

SUPPORTING STATEMENT FOR PAPERWORK REDUCTION ACT SUBMISSION FOR THE TAX TIME DEBIT CARD ACCOUNT PILOT

A. Justifications.

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

The Financial Management Service (FMS), a bureau of the Department of the Treasury (Treasury), has requested the Federal Reserve Bank (FRB) of St. Louis (acting as Treasury's Fiscal Agent) to contract with a market research firm to conduct a research study among unbanked and underbanked tax refund recipients in support of the Tax Time Account Pilot. This is an approved pilot for a potential debit card account, the Tax Time Debit Card Account, scheduled for the upcoming 2010 filing season. It is a part of the Go Direct Campaign and is supported by the Fiscal Assistant Secretary of the Treasury and other Treasury Officials.

The purpose of the Tax Time Account Pilot is to identify the types of financial services products and marketing that are best able to encourage low- and moderate-income individuals to enroll in a basic financial account to receive a direct deposit of their tax refund payment and use the account as an ongoing financial tool. Pilot participation is expected to be no more than 5,000 taxpayers in order to test the concept and to provide sufficient data and research for assessing the feasibility of a long-term program. This initiative furthers Treasury's "All-Electronic Treasury" goal, which improves efficiencies for the payment and tax administration processes, and provides safety, convenience, and other benefits for tax refund payment recipients. The Tax Time Account Pilot also supports the goals of Title XII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, Jul. 21, 2010), which authorizes the Secretary to establish programs and promote initiatives to enable low- and moderate-income individuals to establish bank accounts appropriate to their needs.

The pilot is focused on encouraging unbanked and underbanked (underserved) audiences who receive tax refunds by paper check, or who have utilized refund anticipation loans (RAL) or refund anticipation credit (RAC), to instead receive their tax refund electronically to an FDIC-insured, low-cost, individual or jointly-owned bank account made available through a financial institution that has been designated by FMS as its financial agent (as authorized by 12 U.S.C. 90, 265, 5018, and other laws). The account will be designed in accordance with FMS-approved terms and conditions. The funds in the account will be accessed by the taxpayer using a MasterCard- or Visa-branded debit card, which will allow the taxpayer to make purchases, get cash back at retail locations, withdraw cash from automated teller machines (ATMs), get cash from a bank teller, pay bills and make purchases online, and more. Once an account is established in the name(s) of the taxpayer(s), the taxpayer(s) will be the customer of the financial institution, not Treasury. Joint filers will have options to set up their account with the use of one card (one spouse's name on card) or use to two cards (each spouse receive a card with their own name on the card, different number, and pin). No cards will be issued with two names. If each (joint) filer chooses to receive a card, the card accounts will be separate although this is a joint account.

We plan to test eight treatment groups with different card features. Persons participating in this pilot will be able to add other deposits to this account as well as save funds on this account. One of the features for all who participate in the pilot, will be no overdrafts or fees associated with overdraft.

Market research is necessary prior to launching the pilot to uncover barriers to using the Tax Time Pilot Account to receive tax payments electronically, probe preferred instruments for receiving tax refund payments, test product development ideas, delivery mechanisms, and collateral material to encourage adoption and usage of the card.

This research will greatly enhance the ability of the pilot to create the materials and make decisions on pilot implementation to ensure its success.

This pilot is in support of the Treasury's efforts to convert all federal payments to electronic funds transfer (EFT).

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

FMS and the Treasury Department will use the anonymous market research data to design the Tax Time Account features, as well as the education and marketing materials that will be sent to prospective pilot participants to solicit their participation and explain the account features. In the past, FMS has used this type of research to develop education and marketing materials for its Go Direct[®] campaign. The FRB of St. Louis and its contractor, Weber Shandwick and KRC Research, on behalf of FMS/Treasury, plan to conduct eight focus groups in key geographic locations, including two groups in Spanish. The groups will be recruited using a recruitment screener to ensure they closely fit with the audience the pilot project is designed for. Focus groups will be held among eight to ten participants who are screened and qualify for participation in the groups.

This pilot and the research to be conducted is in support of FMS/Treasury's on-going All-Electronic Treasury initiative to increase the use of EFT for all federal payments. In order to improve efficiencies in the payment and tax administration processes, and to provide cost-effective and convenient payment delivery to Federal payment recipients, Treasury continues to explore alternative ways for individuals who do not have or use mainstream financial services to receive tax refunds and other federal payments electronically. Many payment recipients who do not have bank accounts or are "underbanked" often use alternative financial service providers like check cashers and payday lenders to cash federal tax refund checks or get refund anticipation loans or credit. This mostly lower income, underserved audience often pay significant fees or interest on these services that could be alleviated by products such as the proposed Tax Time Account.

These types of products or services will significantly improve the efficient administration of income tax returns and refunds, as well as payment processes. This collaborative study is designed to significantly increase electronic deposits of income tax refunds.

To meet these objectives KRC Research will conduct eight focus groups among unbanked and

underbanked taxpayers, with household incomes of \$30,000 or less, who received their tax refund by paper check. This is the primary target audience for this card account. (Note those utilizing RAC or RAL services are also a target audience for the account but cannot be recruited for focus groups without IRS lists given the low incidence of the audience).

Since nearly one in five Hispanics are unbanked, two of the eight focus groups will be conducted among Spanish speaking audiences to test Spanish language materials and communications.

Each focus group would last approximately two hours and be facilitated a professional moderator.

Participation in the focus groups is voluntary.

The eight focus groups will be conducted in the following cities (two per city): Atlanta, Philadelphia, Chicago, and San Antonio. The Spanish language focus groups will be conducted in San Antonio. We decided to conduct two focus groups in San Antonio to test among Spanish speaking audience that would be representative of the majority Spanish speaking in the US. For the purpose of the pilot, given the timeframe, we are limited to a small population for the time and cost purposes. If this product rolls out nationally, we would conduct additional groups in other locations.

Given that this is a very low incidence audience and very difficult to recruit for research purposes, and in our experience have very poor show rates for focus groups, we will recruit 16 participants to ensure 8 to 10 show for each focus group. Participants will be screened to ensure they qualify for participation in the group both during the recruiting process and prior to the groups proceeding. We plan to use the information given during the focus groups in mail offerings to pilot participants in January 2011. Therefore, we need to conduct the focus groups now for developing materials needed during the pilot. KRC will use databases from each of the facilities that will host the focus groups. Because these facilities conduct other focus groups, KRC will provide the recruit screener to the facilities to generate list of potential focus group participants.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

No form of technology as described above will be used for participants' submissions of responses.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

The offering of Tax Time Accounts to provide an electronic payment option for unbanked and underbanked tax refund recipients is new to Treasury. The target audience for this account is broader than previous studies conducted for FMS among banked and unbanked Social Security (SSA) and Supplemental Security Income (SSI) benefit recipients and the product is different from other products previously developed by FMS for unbanked Federal benefit recipients, such

as the Direct Express[®] debit card or the Electronic Transfer Account[®] (ETA[®]). FMS's previous research is also being used to help design and implement the current Tax Time Account pilot and inform the research design discussed herein.

To the best of FMS/Treasury's knowledge, other federal government agencies have not conducted similar qualitative or quantitative research of individual income tax check recipients who are the primary audience for this pilot. Therefore, no duplication exists.

5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.

All of the phases of this study will involve individuals only. No small businesses or small entities will be impacted.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

If the above mentioned qualitative study is not conducted, FMS/Treasury and its agents will be developing and implementing the pilot and communications with the audience the Tax Time Account is intended for, without the benefit of the insights from the target audience itself. The lack of this information will impair the effectiveness of the pilot, possibly impair the success of the pilot itself, and limit the ability of Treasury to evaluate the most effective product offerings or provide guidance on card features or operations that could make the pilot more successful. There are no technical or legal obstacles to reducing the burden of the study but the development of the marketing/communications plan and the results of the subsequent campaign will be lessened.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner: *requiring respondents to report information to the agency more often than quarterly; *requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it; requiring respondents to submit more than an original and two copies of any document; etc.

The research study referenced herein is a one time collection of data among individuals and would not require any further reporting of information on behalf of participants in the study, nor would they need to submit multiple copies or any documents or retain any records.

The participants will be called and asked to participate in the study, but they will not be required to respond, as participation in the study is entirely voluntary. The screening process to request participation in the study will include a pledge of confidentiality that is supported by the researcher's contractual obligations with the Federal Reserve Bank, which precludes disclosure of research data to the Government or other third parties. This pledge of confidentiality is to enhance the participants' comfort level with the process and increase their willingness to be candid, knowing that their individual answers will not be provided to the Government, except anonymously.

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions

taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

New emergency collection of information requested. FMS will publish a notice as soon as possible. For previous publications regarding similar collections of information, FMS has not received any comments. See 74 Fed. Reg. 47856 (Sept. 17, 2009), 71 Fed. Reg. 44766 (Aug. 7, 2006), and 68 Fed. Reg. 39620 (Jul. 2, 2003).

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

The qualitative focus group participants will receive \$100 to participate in the focus groups from FMS/Treasury, the FRB of St. Louis, or Weber Shandwick or KRC Research. It is generally accepted as a standard market research industry practice to offer an incentive to individuals who participate in focus groups. Since participants are giving their personal time and have to commute to and from the facility, providing them with an incentive is a way to compensate them for their time and participation. In addition, offering an incentive increases participate rates and in turn reduces recruiting costs. Our experience shows with similar groups that offering a \$100 incentive yields the number of participants desired for focus groups. We believe that this fee is justified given the tight turn around that we are requesting from focus group participants.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

For the qualitative focus groups participants will be told that the research is for research purposes only; and that their responses will not be shared individually with anyone, but will be grouped with other participants. KRC Research will assure the participants that they will receive no solicitation as a result of their participation in the focus group. It is standard procedure for KRC Research to not release information on specific participants to its clients or to any other party, and KRC Research's contract with the FRB explicitly precludes the release of confidential information to the Government and other third parties. Upon completion of the focus groups all written reports will never identify any individual's personal information. The information will be kept private to the extent permitted by law.

12. Provide estimates of the hour burden of the collection of information. The statement should: *indicate the number of respondents, frequency of response, annual hour burden; and an explanation of how the burden was estimated.

Conducting 10 focus groups with each group having 8 to 10 participants is expected to take a total of 245 hours of time for those who are contacted through the screening process, participate in the groups, and travel to focus group facilities.

The estimated hours are calculated as follows:

Participant screening will take approximately 21 hours. This is based on screening 128 participants taking approximately 10 minutes, for a total of 21.3 hours.

Completion of eight focus groups is expected to take approximately 160 hours. This estimate is based on completing eight two hour focus groups where each group would have 10 participants per group. (80 participants X 2 hours).

Travel time is estimated at about 64 hours which is included in the overall hours of burden.

This is a one time collection of information.

13. Provide an estimate for the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).

Voluntary participation in the qualitative phases of the study involves no cost to the participants.

14. Provide estimates of annualized costs to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies may also aggregate cost estimates from Items 12, 13, and 14 in a single table.

The total one-time cost of the qualitative phases of this study to the federal government is approximately \$133,000 drawn from a breakdown of costs from the FRB of St. Louis, Weber Shandwick, KRC Research's final cost proposal.

The fees include an estimated \$58,000 for recruitment fees, facility rental, audio and videotaping and moderating the groups and \$40,000 in professional fees including focus group design, writing screeners and guides, translations, data collection, analysis, report preparation and report presentation for all phases of the study. (Other fees associated with this research, such as \$25,000 in professional fees to Weber Shandwick for the development of materials for testing and professional fees for public relations services would be incurred even if the research did not take place as these would need to be designed for the pilot).

Finally, travel costs for three primary researchers to four cities are estimated at \$10,000.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.

We are conducting eight focus groups with income tax check recipients as described herein in four key target markets.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

The results of the qualitative phases of the study will be analyzed by the FRB of St. Louis, Weber Shandwick, and KRC Research, on behalf of FMS/Treasury. The FRB of St. Louis and Weber Shandwick and KRC Research will develop and submit a comprehensive report with an executive summary, including the results from focus groups, transcripts, results of any written exercises, and any additional information needed to the success of the pilot. Weber Shandwick

and KRC Research also will conduct an in person presentation of results to the full FMS/Treasury and FRB of St. Louis team with a management summary and strategic imperatives, based upon identification of key audiences, their defining characteristics and the factors that drive EFT acceptance. The study report will be published for general distribution.

We expect to conduct all the phases of the qualitative study immediately following clearance by the Office of Management and Budget (OMB) and establish a formal timeline at that time. We anticipate six to eight weeks from the start of the project to delivery of the final report.

17. if seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

FMS/Treasury will display the expiration date for OMB approval of the information collection.

18. Explain each exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions,” of OMB Form 83-1.

There are no exceptions to the certification statement in Form 83-1.

B. Collections of Information Employing Statistical Methods

The focus groups proposed is qualitative research and does not employ statistical methods.

The focus groups of unbanked and underbanked refund tax check recipients are designed to test barriers to card adoption, messages and card features to promote adoption and proper usage, and preferences for card design. Face-to-face group discussions allow a much more in-depth and detailed understanding of not just how people respond to particular ideas, messages, materials, or card options, but most importantly *why* they respond the way they do. Further, the focus groups are designed to test tangible materials such as direct mail pieces, brochures, and written descriptions of the card, its benefits, and its features. Again, face-to-face research methods are much more effective than alternative methods, such as online focus groups and or surveys, because you can collect much more in-depth information and learn a great deal from face-to-face interactions than with other methodologies. Further, the target audience for this card are lower income and significantly less likely to be frequent internet users, and even less likely to be participants in online panels from which samples would need to be drawn.