

**2010-2011 Communications Research Among Small to Mid-Sized Charities:
Exempt Organizations Services and Assistance**

OMB Clearance Package

I. Introduction

Background/overview

The U.S. tax-exempt sector consists of over 1.8 million organizations. These organizations are diverse in size, ranging from small volunteer-run charities to large hospitals and universities.

There are numerous tax laws and filing requirements applicable to obtaining and maintaining an organization's exempt status. Recently, there have been significant changes to exempt organization federal tax filing obligations that affect all exempt organizations, but particularly the smallest organizations in terms of asset size and revenue base. Some of these major changes include a complete redesign of the Form 990, revisions to the Form 990-EZ, and the introduction of the Form 990-N/e-Postcard – the forms that most tax-exempt organizations are required to file yearly to maintain their tax-exempt status. In addition, in 2008, Congress mandated that the IRS change the filing thresholds for each of these forms, and the IRS implemented a new requirement mandating that tax-exempt organizations with less than \$25,000 in gross receipts (organizations that were previously not required to file) must now file the e-Postcard annually. As the name suggests, the e-Postcard must be filed electronically. And, the IRS' primary means of communication regarding these filing changes, and all other issues related to tax-exempt status, is through the Internet – even though previous IRS research conducted by Russell Research has shown that many of these organizations generally do not prefer to receive 990-related information from the IRS via the Internet/email.

An inability to effectively reach and provide information about changes in filing requirements is critical because failure to file can have serious consequences for organizations seeking to obtain or maintain their tax-exempt status. To that end, it is paramount that the Tax Exempt & Government Entities Division (TE/GE) develops and delivers programs and products designed to assist these exempt organizations, especially those who had not previously been mandated to file to obtain tax-exempt status, in understanding and fulfilling their tax responsibilities.

To meet this need, TE/GE is partnering with Porter Novelli Public Services (PNPS) and Russell Research in a two-phase research process – with PNPS conducting Phase I Qualitative Research and with Russell conducting Phase II Quantitative Research among members of the exempt community, and in particular, small-to-mid-sized exempt organizations. Taken together, results of these two research steps will help TE/GE better understand: (1) where smaller EOs go for information about tax compliance for exempt organizations; (2) what information or guidance they would like to see developed; (3) how they would like to receive such information; (4) how aware they are of existing IRS' outreach programs/materials; and (5) how the IRS' communications materials designed to explain the acquisition and maintenance of tax-exempt status could be improved.

Phase I Qualitative Research has been completed, with findings used in the development and refinement of the survey instrument for the Quantitative Research covered here.

Objectives of data collection

The overall purpose/objective of the Quantitative Research phase is to establish a baseline of information about the education and outreach needs, awareness and preferences of small-to-mid-sized 501(c)(3) charities who filed a 990-series federal tax form in FY 2009 for Tax Year 2008. **New policy will not be instituted based solely on the results this survey.** This will help TE/GE better understand:

- How these organizations learn about their tax-related responsibilities.
- Where they go for information about obtaining/maintaining tax-exempt status.
- Why organizations do/do not use IRS' programs/tools.
- The media they most prefer for receiving exempt organization tax-related information.
- How IRS communications resources can be improved.
- What causes some organizations to over-file: specifically, what causes them to forego Forms 990-EZ or 990-N and file a higher level form (e.g., the potentially more burdensome Form 990) than they are required to file.
- How their organizations handle tax-compliance.
- And whether IRS programs/tools increase their confidence in completing appropriate forms.

TE/GE will use results of this research to...

- Assess the above issues;
- Prioritize its communications and outreach methods;
- And improve outreach methods/materials to help organizations better prepare to apply for and maintain exempt status.

II. Methodology

Sample design

The Quantitative Research will consist of **a total sample of 1,200 interviews with respondents who are the preparers of 990 series Forms for EOs**, stratified as follows across 5 segments of interest and analysis (the 5 sub-groups shaded below).

Form	<\$50K Receipts	% OF n=1200 SAMPLE	\$50K-\$249,999 Receipts	% OF n=1200 SAMPLE	Total	% OF n=1200 SAMPLE
990N	300	25%	0	0%	300	25%
990EZ	300	25%	300	25%	600	50%
990	100	8%	200	17%	300	25%
Total	700	58%	500	42%	1,200	100%

TE/GE TY 2008 data show the following distribution of these key segments within the total universe of 990 series filers. Whenever these segments are totaled and analyzed in aggregate, data will be weighted to reflect the following proportions of each group within the total universe.

Form	<\$50K Receipts	% OF TOTAL UNIVERSE	\$50K-\$249,999 Receipts	% OF TOTAL UNIVERSE	Total	% OF TOTAL UNIVERSE
990N	289,195	56%	0	0%	289,195	56%
990EZ	92,520	18%	87,865	17%	180,385	35%
990	14,942	3%	29,336	6%	44,278	9%
Total	396,657	77%	117,201	23%	513,858	100%

Per standard practice, all statistical testing will be conducted on unweighted bases, with the following 95%-level confidence intervals around data from each segment that is at 50%. Data higher or lower than 50% would have more narrow confidence bands.

Form	<\$50K Receipts	CONFIDENCE INTERVAL (95% Level)	\$50K-\$249,999 Receipts	CONFIDENCE INTERVAL (95% Level)	Total	CONFIDENCE INTERVAL (95% Level)
990N	300	+/- 5.7%	0	na	300	+/- 5.7%
990EZ	300	+/- 5.7%	300	+/- 5.7%	600	+/- 4.0%
990	100	+/- 9.8%	200	+/- 6.9%	300	+/- 5.7%
Total	700	+/- 3.7%	500	+/- 4.4%	1,200	+/- 2.8%

Sample design (Cont'd.)

TE/GE will provide lists of the following sizes for each of the five segments of interest:

1. 990N Filers <\$50,000 Receipts (n=300, with a list of 12,000 provided by IRS TE/GE)
2. 990EZ Filers <\$50,000 Receipts (n=300, with a list of 12,000 provided by IRS TE/GE)
3. 990EZ Filers \$50,000-\$249,999 Receipts (n=300, with a list of 12,000 provided by IRS TE/GE)
4. 990 Filers <\$50,000 Receipts (n=100, with a list of 4,000 provided by IRS TE/GE)
5. 990 Filers \$50,000--\$249,000 Receipts (n=200, with a list of 8,000 provided by IRS TE/GE)

Russell typically recommends that initial lists for IRS research be pulled in a 20:1 ratio of starting list size to number of completed surveys; this to allow for list losses during telephone number lookups and for further losses due to non-response, lack of availability, and ineligibility of potential respondents due to non-preparation of returns; as well as to avoid having to go back to the source for additional lists – a time-consuming process for both the study and the list provider/TE/GE.

However, in this study, we have two additional possible major points of list losses: (1) the study will include External Preparers and this will cause list losses due to the need for referrals and inability to reach those External agents; and (2) data from past Russell studies for TE/GE show that the smallest (<\$25,000) EO's can include a high proportion of organizations (as many as about 50%) that are no longer in existence and therefore unreachable and ineligible for this research.

As a result, the typical 20:1 ratio will be increased here to 40:1. The 40:1 ratio has been used in calculation of list sizes for each of the five segments above.

These lists will be pulled by TE/GE. TE/GE will first randomize the entire population list. Then TE/GE will pull the sample lists on an “nth” selection basis from the total universe for each segment.

Russell will provide telephone number lookups (in cases where they are not already available on the lists).

Note: all IRS lists will be handled only by Russell staff and not by any external firms, with the Safeguards detailed in Russell's response to the BPA RFQ (repeated later here) fully enforced.

Data collection date

Data collection would start March 1, 2011 (assuming 90 days for OMB approval) and conclude April 15, 2011.

Data to be collected

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

How data will be used

Results from the study will be used in analysis and reporting by Russell to IRS TE/GE. Russell Research will provide TE/GE with the response sets, stripped of directly identifying information.

Who is conducting research

The research is being conducted by Russell Research on behalf of IRS TE/GE.

Location - region/city and facilities

The research will be conducted by telephone from the Russell Research telephone center in East Rutherford, New Jersey. Therefore, respondents can be located anywhere in the U.S.

Stipend

With the survey taking only about 15-20 minutes to complete, no stipend is needed.

Please note: In reviewing the questionnaire, please note that about half of its apparent length is in questions related to current TE/GE communications and outreach, with ~70% of respondents likely to be unaware of these programs and skipping most questions related to them.

Recruitment efforts

Respondents will be recruited from lists to be provided by IRS TE/GE. All recruiting and survey work will be conducted from the Russell Research center in East Rutherford, New Jersey.

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

Among organizations still in existence, the response rate is expected to be about 50% -- somewhat lower than normal because of the need to seek referral to External Preparers.

Test structure/design

The study design will be multi-cell and stratified, as detailed under “Sample Design”.

Efforts to not duplicate research

No other research is being conducted by TE/GE on the organizations being sampled in this study. However, IRS Research is planning a burden study of all exempt organizations next year and to avoid calling the same organizations in both studies, IRS and TE/GE research units will determine how the total universe can be divided so that one part of it is dedicated to that study, while the other part is dedicated to this research.

III. Participants Criteria

To qualify for this survey, respondents need to be preparers of the 990 series of Forms for Exempt Organizations still in operation.

IV. Privacy, Security, Disclosure, Anonymity

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 sensitive tax return information – only the names and addresses of potential study respondents. 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 release 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. All work shall be performed in Russell’s in-house telephone interviewing facility.

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

- C. Russell understands that should a person (contractor or subcontractor) or any employee make any unauthorized inspection(s) or disclosure(s) of private 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 will have to be printed and divided into sub-samples for use by different interviewers in Russell's in-house telephone facility, the contractors will 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 specific interviewers or supervisors who will be working on the project. Their names can be provided after OMB review and the study is formally scheduled in the Russell shop.
 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 field process, will not allow samples to leave the interviewing room, and will keep the samples locked in a steel cabinet when they are not in use.
 5. The facility itself is always locked at the end of each interviewing day/evening.
 6. Russell's entire facilities (including its in-house telephone interviewing center) are accessible only via security and key card entry and are equipped with cameras to monitor staff traffic and movement.
 7. After completion of all interviews and validation, the hard copy samples will be shredded by Russell (within approximately 8 weeks of the conclusion of the survey).
 8. 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 TE/GE requests that Russell maintain data for an extended time, Russell certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.

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

- D. Any spoilage or any intermediate hard copy printout, which may result during the processing of IRS lists and 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.

V. Burden Hours

With the response rate expected to be about 50%, a total of 2,400 screenings will likely be conducted in order to reach the n=1,200 total sample size, leaving 1,200 respondents screened but either not qualifying or choosing not to participate in the study.

- The time involved in screening the 1,200 non-participating respondents (including time spent in re-contact calls from Russell) will be approximately 5 minutes, with the resulting burden being 5 minutes x 1,200 non-participants = 6000 minutes / 60 minutes = **100 burden hours**.
- Then, for those who continue and complete the survey, the time involved will be about 5 minutes for screening plus 15 minutes of survey time, with the resulting burden being 1,200 x 20 minutes = 24,000 total minutes / 60 minutes = **400 burden hours**.
- Thus, the **total burden hours for the study** will be approximately (100 + 400 =) 500 hours.

VI. Costs

The total cost of the research, including vendor consulting time during the Qualitative Phase, development of questionnaire documents and implementation of data collection, coding and tabulation, analysis and reporting for the Quantitative Phase, is \$160,000.

VII. Attachments

Cover letter/correspondence: not applicable

Questionnaires: attached

Moderator's guide: not applicable

Telephone screeners: included in the Questionnaire

Scenarios: not applicable

Follow-up Postcards: not applicable