

**Findings and Recommendations from Cognitive Testing of
Form F-73, Quarterly Survey of Non-Property Taxes**

Final Report with Resolutions

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¹ This report is released to inform interested parties of research and to encourage discussion. The views expressed on methodological, technical, or operational issues are those of the authors and not necessarily those of the U.S. Census Bureau.

Background

The Quarterly Survey of Non-Property Taxes (F-73) is conducted quarterly and provides estimates of state and local government tax revenues. In 2008, this survey began changing, with a new sample design as well as new data items (corporate income taxes, license fees) and more detailed items (several different sales and use taxes). The research questions for cognitive testing were to determine: 1) whether or not requested information is available, especially in cases where state and local governments collect taxes on behalf of other local governments, 2) if there are issues with comprehending the terminology used on the questionnaire, and 3) when requested quarterly data is available for reporting.

Methodology

We employed a cognitive interview technique to understand respondents' reporting practices and limitations and to assess the validity of the survey items on the new F-73 form. Respondents were given copies of the form with verbal instructions to complete it, though not to report actual data if doing so would be inconvenient or time-consuming. Most respondents chose not to report data from records. As respondents went through the form, they were asked non-leading questions about their interpretations of the items and how they would go about retrieving data to report. Their responses were non-directively probed until a thorough and accurate understanding was obtained of the response process for each item. The interviews focused on the respondents' ability to provide the requested data as well as their understanding of the wording and terminology used on the form.

Thirty interviews were conducted from May to August 2009. Rebecca Morrison completed 11 interviews in the San Francisco area, 8 in the Texas area, and 1 in the Washington, D.C. area. La Toya Thomas completed 6 interviews and Paul Baumer completed 4 interviews in the Washington, D.C. metropolitan area. The local governments included a mix of town/village/borough and county governments with different organizational structures, and who collect taxes using a variety of methods. Interviews took place at the respondents' sites. Subject area specialists from Governments Division accompanied the researcher on all interviews. They assisted with respondent debriefing, especially in cases where additional clarification of the subject matter was required. Interviews were 30-60 minutes in length, and audio recorded with respondents' permission.

Our findings are qualitative and do not indicate any sort of expected respondent distribution. Rather, our findings are illustrative of the range and types of response issues that may occur during data collection.

General Findings

Finding #1: Generally, the respondents we met with were the appropriate people. On some occasions, the respondent was more of a data compiler (collecting data from others in the organization) than the one who would be running reports and collecting the data him- or herself. For the most part, the people we met with indicated that the questionnaire should be addressed to them.

Recommendation: No recommendation needed.

Finding #2: Respondents indicated that this form would take 15 minutes to 2 hours to complete. Several respondents commented positively on the short length of the questionnaire.

Recommendation: No recommendation needed.

Finding #3: Some respondents wanted a statement of the survey's purpose on the questionnaire. Some suggested putting brief statements about each section on the front page, so that they would know what the form is about. A few respondents admitted that they do not read cover letters, so they would not read a statement of purpose in a letter.

Recommendation: Consider writing and placing a one-sentence purpose statement on the front page.

Resolution: The recommendation was accepted.

Finding #4: On all four items, respondents were often so focused on the headers (e.g., "sales taxes," "license and permit fees") that they missed key components of the question itself. Respondents frequently did not pick up on the word "imposed" or the reference period.

Recommendation: Remove item headers and underline key terms. For example, Item 1 would look like this:

① What was the amount of collections for each of the following types of sales tax imposed by your government for the three (3) months ending June 30, 2009?

Resolution: The recommendation was accepted.

Specific Findings

Front Page

Finding #5: Some respondents were not sure what “Non-Property Taxes” meant in the title. Once they started the survey and realized it asked about taxes other than property taxes, the meaning became clear. Among the respondents we interviewed, there did not seem to be a widely used term to denote taxes this category of taxes. One respondent suggested adding “and Fees” to the end of the title to better reflect the content of the survey.

Recommendation: Consider adding “and Fees” at the end of the survey title.

Resolution: The GOVS team will discuss this finding and recommendation with Chris Pece before deciding whether or not to implement the recommendation.

Finding #6: Most respondents skipped or skimmed this page, thereby missing key points. Most respondents read the instructions only when asked to do so.

Recommendation: Delete instructions that are not necessary (the second bullet may be a good candidate for deletion.) Convert remaining instructions to questions, to the extent possible. If instructions cannot be converted to questions, move them so that they appear with each item. (This is currently done, for example, with the instruction to include “current and delinquent amounts, penalties, and interest.”)

Resolution: GOVS will consider converting the first and fifth bullets to questions. The second and possibly the fourth bullets will be deleted. The third bullet, which states that estimates are acceptable, will be inserted between the survey questions and the Include/Exclude instructions throughout the survey.

Finding #7: A few respondents noticed the due date and mentioned that it would be helpful to have a calendar date instead of the current statement, “...within 30 days of receipt.” It is challenging for respondents to figure when the 30 days from receipt would actually begin.

Recommendation: Change the vague timeframe to an actual date. Perhaps the date could be docuprinted along with the address label and the reference period specified in each item.

Resolution: The recommendation was accepted. The GOVS team will determine if the due date should be set to 30 or 45 days from the time the survey is mailed to respondents.

Finding #8: Some respondents noticed the Internet reporting option and indicated that they would prefer reporting on paper because that is more familiar to them. Other respondents said they would use the paper form as a worksheet for completing the electronic form. One respondent said that he would report electronically if it did not require a username, password, and other filters before he would have access to the survey.

Recommendation: No recommendation needed.

Finding #9: Most respondents correctly interpreted "...all funds" in the first bulleted instruction.

Recommendation: No recommendation needed.

Finding #10: Some respondents mentioned that there is no instruction for what to report in an answer space if the question does not apply. They noted the fourth bulleted instruction, which states to report zero if there are no collections, but that is not the same as inapplicable. Some respondents said they would write N/A in the answer space, but others might leave it blank. Blank answer spaces could therefore be considered item nonresponse or inapplicable.

Recommendation: Depending on how the form is processed, adding a "Mark 'X' if None" box near the answer space may be useful. Adding such a box would require space, but may clarify data received by respondents. Evaluate this tradeoff before making a decision.

Resolution: "Mark 'X' if None" boxes will be added to the questionnaire.

Finding #11: For most respondents, "revenue sharing," in the last bulleted instruction, is a long-defunct federal program. It was intended to mean revenue that is imposed and/or collected at a higher level of government (e.g., county or state) then given to a lower level (e.g., city or town). Upon sharing the intended meaning, respondents understood but still suggested that another phrase or term be used. Other terms suggested by respondents included "intergovernmental revenue" and "subventions."

Recommendation: Research other more appropriate terms, including “intergovernmental revenue” and “subventions,” then choose the most appropriate and widely understood option.

Resolution: The GOVS team will research and determine the best term or phrase to use. They will then obtain feedback from the RIRS team on their proposal.

Finding #12: After reading the last bullet point, a few respondents were curious if grants from the state should be included or excluded.

Recommendation: Determine whether or not grants from the state are to be included or excluded. State explicitly whether or not respondents should report them on the F-73 questionnaire.

Resolution: Grants are to be excluded. Two options were discussed: a) incorporating grants into a question converted from the fifth bulleted instruction on page 1 and b) inserting an instruction to exclude grants within each question. The GOVS team leaned toward the latter option, but they will consult with the RIRS team when they have made a decision.

Item 1: Sales Taxes

Finding #13: The word “imposed” was often missed. Some respondents thought of the survey as measuring money coming into the jurisdiction, regardless of the source. Once respondents noticed the word, they understood the concept correctly.

Recommendation: The recommendation for Finding #4 should take care of this.

Resolution: The recommendation was accepted.

Finding #14: The reference period was often missed. This could be due to respondents’ focus on the item headers (see Finding #4). However, upon probing, respondents indicated that the data would be easy to obtain.

Recommendation: The recommendation for Finding #4 should take care of this.

Resolution: The recommendation was accepted.

Finding #15: Some respondents wondered if they should report on a cash or accrual basis. This was mostly an issue when payments from the state come one to two months after they are collected.

Recommendation: Consider adding an instruction stating whether to report figures on a cash or accrual basis.

Resolution: Figures reported on a cash basis are preferred, but the GOVS team will discuss this issue further and let the RIRS team know what they've concluded.

Finding #16: Amounts reported in Part A might include motor fuels, alcohol, tobacco, or some combination of these. Some local jurisdictions received payments from the state representing their share of the sales tax, but the supporting documentation often did not provide this level of detail.

Recommendation: Consider collapsing the lines for motor fuels, alcohol, and tobacco sales taxes into the general sales tax category.

Resolution: The recommendation was not accepted, based on data user requirements.

Finding #17: Several respondents had franchise fees and were not sure if they should be reported in this item or in Item 4.

Recommendation: Consider where franchise fees need to be reported and explicitly indicate this on the form. If this type of fee should be excluded, state that also.

Resolution: The recommendation was accepted. Franchise fees should be reported in item 2B (all other licenses). An appropriate instruction will be added to that item.

Finding #18: Some respondents mentioned that it is a good thing to have hotel and motel tax on the form. That is because the term they typically use is "transient occupancy tax" which they would report in Item 4 if they did not see hotel and motel tax in this item.

Recommendation: Determine if transient occupancy tax is really the same thing as hotel and motel tax. If it is the same, then modify the first Include bullet in Line F to read, "Hotel, motel, and transient occupancy tax." If it is not the same as hotel and motel tax, explicitly state on the form where it should be reported.

Resolution: Transient occupancy tax is the same as hotel and motel tax. Therefore, the the first bullet will be modified to “Hotel, motel, and transient occupancy tax.”

Item 2 – License and Permit Fees

Finding #19: Most respondents would correctly not report anything in Line A. One respondent would report a convenience fee charged to residents who register their vehicles at city hall rather than the state-run agency.

Recommendation: No recommendation needed.

Finding #20: In Line B, one respondent suggested labeling this line “All other licenses and permits.”

Recommendation: Consider adding, “permits” to the end of line B.

Resolution: The recommendation was accepted.

Finding #21: Some respondents commented that the items listed are not actually taxes.

Recommendation: Delete the word “taxes” from the Exclude instruction. Delete the word “taxes” from the last bullet in Part B of the Include instruction. Change the title of the survey to include fees.

Resolution: The recommendation was accepted.

Finding #22: A few respondents indicated that reporting this item could be more complicated than reporting sales taxes because it involves multiple people and/or multiple reports. A couple respondents indicated there might be a risk of incomplete data. This issue seems to be more prevalent for larger governmental entities, such as counties, because the data is not consolidated in one area.

Recommendation: No recommendation necessary.

Finding #23: The phrase “occupational and business licenses” led many respondents to think of certificates of occupancy, perhaps because of the

similarity of the words “occupational” and “occupancy.” Some jurisdictions charge a fee for issuing a certificate of occupancy.

Recommendation: If certificates of occupancy are legitimate fees to be reported here, this is not an issue. However, if certificates of occupancy should not be reported here, then consider modifying the current bullet to simply read “business licenses.”

Resolution: Certificates of occupancy should not be reported in 2B, so the bullet will be modified to read “business licenses.”

Finding #24: Some respondents were confused about whether or not building permits applied to an existing building or one to be constructed.

Recommendation: Consider modifying the existing bullet point to read “Building, construction and equipment permits.”

Resolution: The recommendation was accepted.

Item 3 – Income Taxes

Finding #25: Most respondents would not report anything for this item because it does not apply. These taxes are generally collected by the state.

Recommendation: No recommendation needed.

Finding #26: One respondent mentioned that the county piggybacks their income taxes onto the state’s income taxes. The county then divides that money between itself and the municipalities. (It sounded as though this could be considered revenue sharing, since the money received from the county does not appear to be imposed by the city we were meeting with.) Money received from the county does not indicate a division between individual and corporate income taxes, so the respondent would put all of it in Line 3A (individual). This respondent suggested adding an instruction for how to report in this type of situation.

Recommendation: Because there is no indication of how widespread the issue is, determine if an instruction regarding the split between individual and corporate income taxes needs to be added or not. The questionnaire that was tested in 2008 included a statement on Line A to include “combined individual and corporation income taxes, if those proceeds cannot be separated.” Perhaps bringing this statement back would be sufficient.

Resolution: The scenario indicated in the finding represents a county tax that local governments should not be reporting. Since it appears that the problem is not widespread, the item will be left as is. GOVS staff will follow-up with respondents who report data in this item, as appropriate.

Item 4 – Other Non-Property Taxes

Finding #27: Some respondents would report franchise fees here.

Recommendation: Refer to the recommendation for Finding #17.

Resolution: The recommendation was accepted.

Finding #28: Some respondents drew a distinction between taxes and fees and would not report any other fees here.

Recommendation: If item headers are kept, consider adding “and Fees” to the end of the item header. If item headers are deleted, add “and fees” to the question so that it reads “...for all other non-property taxes and fees imposed...”

Resolution: Only fees should be in 2A and 2B. Since item headers will be taken out, the problem identified in this finding should be resolved. The accepted recommendation for Finding #21 will also help respondents know where to report fees.

Finding #29: The first Include bullet confused some respondents. They would see “real estate” and then see the Exclude bullet for property taxes and not understand why we are telling them to include and exclude the same thing. Essentially, based on how this line is written, the word “transfer” was only applied to securities and not real estate or mortgages. Upon explaining that transfer applies to all three areas, they understood. Respondents also explained that anything dealing with real estate is called real property and suggested that the Exclude bullet should read, “Real property taxes.”

Recommendation: Change the first Include bullet to read, “Transfer of real estate, mortgage, and securities. Change the Exclude bullet to read, “Real property taxes.”

Resolution: The recommendation was accepted.

Finding #30: Other taxes that some respondents would report include the following:

- Transient occupancy tax
- Business license tax
- Emergency facilities tax
- Utility user tax
- Franchise tax
- Parcel tax

Recommendation: Refer to the recommendation with Finding #18 for transient occupancy taxes. Refer to the recommendation with Finding #17 for franchise taxes. If the remaining taxes should be reported here, no recommendation is needed. Determine whether the remaining taxes should be reported elsewhere on the form or excluded altogether. Add them to the include list with the appropriate item or add them to the exclude list in Item 4.

Resolution: Transient occupancy taxes, business licenses, and franchise taxes were addressed in Findings #18, 23, and 17, respectively. The GOVS team will research the remaining taxes to determine where they should be reported, or if they should be excluded.

QUARTERLY SURVEY OF NON-PROPERTY TAXES

In correspondence pertaining to this report, please refer to the Census File Number above your address

(Please correct any error in name, address, and ZIP Code)

DUE DATE: WITHIN 30 DAYS OF RECEIPT

RETURN VIA MAIL TO:	U. S. Census Bureau Governments Division Public Finance Branch B Washington, DC 20233-6800
RETURN VIA INTERNET TO:	http://harvester.census.gov/sgf/f73
QUESTIONS:	Finance Branch, Governments Division, at 1-866-492-0140 OR govs.qtax@census.gov

GENERAL INSTRUCTIONS

- Please report amounts covering all funds and accounts of your entire government, except for any employee-retirement funds administered by your government.
- Some of the items may not apply to your government. Carefully read the definition of each item to determine whether it applies to any of your government's transactions.
- Estimates are acceptable. If substantially accurate figures can be supplied by the due date, do not delay reporting to await final figures.
- Please report a zero (e.g., \$0) when there are no collections for imposed taxes or license fees for the quarter requested.
- Exclude any amounts received for revenue sharing from the state or from other governments.

1 SALES TAXES – What was the amount of collections for each of the following types of sales tax imposed by your government for the three (3) months ending March 31, 2009?

Include:

- Taxes on goods and services measured as a percent of sales or receipts, or as an amount per unit sold (gallon, package, etc.)
- Current and delinquent amounts, penalties, and interest

Exclude:

- Receipts from service charges, special assessments, interest earnings, fines, and any other sources that are not taxes or license fees
- Sales tax distributions for revenue sharing from the state or from other governments

A. General sales and gross receipts taxes..... \$.00

Include:

- Sales use taxes
- Taxes applicable with only specified exceptions (e.g., food and prescribed medicines) to sales of all types of goods and services or to all gross receipts, whether at a single rate or at classified rates

B. Motor fuels sales taxes..... \$.00

Include:

- Taxes on gasoline, diesel oil, aviation fuel, "gasohol," "ethanol," and any other fuels used in motor vehicles or aircraft

C. Public utilities sales taxes..... \$.00

Include:

- Taxes imposed distinctively on public utilities, and measured by gross receipts, gross earnings, or units of service sold, either as a direct tax on consumers or as a percentage of gross receipts of utility
- Telephone, cable, and other telecom taxes, e.g., 911 taxes

D. Alcoholic beverages sales taxes..... \$.00

Include:

- Taxes on sale of alcoholic beverages, whether collected through government-operated liquor stores or through private outlets

E. Tobacco products sales taxes..... \$.00

Include:

- Taxes on tobacco products and synthetic cigars and cigarettes, including related products like cigarette tubes and paper

F. All other sales and use taxes..... \$.00

Include:

- Hotel and motel tax
- Car rental tax
- Amusements tax
- Pari-mutuels tax
- Insurance premiums tax
- Other sales taxes not otherwise specified

2 LICENSE AND PERMIT FEES – What was the amount of collections for each of the following types of license fees imposed by your government for the three (3) months ending March 31, 2009?

Include:

- License and permit fees exacted (either for revenue raising or for regulation) as a condition to the exercise of a business or non-business privilege
- Current and delinquent amounts, penalties, and interest

Exclude:

- Receipts from service charges, special assessments, interest earnings, fines, and any other sources that are not taxes or license fees

A. Motor vehicles licenses AND motor vehicles operators licenses \$.00

Include:

- Licenses imposed on owners or operators of motor vehicles for the right to use public highways, such as fees for title registration, license plates, vehicle inspection, vehicle mileage and weight taxes on motor carriers, highway use taxes, and off-highway fees
- Vehicle sticker fees required to operate motor vehicles
- Licenses for the privilege of driving motor vehicles, both commercial and private

B. All other licenses \$.00

Include:

- Alcoholic beverages licenses
- Amusements licenses
- Public utilities licenses
- Occupational and business licenses
- Health permits
- Building and equipment permits
- Marriage licenses
- Hunting and fishing licenses
- Parking permits
- Other license taxes or fees not otherwise specified

3 INCOME TAXES – What was the amount of collections for each of the following types of income tax imposed by your government for the three (3) months ending March 31, 2009?

Include:

- Current and delinquent amounts, penalties, and interest

Exclude:

- Taxes using income from intangible property as a measure of its value as of assessment date
- Payroll taxes to finance insurance trusts programs such as Social Security taxes, and city gross earning taxes
- Receipts from service charges, special assessments, interest earnings, fines, and any other sources that are not taxes or license fees

A. Individual income taxes \$.00

Include:

- Taxes on individuals measured by net income and taxes on special types of income (e.g., interest, dividends, income from intangible property, etc.)

Exclude:

- Income tax distributions for revenue sharing from the state or from other governments

B. Corporation net income taxes \$.00

Include:

- Taxes on corporations and unincorporated businesses (when taxed separately from individual income), measured by net income, whether on corporations in general or on specific kinds of corporations, such as financial institutions

④ OTHER NON-PROPERTY TAXES – What was the amount of collections for all other non-property taxes imposed by your government for the three (3) months ending March 31, 2009?.. \$.00

Include:

- Real estate, mortgage and securities transfer
- Estate and Death and Gift taxes
- Severance taxes
- Any other taxes not otherwise specified

Exclude:

- Property taxes

⑤ REMARKS — Please explain any unusual developments (such as tax rate changes) affecting collections. Also, please list the type and value of any other taxes reported in ④.

⑥ CERTIFICATION

Name			Title	
Telephone	Area code ()	Number	Extension	Email address