

## **OMB Supporting Statement EFTPS Payment Option Survey**

### **Background**

U.S. employers are required to make withholding tax deposits (income tax and Federal Insurance Contributions Act taxes) and Federal Unemployment Tax Act payments on their employees' behalf. Employers with annual Federal tax liabilities of \$200,000 or more must pay via the Electronic Federal Tax Payment System (EFTPS), a free service of the U.S. Department of the Treasury. EFTPS features Internet and phone channels as well as special channels for tax professionals, payroll services, and other third parties.

EFTPS, owned by the Financial Management Service (FMS) and the Internal Revenue Service (IRS) was launched in 1996. To date, EFTPS, which is part of the nation's critical infrastructure, has collected more than \$20 trillion in nearly 1 billion transactions. More than 97 percent of all depository taxes are paid electronically. IRS data show that employers who use EFTPS are 31 times less likely to make an error that results in a fine or penalty than are employers who deposit taxes with a paper coupon.

Currently, any employer with a Federal tax liability under \$200,000 can use EFTPS; mail Federal Tax Deposit (FTD) coupons and payments to an IRS lockbox; or take coupons and payments to their financial institution (FI). In addition, those with a quarterly employment tax liability under \$2,500 may be eligible to mail a check with their returns. Historically, most small employers take coupons and payments to one of 8,000 FIs authorized as a government depository, a process that dates back to World War I. However, the number of coupons processed in this way has declined significantly in the past two years (14.5 percent in FY09 and 11 percent in FY08) as employers become more comfortable with the concept of electronic payments.

Processing paper coupons is an expensive manual exception process for FIs, costing them \$2 to \$8 per coupon. Federal regulations prohibit FIs from passing that cost on to customers. Coupons cannot be imaged or photocopied. More than eighty financial institutions, large and small, have stopped accepting coupons and assisted their customers in moving to EFTPS or other electronic means, and most other major national or regional FIs have plans to stop accepting coupons or are actively discussing this option.

As part of its overarching goal of all-electronic cash management, Treasury on January 1, 2011, plans to decommission the paper coupon system. Beginning in 2011, the obsolete system infrastructure supporting the system would have required a significant capital investment and increased operational costs.

FMS desires to better understand how employers who currently pay with a coupon will make deposits when the paper system is decommissioned. This will help us provide better service to taxpayers by forecasting appropriate EFTPS call center staffing and the quantity of enrollment and educational materials to print.

## **Past Research**

In 2005 and 2007, we conducted quantitative and qualitative research about awareness of EFTPS within this population. We have not asked this audience how they would make payments if using coupons was no longer an option.

## **Research Objectives**

The primary objectives of this research are to:

- Determine the preferred alternative options among those employers who currently use paper coupons;
- Assess interest in submitting payments along with quarterly or annual business returns among employers who may eligible to do so;
- Determine the impact of the coming policy change on EFTPS operations, including our call center and enrollment fulfillment center; and
- Assist EFTPS in communicating to financial institutions, tax professionals, and other trusted third parties ways in which they may best assist their customers during this transition.

The findings will be very valuable in developing operational and marketing strategies to serve employers who will need to find a different way to make Federal tax deposits.

This short, voluntary survey will have minimal impact on the employers who are given the opportunity to participate.

## **Methodology**

To meet these objectives, M/A/R/C Research will conduct a national random sample telephone survey of 300 businesses with two to ten employees who currently use paper coupons. Half will be employers who are likely to be eligible to submit payment with a quarterly or annual return. The survey would be approximately ten minutes long.

FMS understands that this methodology will under-represent employers that do not have a business phone. This audience makes up a very small percentage of employers nationally and of those we are targeting. Given that random sample telephone surveys continue to be the academically and commercially accepted method for collecting statistically valid random samples of adults nationally, M/A/R/C Research is confident that the telephone survey will accomplish the research objectives.

## **Estimated Burden Hours**

Completing 300 interviews among a listed sample of small employers is expected to take a total of 68.67 hours of time.

This estimate is based on completing 300, 10-minute interviews (300 interviews x 10 minutes)/60= 50 hours.

We are assuming that the incidence of businesses with two to ten employees using paper coupons will be approximately 35 percent. Therefore, we anticipate making an additional 560 contacts (for a total of 860 contacts) with employers who will be asked screening questions but will not qualify for survey participation. Each contact should last approximately two minutes. Therefore, in addition to the 50 hours for interviewing respondents, there will be approximately 18.67 hours spent surveying those who are contacted but do not participate:

560 contacts x 2 minutes/60=18.67 hours

**Grand Total – 68.67 hours total burden**

Due to the brevity of the survey, respondents will not be offered an incentive. This is in line with research industry standards.

**Contact**

For questions regarding the survey, contact:

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