

Supporting Statement
Approval Request To Conduct Customer Satisfaction & Risk Assessment Research
(OMB Control Number #1545-1432)

**ETA Risk Assessment for e-Preparation and Tax Filing,
Survey Among Taxpayers In Support of the e-Strategy**

A. JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

A February, 2009, 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 went on to state that “Many Taxpayers Rely on Tax Software and IRS Needs to Assess Associated Risks.”

The specific objective of the research in this Task Order 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.” The IRS has since added two other dimensions of risk to the objective: Burden and Quality/Value.

The study in this OMB request would identify, describe, estimate and evaluate the above issues with regard to tax software among Individual Taxpayers. *(In research to come later, the IRS also plans to examine the risks of tax software associated with Tax Preparers, but that is not an objective of this Task or this OMB Request.)*

The collection of information from Taxpayers about Risk issues is necessary in order for IRS to understand the extent of risk that exists with reliance on tax software.

2. Purpose and Use of the Information Collection

The Taxpayer feedback gathered in this study will inform IRS as it decides how to address current and potential risks involved in tax software.

In terms of how the information will be used:

- This information will be used only internally within IRS for assessment, leading to future mitigation efforts among stakeholders in the tax software community. It is not intended for release outside of the IRS.
- This information is not being collected through any other Federal research vehicle.
- The information gathered in this study will not be used for the purpose of substantially informing public policy decisions, but rather to assess risk mitigation needs related specifically to tax software.
- The information will be quantitative in nature (though with opportunity for qualitative feedback, too, as the structured questionnaire has been built with a quali-quant element to it). Quantitative research is needed to assess and validate the nature of risks/concerns. As a quantitative effort, the study has been designed to yield statistically reliable results that are generalizable to the total population of Taxpayers in each of 5 research cells, with 1,000 surveys per cell, 5,000 in total.
- All data collection will be voluntary; with respondents informed upfront of IRS as sponsor and given appropriate notice of length and the ability to comment on the survey through a comment address provided.
- This data collection is relatively low-burden for respondents (based on a 15-minute survey and total burden hours vs. total number of respondents, or burden-hours per respondent); and it is low-cost for both respondents and the Federal Government.
 - Regarding the length of survey: the paper document questionnaire attached appears to be longer than 15 minutes, but that is because the document is heavily annotated (see extensive **bold red** notation) for both correct field administration and for later tabulation and analysis. The survey questions portion of the document has been extensively timed internally at the 15-minute level.
- The collections are non-controversial and do not raise issues of concern to either Taxpayers or to other Federal agencies.
- All data collection is targeted to the solicitation of opinions from respondents who have had experience with the program (Federal income tax reporting).
- No personally identifiable information (PII) will be collected and no responses are retained long-term (beyond the completion of the research effort).

3. Consideration Given to Information Technology

The proposed study would be conducted by telephone for two primary reasons: (1) the audience cannot be identified electronically as email addresses are not available on IRS database systems and online panel resources would not be able to identify Taxpayers by filing type (which is how the cells are distinguished from each other); and (2) the telephone method of interviewing is far preferable to online surveys in this case in that it allows the quali-quant interaction between respondent and interviewer, and interviewer probing of responses, that is important to the success of this research effort.

4. Duplication of Information

No similar data (specific to risks with tax software) are gathered or maintained by IRS, nor are they available from other sources known to IRS.

5. Reducing the Burden on Small Entities

All data collection in the proposed study would be conducted among Individual Taxpayers. While some of these may coincidentally be small business or other small entities, the focus is on their Individual income tax return.

6. Consequences of Not Conducting Collection

Without the Taxpayer feedback collected in this study, IRS would not be able to respond to the GAO recommendations for risk assessment and this would leave the possible risks associated with tax software unaddressed.

7. Special Circumstances

There are no special circumstances to the proposed study. The information collected will be voluntary and involves only a single telephone interview per respondent.

8. Consultations with Persons Outside the IRS

The only consultation with persons outside of IRS in this specific research effort is with the research vendor, Russell Research, a long-time research and consulting partner to IRS.

9. Payment or Gift

IRS will not provide payment, incentives, stipends or any other forms of remuneration to respondents in this study.

10. Confidentiality

No PII will be collected during this survey. Also, the data returned to IRS will have no identifying information relating to the individual Taxpayers participating in the study. Nonetheless, IRS will ensure that privacy and security of the aggregated results will receive the utmost attention. Public and official access to the information will be tightly controlled. The computer files containing this tabulated information will remain password protected at all times. Data security approaching level C-2 will be accomplished using the Windows XP operating system. All interviewing trails will be destroyed when the project is completed and there is no further need for the data. IRS will apply fair information and record-keeping practices to ensure protection of all Taxpayers. 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 Taxpayer information as well as its release to authorized recipients.

11. Sensitive Nature

No questions will be asked that are of a personal or sensitive nature.

12. Burden of Information Collection

Telephone interviewing will be used to collect information from respondents. The annual burden hours requested (1,389) are based on the number of collections we expect to conduct over the requested period for this clearance. The response rate for this study is expected to be in the range of 60%, based upon past research among this audience.

Estimated Annual Reporting Burden				
Type of Collection	No. of Respondents	Annual Frequency per Response	Hours per Response	Total Hours
Screening For Willing Individual Taxpayer Participants	8333	1	0.016	139
Individual Taxpayers Participating In Survey	5,000	1	.25	1,250

Total Burden 1,389

13. Costs to Respondents

There will be no costs to respondents.

14. Costs to Federal Government

The estimated annual cost to the Federal government is \$728,522. These costs are comprised of contractor expenses – which include both costs attributable to the full implementation of the proposed n=5,000 survey and to additional contractor consulting time beyond survey implementation.

15. Reason for Change

Not applicable.

16. Tabulation of Results, Schedule, Analysis Plans

The data collected in this study will be processed via the contractor's coding and tabulation department and then aggregated and analyzed by cell to yield tax software risk-related information that can be generalized to the overall population of each cell. Findings will be used for risk assessment, but not for publication or other public release.

All data will be tested for statistical significance at the 95% confidence level. Following are the Confidence Intervals/error ranges that would apply to the total sample and different sized sub-groups for examples of 3 observed percentages – 50% (which is statistically the least stable data point in 0-100%) and 10% and 90% (which are near the 0 and 100 points, where statistical stability is greatest).

Confidence Intervals Around The 50%, 10%, and 90% Data Points At The 95% Confidence Level

- For the Total Sample of 5,000.....+/- 1.4% at the 50% level and +/-0.8% at the 10% and 90% levels
- For any Total Sub-Groupings of 2,000.....+/- 2.2% at the 50% level and +/-1.3% at the 10% and 90% levels
- For any Total Sub-Groupings of 1,500.....+/- 2.5% at the 50% level and +/-1.5% at the 10% and 90% levels
- For each Cell of 1,000.....+/- 3.1% at the 50% level and +/-1.9% at the 10% and 90% levels
- For any Cell Sub-Group of 750.....+/- 3.6% at the 50% level and +/-2.2% at the 10% and 90% levels
- For any Cell Sub-Group of 500.....+/- 4.4% at the 50% level and +/-2.6% at the 10% and 90% levels

Fieldwork for the study will commence upon authorization by OMB. From that point, the total research effort is expected to take 8 months from start of fieldwork to the submission of an OMB followup report. Note: although IRS does not intend to publish its findings, it will disseminate the findings when appropriate, strictly following "Guidelines for Ensuring the Quality of Information Disseminated to the Public", and will include specific discussion of any limitations which may exist within the data.

17. Display of OMB Approval Date

Not applicable.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

These activities comply with the requirements in 5 CFR 1320.9.

19. Dates collection will begin and end

Assuming no more than 12 weeks of OMB review, data collection would commence no later than October 1, 2011, and be completed approximately December 15th, 2011. **OMB authorization that is earlier than the 12 weeks max would be extremely helpful, as it would enable completion in advance of the start of the holiday season at Thanksgiving.**

B. STATISTICAL METHODS

Data collection and statistical methods will be as follows:

1. Universe and Respondent Selection

The universe for this research are 5 different segments of Taxpayers, as identified previously (Paper Filers, Used Software But Filed On Paper/V-Coders AND Who Used A Tax Software Package, Used Software But Filed On Paper/V-Coders AND Used Tax Software Found Online, Used Software And Filed Electronically AND Used A Tax Software Package, Used Software & Filed Electronically And Used An Online Tax Prep & Filing Service).

These samples will be stratified with n=1,000 per segment/cell, with respondents drawn from lists to be provided by the IRS (lists which have been randomly drawn from the full universe of the IRS database).

2. Procedures for Collecting Information

The contractor will use the IRS lists to further randomly select (on an nth selection basis) respondents for each cell. All potential respondents initially contacted will be re-contacted up to 3 times in order to properly dispose of the contact (including re-contact by more senior interviewers on those who refuse to participate). Included in this package is the questionnaire/script to be used in data collection.

3. Methods to Maximize Response

Response will be maximized through the standard practice of re-contact, with refusals re-contacted by more senior interviewers in an attempt to persuade them to participate and reach the response rate expectations noted earlier (50% to 60%).

4. Testing of Procedures

Pretesting will be done with internal staffs and not with the general public.

5. Contacts for Statistical Aspects and Data Collection

The initial contact for all statistical aspects and data collection are the submitting agency, with possible referral to the point of contact on statistical and data collection inquiries at the contractor firm.