

**ETA Risk Assessment Research –
Surveys Of Software Vendors & Transmitters**

OMB Clearance Package

I. Introduction

Background/overview

The Internal Revenue Service is planning to conduct quantitative marketing research among Software Vendors and Transmitters, results of which are to be used as a part of an ETA Risk Assessment for e-Preparation and Tax Filing (which supports the e-Strategy and Return Preparer Initiative).

A February, 2009, a GAO report stated that “In 2007, over 39 million income tax returns were prepared by individuals using commercial tax software such as TurboTax, TaxCut, or TaxAct, and that more than 66 percent of those returns were then filed electronically. This volume makes commercial tax preparation software a critical part of the tax administration system.” The GAO report also stated that “Many Taxpayers Rely on Tax Software and IRS Needs to Assess Associated Risks.”

The proposed study would examine Risk issues among both Software Vendors and Transmitters. In the future, IRS will also be looking at Risks associated with Preparers with regards to tax software.

Objectives of data collection

The specific objective of this research is, per GAO’s recommendation, to “assess the extent to which the reliance on tax software creates significant risks to tax administration, particularly in the areas of tax return accuracy, the security and privacy of taxpayer information, and the reliability of electronic filing.”

II. Methodology

Sample design

This research will consist of surveys among two key stakeholder segments – Software Vendors (with a sample size goal of “as many as possible”, possibly 30+, from a total universe of 50 Software Vendors) and Transmitters (with a sample size goal of n=400 out of a total universe of approximately 700 such firms).

- Response will be maximized in the Software Vendor segment via a pre-alert survey packet from the IRS to the 50 total firms. The pre-alert survey packet will consist of a cover letter, a set of FAQs related to the survey, and an advance copy of the survey itself. This packet of documents will be mailed to the 50 Software Vendor firms with the understanding that interviewers will be calling to conduct a survey with the recipient of the packet. (The firms will also be given an option to call an 800 number to reach an interviewer and complete the survey at their most convenient time.) After providing time for potential respondent receipt of and attention to the survey packet (approximately one week), interviewers will call and seek survey completion, making appointments and followup calls as necessary to achieve as high a response rate as possible.
- The Transmitter segment will not receive the pre-alert survey packet. Instead, response in this segment will be maximized by traditional survey research techniques (initial contact and either survey completion or re-contacts to reach those unable or unwilling to participate on early attempts).

Data collection date

The expected 430+ completed interviews would be conducted in January, 2011, after OMB authorization.

Data to be collected

Data to be collected are detailed in the attached survey instruments/questionnaires customized for each of the two target segments. Other pre-alert packet documents for the Software Vendor segment (Cover Letter and FAQs) are also attached.

How data will be used

Results from both segments will be used in preparation of a report detailing key Risk issues among each group.

Who is conducting research

The research is being conducted by Russell Research, Inc., in partnership with the IRS and the MITRE Corporation.

Location - region/city and facilities

The research will be conducted from the national telephone interviewing facilities of Russell Research in East Rutherford (the Meadowlands), New Jersey.

Stipend

The survey consists of approximately 20 minutes of interviewing. Therefore, no stipend is needed.

Recruitment efforts

Respondents will be recruited from lists to be provided by IRS for each segment. Russell will provide lookup of any telephone numbers that are needed for each segment.

All interviews will be conducted by telephone from the Russell-Meadowlands field center in New Jersey, using the above-described lists.

Methods to maximize response rate

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

Expected Response Rate

The response rate is expected to be about 57-58%, given that both segments consist of firms with interest/involvement in tax preparation and filing risk issues.

Test structure/design

It is likely that a total sample of 430+ interviews would be conducted, yielding 30+ Software Vendors and 400 Transmitters.

Efforts to not duplicate research

This is the only known IRS Risk research currently being conducted among these segments, thus there is no duplication.

III. Participants Criteria

To qualify for this survey, respondents would need only to be on the lists provided by the IRS.

IV. Privacy, Security, Disclosure

The information in the IRS lists will be protected from disclosure by Russell's strict non-disclosure safeguards (see below). Note: These lists will not contain any tax return or taxpayer information - only the names and addresses of Software Vendors and Transmitters. In addition, survey participants will not be identified in any of the documents or files used for this project. Nonetheless, as with all IRS studies, Russell will limit and control the amount of information collected to those items that are necessary to accomplish the research questions. Russell will carefully safeguard the security of data utilized as well as the privacy of the survey respondents (as detailed below). Russell will 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 in the past associated with IRS research and aware of the penalties that apply to disclosure, Russell has a government-approved system in place for safeguarding IRS lists and assuring non-disclosure of any information from any IRS study. This system assures that Russell will comply with the following requirements:

- A. All work shall be performed under the supervision of Russell's responsible employees.
- B. (Not applicable as there is no taxpayer or return information involved in the research.)
- C. Russell understands that should a person (contractor or subcontractor) or any employee make any unauthorized inspection(s) or disclosure(s) of anonymous tax information, the terms of the Default clause (FAR 52.2499), incorporated herein by reference, may be invoked, and the person (contractor or subcontractor) will be considered to be in breach of this contract.
 - C1. All potential respondent names and addresses will 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 the Statement of Work's requirements:
 - 1. The following safeguards will be provided by Russell for protecting the lists:
 - a) Names and addresses will be provided to interviewers 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 in our New Jersey national telephone facility, 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 will be working on the project. The Supervisors names will also be provided from Russell's national telephone center.

Russell's Non-Disclosure Safeguards (Cont'd.)

3. The manager of the Russell facility will have control of one or more hard copy pieces of the sample.
 4. The manager will personally supervise each interviewer's use of the sample throughout the screening process, will not allow samples to leave the interviewing room, and will 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 will 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 hard copy samples would be shredded by Russell (within approximately 8 weeks of the conclusion of the survey).
 9. Russell will provide the names of the people that will 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 the data processed during the performance of this contract shall be completely purged from all data storage components of our facility and that no output will be retained by the contractors at the time the IRS work is completed. In the case that immediate purging of all data storage is not possible, Russell certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
- 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 will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and will 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 plants 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 found to be non-compliant with contract safeguards.

V. Burden Hours

With all of the Software Vendors and Transmitters contacted for this study expected to qualify, the response rate will likely be about 57-58%. Russell would start with a total list of 750 potential respondents. All 750 potential respondents will be called, with **430+ expected to participate**, leaving approximately **approximately 320 not participating**.

- All potential respondents in the **Software Vendor segment will be exposed to the pre-alert packet** and asked to complete the survey in advance of the interviewer's call (which will minimize the burden of the call itself). Completion of the copy of the survey in the packet should take about the same length of time as the telephone interview - 20 minutes. With at least 30 Software Vendors expected to complete the survey, the burden in this segment **resulting from the pre-alert packet exposure** would be 20 minutes x 30 respondents = 600 minutes / 60 minutes = **10 burden hours**. *Note that this pre-alert is the first of 2 contacts with the Software Vendor segment - see bullet three below.* (Note too that the Transmitter segment would not be exposed to the pre-alert packet, so there is no burden in this regard for that segment.)
- **For both segments combined**, the contact time to determine final survey participation could be up to 5 minutes, with the resulting burden for **non-participants** being 320 x 5 = 1600 minutes / 60 minutes = **26.67 burden hours**.
- Finally, **BOTH the 400 Transmitters AND the 30+ Software Vendors will have to go through a 20-minute survey** (*with Software Vendors re-contacted here so that they can be surveyed and give their responses to questions directly to interviewers instead of mailing in the surveys they received in the pre-alert - please see Section II, bullet one on Page 1 of this Statement for a description of the design and methodology for the Software Vendor segment; we do not want to ask Software Vendors to mail in their surveys, since many will not comply with the mail-in request for various reasons and a phone re-contact will assure maximum response from a very small segment*). So, this becomes a 20-minute burden for all 430+ study participants and **the time burden for actual survey participation** is 430 x 20 minutes = 8,600 total minutes / 60 minutes = **143.33 burden hours**.
- Thus, the **total burden hours for the study** would be (10 + 26.67 + 143.33 =) 180 hours.
- The total cost of the survey is \$77,891.

VI. Attachments

Cover letter/correspondence: See [Attachment 1](#) (Cover Letter), [Attachment 2](#) (FAQ) and [Attachment 3](#) (Survey Preview). These are the documents to be included in the pre-alert survey packet that IRS will mail to the Software Vendor segment. (The Transmitter segment will not have a pre-alert.)

Questionnaires: See [Attachment 4](#) (Software Vendor Telephone Survey) and [Attachment 5](#) (Transmitter Telephone Survey). These are the interviewer-administered questionnaires for each segment.

Moderator's guide: Not applicable here

Telephone screeners: With all respondents known to qualify for the survey, there are no screening questions – other than a single screen-out of non-Vendors in the Software Vendor survey (screen-out follows Q1 in that survey).

Scenarios: Not applicable here

Follow-up Postcards: **Not applicable here**