2010 until July 15, 2010, or approximately four total weeks. The survey will end July 15, 2010, or when 2500 responses have been received, whichever occurs first.

If the commencement of the survey is delayed by any longer than two weeks, then the overall timeframe for receiving responses will remain the same but the beginning and ending dates of the survey will be adjusted accordingly.

**Data to be Collected**

The study will collect data about the outreach and education related to small business and independent contractor preferred methods of receiving business information, trusted and most common sources of information and attitudes and business practices that most influence tax compliance.

Data will be collected using an online web survey that will ask small businesses and independent contractors to answer a total of eighteen (18) questions consisting of:

- Eight (8) general demographic questions,
- Eight (8) single and multiple-choice survey questions, and
- Two (2) open ended questions for free-text responses

Although the web survey is anonymous, certain demographic data such as geographical location, business type, age range of the business owner, and years in business will also be collected, to identify general characteristics of survey respondents.

The survey will enable 'cookies' for respondents participating in the survey to ensure multiple responses to the survey are not submitted by the same participant. The goal is to collect responses from a total of 2,500 unique survey participants.

Please reference Appendix 2 for the entire proposed web survey.

**How Data will be Used**

The survey data, findings and suggested recommendations will be used to develop tax education and outreach strategies to communicate with small business owners about their tax obligations and responsibilities in order to more effectively influence voluntary tax compliance. The data can be used to understand barriers for compliance in order to develop compliance improvement strategies.

**How Data will be Analyzed**

IRS CLD, SB/SE Research and the FFRDC will use the data collected via the web-based survey as a source for analysis of small business owner behavior and opportunities for improving education and compliance. The web-based survey data will be reviewed, analyzed and answers summarized. Potential correlations will be made in an effort to validate or identify initiatives for education and outreach that can improve tax compliance in the rapidly growing small business owner taxpayer segment. The FFRDC will document the summary statistics and anecdotal analysis of the survey data and develop qualitative conclusions from the data. The survey data summary analysis will

validate or identify new tax education strategies and mechanisms for reaching the small business owner in an effort to improve tax compliance.

The following information will be provided within 30 days after the close of the web-based survey:

- A summary of survey participation data – how many responses were received within the survey period and the demographics of the respondents.
- A summary of small business owner ratings of preferred methods of receiving business information, trusted and most common sources of information and attitudes and business practices that influence compliance with average scores for questions and a histogram or sampling of answers to free form questions.

Within 60-90 days, the following additional data will be available:

- Qualitative conclusions based on anecdotal analysis of the responses to survey questions that summarizes survey inputs.
- The survey findings with summary of ratings and new ideas, which will provide inputs to allow CLD and SB/SE Research to develop tax education and outreach strategies going forward.

### **Who is Conducting the Research?**

SB/SE Research and IRS CLD, working closely with the IRS FFRDC (The MITRE Corporation) will be conducting this research and analyzing the data and findings.

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

The web survey is a national survey soliciting small businesses and independent contractors around the country regardless of their location or region. Since the survey will be web-based, it will be facilities independent. The survey will be hosted on a secure server at a MITRE FFRDC facility in McLean, VA. All data will be collected anonymously and not shared by MITRE with anyone other than IRS SB/SE Research and the sponsor for this survey, Communication Liaison Division (CLD).

### **Stipend**

Due to the desire to not gather identifying information on the respondents, participation in the web survey will be completely voluntary. A stipend will not be offered nor given to respondents who choose to complete the web survey.

### **Recruitment Efforts**

IRS CLD will coordinate marketing and communications efforts associated with this small business web survey. CLD will communicate information about the web-based survey, its objectives, and provide the link directly through its organizational partners. CLD will work with the partners to encourage small business owners to participate in the web-based survey and continue to communicate with them on the need to participate throughout the survey period.



### **Methods to Maximize Response Rate**

The web survey will be publicized through leveraging email lists, newsletters and web sites of external organizations that serve the survey population and partner with the IRS. These organizations could include Chambers of Commerce, SBA, and other identified professional and business organizations.

Based on tracking responses from the target population during the survey period, the IRS and external organizations can send follow-up reminder emails and communications through existing mechanisms to encourage further participation.

### **Expected Response Rate**

As described in the methodology section, the web-based survey is not a sampling survey and no specific statistical inferences will be drawn on the entire target population. A target response of 2,500 participants is desired for this web survey – remaining consistent with similar online surveys previously approved by OMB.

### **Test Structure/Design**

In addition to general, non-identifiable demographic questions, the survey design consists of multiple-choice questions on rating outreach services and the preferred methods for receiving information regarding their tax obligations. Lastly, there will be two open-ended questions to solicit other thoughts and ideas from the small business owners relating to outreach and education.

The survey will be reviewed and tested by outside stakeholder groups, selected by CLD, for feasibility and suitability and to ensure it adheres to IRS standards, prior to hosting for survey participants. The survey will be made available to test groups in web format on a test server for clarity, understandability, ease of answering, and ensuring it can be completed within the planned timeframe.

### **Efforts to not Duplicate Research**

A literature survey on the small business taxpayer segment was performed prior to the focus group interviews to ensure that this specific kind of focus group research study targeting various segments of the small business population has not previously been conducted by IRS. The web survey is a continuation of a previous OMB approved focus group interview study conducted in March – April 2010 (reference OMB Clearance #: 1545-1349).

Subsequently, additional research was conducted to ensure there has been no duplicative work done related to web survey of small businesses. IRS SB/SE Research conducted a 2-day meeting with the CLD stakeholders to review any existing literature and data focused on the small business owners and recent growth in the small business owner demographic.

It was decided by the stakeholders that, in agreement with the Survey Group and the Advisory Council, this research is not duplicative and is important to be conducted to understand the preferences and behavior of small business owners.

### III. Participant Criteria

Participants, who will be solicited for this survey, include small business owners and independent contractors. These participants will be solicited for voluntary participation in the survey based on CLD marketing and communications to field organizations. Since this is a voluntary survey by small business owners who self report their eligibility, there will be no way to prevent participants who do not meet the participant criteria from responding to the survey.

The survey link will only be advertised by partner professional and business organizations identified by CLD and offered to participants on a voluntary basis. Basic demographic data will be collected from participants, and they will be asked questions related to whether they meet the participant criteria of a small business owner or independent contractor. Finally, the use of 'cookies' for each respondent will ensure that no more than one response per participant is included.

### IV. Privacy, Security, Disclosure and Anonymity

The IRS will ensure compliance with the Taxpayer Bill of Rights II. All participants will be treated fairly. IRS will maintain anonymity without attribution of taxpayer response and protect their data from inappropriate usage. Participants will be instructed not to provide any taxpayer data, any identifying information, nor will any specific tax situation question be asked. The survey data will be protected on a survey deployment server, its integrity maintained during data capture, analysis, and usage, as well as sharing and transmission to the IRS SB/SE Research sponsor.

### V. Burden Hours

Participants in the web-based survey will be required to respond to the specific questions on the survey. They will not be required to provide any information prior to the survey, nor will they be contacted to request additional information after the survey.

The desired response for the survey is 2,500 small business owner participants. It is estimated that the survey will take no longer than 8 minutes for a participant to complete. Therefore, the total burden involved in the survey will be 333.33 hours (2,500 participants X 8 minutes per survey equals 20,000 minutes; 20,000 minutes divided by 60 minutes/hour = 333.33 hours).

<b>Estimated Burden Hours</b>	
333.33 hours	For participants to complete the web-based survey
<b>333.33 hours</b>	<b>Total estimated burden</b>

### VI. Research Cost

The IRS funding allocated for this project is \$100,000.