

**OMB SUPPORTING STATEMENT
INTERNAL REVENUE SERVICE
IRS TAXPAYER BURDEN SURVEYS
TIRNO-10-Q-00152**

The Supporting Statement for OMB 1545-2212

IRS Taxpayer Burden Surveys

Surveys Covered Under This Clearance Request.

Individual Taxpayers

2010 Individual Burden Survey (already approved) (Data collection 9/1/2011-5/31/2012)
2011 Individual Burden Survey (Data collection 5/1/2012-5/31/2013)
2011 Taxpayer Compliance Burden Survey (Data collection 8/1/2012- 11/13/2012)
2012 Individual Burden Survey (Data collection 5/1/2013-6/31/2014)
2012 Taxpayer Compliance Burden Survey (Data collection 3/1/2013-7/31/2013)

Entity Taxpayers

2010 Tax Exempt Entity Burden Survey (Data collection 11/22/2010-9/24/2012)
2012 Business Taxpayer Burden Survey (Data collection 5/1/2013-7/31/2015)

A. Justification

1. Circumstances Making the Collection of Information Necessary.

The IRS Taxpayer Burden Surveys are designed to gather statistically representative taxpayer data that allow the IRS to estimate taxpayer compliance burden as well as to understand how and why taxpayer burden changes over time. Because tax law is ever-changing, IRS regulations are regularly issued and updated, and tax-filing technology continues to improve, an ongoing survey effort is necessary to inform the IRS of the impact of these changes on taxpayer burden. The suite of burden surveys recognizes differences between taxpayers (individuals, corporations, partnerships, and tax-exempt organizations). However, across all of the surveys, the data are captured in an internally consistent manner (in terms of time and money). The survey data are not viewed discretely, but rather used as inputs to improve its Taxpayer Burden Model (discussed below).

Unlike the more common customer satisfaction surveys, the success of the IRS Taxpayer Burden Surveys depends significantly on being able to cross walk results back to previous surveys. By doing so, the Taxpayer Burden Model can assist the IRS and policy makers in determining the sources of changes to taxpayer burden. Although it may be possible to combine certain questions or it may be deemed beneficial to split an existing question into two or more specific questions, we strive to ensure comparability across successive data collection efforts.

Individual Taxpayers

Each year, individual taxpayers in the United States submit more than 140 million tax returns to the Internal Revenue Service (IRS). The IRS uses the information in these returns, recorded on roughly one hundred distinct forms and supporting schedules, to administer a tax system whose rules span thousands of pages. Managing such a complex and broad-based tax system is costly but represents only a fraction of the total burden of the tax system. Equally, if not more burdensome, is the time and out-of-pocket expenses that citizens spend in order to comply with tax laws and regulations.

The IRS has conducted prior surveys of individual taxpayers in 1984 (OMB 1545-0802), 1999 (OMB 1545-1688), 2000 (W&I taxpayers OMB 1545-1688, Self-employed taxpayers OMB 1545-1740), 2007 (OMB 1545-1349). Changes in tax regulations, tax administration, tax preparation methods, and taxpayer behavior continue to alter the amount and distribution of taxpayer burden. To update our understanding of this burden, the IRS contracted Westat to survey individual taxpayers regarding the time and money taxpayers spend in response to their federal income tax obligations. We intend to conduct an updated survey to better reflect the current tax rules and regulations, the increased usage of tax preparation software, increased efficiency of such software, changes in tax preparation regulations, the increased use of electronic filing, the behavioral response of taxpayers to the tax system, the changing use of services, both IRS and external, and related information collection needs.

Entity Taxpayers

The purpose of the IRS entity surveys is to provide Congress and the President with accurate estimates of the costs incurred by corporations, partnerships, limited liability companies, tax-exempt organizations, and government entities in complying with federal rules and regulations.

The critical items on the survey concern respondents' time and cost burden estimates for complying with tax filing regulations. Additional items on the survey will serve as contextualizing variables for interpretation of the burden items. These items include information regarding tax preparation methods and activities, tax-related recordkeeping, gathering materials, learning about tax law, using IRS and/or non-IRS taxpayer services, and tax form completion.

2. Purpose and Use of the Information Collection.

The IRS is developing improved methods for measuring, estimating, and modeling taxpayer burden. The data collected from this survey of individual taxpayers will be used as an input to a micro-simulation model that estimates taxpayer burden. The IRS will also publish the relevant updated burden estimates in tax form instructions to inform taxpayers. Three types of questions will be asked: questions framing the activities to be measured, burden measurement questions, and questions to better inform taxpayer needs related to their compliance burden.

The information collected via the IRS Burden Surveys will be used by IRS to support or achieve several important goals:

1. Fulfill its mission to provide top quality service to taxpayers
2. Better understand taxpayer time and out-of-pocket burden
3. Improve the accuracy and comparability of the information collection budget estimates it provides under the Paperwork Reduction Act (44 U.S.C. 3501 et seq.)
4. Provide data to be used in micro-simulation models to allow estimation of the impact of proposed legislation on taxpayer burden before the legislation is enacted
5. Support ongoing analysis of the role of compliance costs in influencing taxpayer behavior and identifying taxpayer needs.
6. Provide information to the Executives and Operating Divisions for assessing the impact of programs on taxpayer burden
7. Support tax analysis in the Treasury Department Offices
8. Assist the IRS in evaluating the effectiveness and associated impact on taxpayer costs and behavior of the following IRS initiatives:
 - Return preparer e-file initiative
 - Return preparer regulation initiative
 - Tax package mailing cost reduction initiative

The purpose of the collection is to develop or update the IRS Taxpayer Burden Model (ITBM). The ITBM is a mathematical representation of the compliance burden associated with pre-filing and filing activities, such as tax-related recordkeeping and return preparation that would not have been incurred in the absence of the federal tax system.

Compliance costs incurred post-filing as a result of amended returns or IRS enforcement processes are also included in the model. This model was first developed for individual taxpayers in 2005 and has since been periodically updated and expanded to cover other taxpayer types.

Information about the time and costs collected from the IRS taxpayer burden surveys allow for development of a robust predictive model. This information is not available in the administrative tax return data so surveys are a critical input to the model. Each survey is linked to the matching administrative record to create the estimation data set. The administrative record includes selected items from the primary tax forms and various secondary forms and schedules.

Both the survey and administrative records are extensively reviewed and cleaned for memory recall, administrative, or processing errors. The data receive further cleaning through the application of robust regression methods. Data missing as a result of incomplete responses or robust regression are imputed using multiple imputation techniques.

The micro-simulation model is used to develop baseline and what-if compliance cost estimates. These estimates are used to support recommendations to simplify the tax forms or schedules or provide better IRS instructions to the taxpayers. The model is also used to better understand the choices taxpayers make when preparing their tax returns (e.g., filing electronically, using a paid tax preparer). In addition, the model is used to provide the information reporting estimates to OMB related to the impact on the baseline compliance burden of proposed or recently enacted legislative or regulatory changes.

The model also helps understanding the role of technological advancements in mitigating compliance burden, even as the tax law becomes more complex, because the tax preparer and tax software industries continue to develop innovative ways to help taxpayers comply with new tax laws and IRS regulations. The role of these preparation methods is represented in the model.

Advancements in electronic tax administration also play a role in reducing burden. OMB's burden reduction data calls have asked us to emphasize how technology affects burden. Estimates generated by the burden model allow us to provide this information.

For a complete description of the Individual Taxpayer Burden Model, see [2010_Final_Research_Conference_Paper.pdf](#).

3. Consideration Given to Information Technology.

Data will be collected by using a mixed mode (i.e., mail, web-based, and telephone) data collection methodology. The primary methods of collecting the survey data will be via mail or web. All respondents will be offered the option of completing the survey online. The secure web survey will be posted online using a proprietary web survey delivery system developed by our contractor, Westat. The software allows participants to skip questions and complete the survey in more than one session (i.e., the respondent can leave the web survey and come back to finish it at a later time). Participant responses will be captured, stored and tracked in a response database which can then be used to update and extend the Burden Model, as applicable.

The mail survey will be created using TeleForm technology, a software system for intelligent data capture and image processing. The software extracts indexing information automatically from any document type through the use of multiple recognition engines. TeleForm reads hand print, machine print, optical marks, bar codes, and signatures. This will expedite the collection of responses from the mail survey and minimize error.

Follow-up prompting will make use of automated software that will manage telephone calls (both pre-recorded messages and prompts delivered by live interviewers) to respondents. A tailored survey management system will track cases throughout all modes of contact, including the survey invitation, prompting reminders, and data retrieval.

4. Duplication of Information.

To our knowledge, there is no duplication of information. This burden survey asks for information regarding how an **individual/entity** taxpayer prepares and submits their tax return. Information regarding the preparation method (use of a paid preparer, use of tax software, self preparation without assistance) and submission method (electronically filed, mail) are available from tax return data, but are asked on the survey in order to target questions about specific methods to respondents using those methods, thus reducing respondent burden.

5. Reducing the Burden on Small Entities.

These **individual/entity** burden survey efforts will impact small businesses to the extent that some selected respondents are self-employed sole proprietors or small corporations, partnerships. Collecting information from these small businesses will enable the IRS to better understand what processes or tax items are particularly burdensome for small business and will support IRS efforts to target those items for burden reduction administratively, as well as in coordination with policymakers.

The surveys will be conducted using either a **mail-first** or **web-first** initial contact method. All respondents, including those that are self-employed small businesses, will be given the option to take the survey using the mode that is the most convenient and least burdensome to them. We anticipate that providing the option to complete the survey using the web-based survey (as opposed to a CATI/telephone survey) will reduce the burden of completing the survey by allowing small businesses and other taxpayers to complete the survey at a time and place of their convenience.

6. Consequences of Not Conducting Collection.

The IRS compliance burden surveys are instrumental to estimating and tracking approximately 75% of the total information collection budget of the federal government. This reporting is required by Congress under the Paperwork Reduction Act. Further, IRS methodology and associated estimates of the monetized value of time derived from these studies has been used by OMB in estimating the overall monetized burden of all federal government information collections. Results from the surveys also support program evaluation and policy design for IRS and other Offices of the Department of the Treasury. These surveys are sent to taxpayers shortly after they submit their tax returns in an effort to minimize recall bias about this information filing process. Periodic updates of the survey are necessary in order to identify changes in the impacts of different drivers of taxpayer burden, allowing us to adjust the model and associated estimates appropriately over time. Failing to collect these data would limit the Government's ability to provide accurate current estimates of these costs.

Support of OMB Initiatives. A major program evaluation question for the Department of the Treasury specifically, and OMB generally, is estimating the extent to which Federal agency partnerships with third parties in the area of Electronic Tax Administration have generated productivity gains which in turn lower burden. A cross-sectional analysis can inform estimation of the impact of more taxpayers using technology-assisted methods but cannot speak to the extent to which such methods have become more productive over time as a result of government and third-party investments. Qualitative evidence discussed in the FY2010 Information Collection Budget point to the likely existence of significant burden reductions over the past decade from Treasury Department technology investments and industry partnerships. Such an analysis critically depends on time-series data as the point of the analysis is to estimate how productivity of a given information collection method changes over time. The 2010, 2011, and 2012 Individual Taxpayer Burden

Surveys will inform this research by providing, for the first time, time-series data collected on an annual basis, with comparability to earlier data collections.

Support of Paid Preparer Program. Key questions in the evaluation of the paid preparer regulation initiative and the preparer e-file mandate involve determining the impact of registration and mandatory e-filing on compliance burden and return quality. The individual burden survey provides effective cost-benefit analysis of these transformative programs in tax administration by using a difference-in-difference analysis comparing data from survey respondents who used an unregistered tax preparer (incurring no additional regulatory costs) versus respondents that used a registered tax professional (incurring the additional regulatory costs), controlling for other sources of variation. The Return Preparer Office will use this information as part of its evaluation and management of the program.

Evaluation of tax-exempt organization Form 990 redesign. Tax Year 2010 is the first year for which a multi-part, multi-year series of changes to the 990 family of forms and associated filing requirements for tax exempt organizations have been fully phased-in. As such it represents a unique need and opportunity to update the baseline burden associated with the completely redesigned forms and processes. While an earlier effort was made to estimate the change in burden associated with the redesign effort, these estimates were made with an older model based on relationships estimated more than two decades prior to the redesign. A new survey based on experiences with the fully-phased in redesign would give us a strong new baseline against which to estimate future changes.

Compliance burden reduction research. The IRS seeks to better understand taxpayer needs and how unmet needs affect tax preparation and filing behavior. A better understanding of compliance burden is foundational to this research because the costlier it is to submit information properly, the less likely it is to be submitted properly. Improperly submitted information is a major driver of IRS administrative costs and associated taxpayer post-filing burden. Better understanding this relationship informs both prioritization of information collection and identification of communications, services, and technology to lower the cost of a given information collection. The taxpayer burden surveys are a key component of this research plan.

Integrated reporting of taxpayer burden across taxpayer segments. Currently, individual and entity-level taxpayer burden is estimated and reported using different methodologies. This hinders integrated reporting across taxpayer segments and leads to inconsistent estimates for so-called dual use forms used by both business entities and individuals. The IRS is currently collecting business taxpayer burden data in such a way as to be able to produce business taxpayer burden estimates consistent with the individual taxpayer burden numbers. The last remaining major taxpayer segment for inclusion in this integrated modeling and reporting framework is the tax-exempt segment. Delaying the tax-exempt organization survey will delay integrated reporting and analysis across the taxpayer segments and will further perpetuate the reporting of compliance burden for tax exempt organizations using data and technological assumptions that are almost 30 years old.

7. **Special Circumstances.**

There are no special circumstances. The collection of information is conducted in a manner consistent with the guidelines in 5 CFR 1320.6.

8. **Consultations with Persons Outside the Agency.**

Although the program is led and managed by the IRS, the IRS consults external stakeholders and survey research experts for input related to the program at key decision points. This research program and the associated data collections have been discussed with representatives of the following groups outside of IRS:

- Department of the Treasury, Office of Tax Analysis
- Westat (survey vendor)
- Enrolled Practitioners

- Stakeholder representatives to the IRS National Public Liaison
- Academic, non-profit, and public sector tax policy-makers and researchers through the meetings of the National Tax Association and the IRS Research Conference

9. Payment or Gift.

No incentive will be provided to respondents of a Business or Tax-Exempt Entity Burden Survey. Past survey response rates and professional judgment of our survey vendor indicate that an incentive is not necessary for surveys of corporations, partnerships, tax-exempt entities, and other established and legal entities.

There are no studies that suggest that an incentive would improve the response rate for the Taxpayer Compliance Burden Survey. We do not have sufficient variance information to create an efficient enough sample design to conduct such a test of the Post-Filing population with our planned sample size without collapsing strata. Thus, no incentive will be offered in our initial Taxpayer Compliance Burden Survey, but we may revisit this design aspect in a subsequent study once we have good variance data for this population.

For the 2011 ITB survey, each respondent will receive a \$2 incentive with the survey mailing. The decision to include the \$2 incentive is based on the preliminary findings for the 2010 Individual Burden Survey. The 2010 Individual Burden Survey protocol included an extensive experiment involving whether a small monetary incentive included with the first contact could improve the response rate. Based on Wave 1 results, respondents who received the \$2 incentive had an overall higher response rate than those who did not.

<u>ITB10 Completes by Incentive Treatments (as of 4/20/12)</u>	
With incentive	44.92%
No incentive	38.42%

Incentives would be offered to attract respondent interest. They would not be offered for non-response conversion.

Note: In the past fifteen years, the survey industry has experienced a steady decline in response rates (e.g., Groves, Dillman, Eltinge, and Little, 2002). In order to decrease nonresponse, incentives are often one technique used to encourage participation.

Studies have consistently shown the inclusion of an incentive increases response rates, and that prepaid incentives are more effective than incentives that are contingent upon completion of the survey (e.g., Church, 1993; Petriola and Bhattacharjee, 2009; Dillman, 2009). Shettle and Mooney (1999) concluded that incentives in government surveys provide a “decided cost advantage” in improving response rates, without negatively impacting non-response bias, data quality, or respondent good will.

While studies have shown that the marginal returns diminish as the incentive amount increases (James and Bolstein 1990; Shaw et. al. 2001; Teisl et. al. 2009), there is still no agreement on an “optimal” incentive amount. In fact, a study by Trussell and Lavrakas (2004) suggests that the optimal amount is variable and dependent upon an individual’s previous interactions with the organization sponsoring the survey.

Given the unique relationship that individuals have with the IRS, the FY2010 Individual Taxpayer Burden survey (ITB), previously approved, provided that half of the respondents receive a \$2 incentive, while the other half received no incentive. A comparison of the ITB survey response rates between the two surveys will inform the use of incentives for the individual taxpayer burden surveys going forward. IRS will share its findings in this regard with OMB in a timely manner.

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- Millar, M.M. and Dillman, D.A., “Improving Response to Web and Mixed-Mode Surveys”, *Public Opinion Quarterly*, 1-21 (2011).
- Petrolia, D.R. and Bhattacharjee, S., “Revisiting Incentive Effects: Evidence from a Random-Sample Mail Survey on Consumer Preferences for Fuel Ethanol”, *Public Opinion Quarterly*, 73:537-550 (2009).
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- Shettle, C. and Mooney, G., “Evaluation of Using Monetary Incentives in a Government Survey”, Mathematics Policy Research, *National Science Foundation* (1999).
- Teisl, M.F., Roe, B. and Vayda, M., “Incentive Effects on Response Rates, Data Quality, and Survey Administration Costs”, *International Journal of Public Opinion Research* 18 (2005).
- Trussell, N. and Lavrakas, P.J., “The Influence of Incremental Increases in Token Cash Incentives on Mail Survey Response: Is there an Optimal Amount?” *Public Opinion Quarterly* 68: 349-367 (2004).

10. Confidentiality.

Confidentiality is not provided to respondents, however, they are reminded that participation is voluntary and that the information collected will be used for research purposes only.

11. Questions of a Sensitive Nature.

The survey itself does not include questions that would commonly be considered private or sensitive in nature.

12. Burden of Information Collection.

Each respondent will receive either a **letter with instructions to complete the survey (web-first)** or a **letter and survey (mail-first)**, which they may spend about one minute reading. Each potential respondent will participate only once. The potential response rate, which varies depending on the type of survey, is indicated in the burden estimate charts below.

Estimated time to complete the surveys is based on results from prior cognitive interviews. We estimate that it will take approximately the same time to complete the mail, web and phone versions of the questionnaire. The content included in each instrument will be the same.

The total annual burden estimates for the covered surveys is as follows:

2010 Surveys 5,033 hours
 2011 Surveys 4,093 hours
 2012 Surveys 7,699 hours

The estimated burden for each survey is itemized below:

2010 Individual Taxpayer Burden Survey

Activity	Number of Respondents	Frequency of Response	Average Time	Annual Hour Burden
Reading invitation letter & reminder postcards	20,000	1	1 minute	333 hours
Survey Completion	10,000	1	18 minutes	3,000 hours
Total				3,333 hours

2010 Tax Exempt Entity Burden Survey

Activity	Number of Respondents	Frequency of Response	Average Time	Annual Hour Burden
Reading invitation letter & reminder postcards	12,000	1	1 minute	200 hours
Survey Completion	6,000	1	15 minutes	1,500 hours
Total				1,700 hours

2011 Individual Taxpayer Burden Survey

Activity	Number of Respondents	Frequency of Response	Average Time	Annual Hour Burden
Reading invitation letter & reminder postcards	20,000	1	1 minute	333 hours
Survey Completion	10,000	1	18 minutes	3,000 hours
Total				3,333 hours

2011 Taxpayer Compliance Burden Survey

Activity	Number of Respondents	Frequency of Response	Average Time	Annual Hour Burden
Testing*	27	1	60 minutes	27 hours
Reading invitation letter & reminder postcards	8,000	1	1 minute	133 hours
Survey Completion	2,400	1	15 minutes	600 hours
Total				760 hours

2012 Business Taxpayer Burden Survey

Activity	Number of Respondents	Frequency of Response	Average Time	Annual Hour Burden
Reading invitation letter & reminder postcards	24,000	1	1 minute	400 hours
Survey Completion	9,400	1	20 minutes	3,133 hours
Total				3,633 hours

2012 Individual Taxpayer Burden Survey

Activity	Number of Respondents	Frequency of Response	Average Time	Annual Hour Burden
Reading invitation letter &	20,000	1	1 minute	333 hours

reminder postcards				
Survey Completion	10,000	1	18 minutes	3,000 hours
Total				3,333 hours

2012 Taxpayer Compliance Burden Survey

Activity	Number of Respondents	Frequency of Response	Average Time	Annual Hour Burden
Reading invitation letter & reminder postcards	8,000	1	1 minute	133 hours
Survey Completion	2,400	1	15 minutes	600 hours
Total				733 hours

The annual burden cost to respondents is estimated to total \$107,455 (5,033 hours x \$21.35) for 2010, \$87,386 (4,093 hours x \$21.35) for 2011, and \$164,374 (7,699 hours x \$21.35) for 2012. This estimate is derived using \$21.35, the May 2010 average wage rate from the Bureau of Labor and Statistics Occupational Employment Statistics Survey.

*The FY2011 Taxpayer Compliance Burden Survey will be the first attempt to collect information from the post-filing population in a manner that allows integrated analysis with pre-filing and post-filing burden. To better inform our survey effort and to ensure proper representation among post-filing groups (Correspondence Audits, Field/Office Audits, Appeals and Collections) in the survey test process, we are requesting additional respondents for survey testing for this survey only. Results of the Taxpayer Compliance Burden Survey testing can be found in the accompanying file **TCB Recommendations Memo FINAL_041612 v2.docx**

13. Annual Cost to Respondents.

There are no capital/start-up or ongoing operation/maintenance costs associated with collection of taxpayer burden information.

14. Cost to the Federal Government.

The estimated annualized cost to the Federal government for administering these surveys is estimated to be:

2010 Burden Surveys

\$2,200,000.

- Employee labor and materials (for developing the surveys, including developing, printing, storing forms, developing computer systems, screens, or reports to support the collection, travel costs, labor and materials for collecting the information, analyzing, evaluating, summarizing, and/or reporting on the collected information): \$400,000.
- Cost of contractor services: \$1,800,000.

2011 Taxpayer Burden Surveys\$1,900,000.

- Employee labor and materials (for developing the surveys, including developing, printing, storing forms, developing computer systems, screens, or reports to support the collection, travel costs, labor and materials for collecting the information, analyzing, evaluating, summarizing, and/or reporting on the collected information): \$400,000.
- Cost of contractor services: \$1,500,000.

2012 Taxpayer Burden Surveys\$2,800,000.

- Employee labor and materials (for developing the surveys, including developing, printing, storing forms, developing computer systems, screens, or reports to support the collection, travel costs, labor and materials for collecting the information, analyzing, evaluating, summarizing, and/or reporting on the collected information): \$600,000.
- Cost of contractor services: \$2,200,000.

15. Reason for Change.

Survey efforts are being expanded to individual post-filing issues in an effort to provide data that will supplement the pre-filing and at-filing compliance burden data that is obtained through the Individual Taxpayer Burden Surveys.

The survey scope is also expanded to include corporations, partnerships, and tax-exempt organizations in order to better understand the compliance burden faced by these organizations and how that burden compares to the burden incurred by taxable corporations. Taken together, this will allow for an updated compliance burden baseline for the IRS. It will also allow development of an associated model supporting subpopulation and what-if analyses for these entities, similar to that currently provided in support of the 1545-0074 reporting. This will further allow consolidated reporting of forms by taxpayer type along the lines of 1545-0074 improving the ability of IRS, Treasury and OMB to management the associated information collections.

16. Tabulation of Results, Schedule, Analysis Plans.

Upon conclusion of data collection for each survey, IRS staff will then use the results to develop updated estimates of compliance burden for the relevant taxpayer segments. Detailed results from the survey will be used to update the estimated relationships between taxpayer burden and taxpayer filing attributes. These estimates will then be used to update the micro-simulation model that provides taxpayer burden estimates and other tax-related information.

In addition, the IRS uses the survey results and micro-simulation model to estimate the changes in taxpayer burden resulting from changes in tax law and/or administrative regulations. IRS will use the results of the model to update our model producing annualized burden estimates, which are necessary for compliance with the information collection budget and associated public reporting. Burden estimates (OMB No. 1545-0074) based on the tax year 2010 and tax year 2011 individual taxpayer burden surveys will be used for the tax year 2012 and tax year 2013, respectively. Corresponding taxpayer-level estimates of burden for business and tax-exempt taxpayers is envisioned beginning with tax year 2012 or 2013, subject to OMB approval once survey results are available. Further publication of results is planned in tax research publications, internal IRS program evaluation documents, and Department of Treasury tax policy analysis.

17. Display of OMB Approval Date.

The bureau will comply with requirements to display the expiration date for OMB approval of the information collection on all instruments. It is requested that the currently approved OMB number for the tax year 2010 individual burden survey (OMB No. 1545-2212) be approved for use with all of the IRS burden surveys covered under this amended clearance request.

18. Exceptions to Certification for Paperwork Reduction Act Submission.

Not applicable. No exceptions are believed to exist.

PART B – JUSTIFICATION**1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection methods to be used.****Individual Burden Surveys**

The potential respondent universe is composed of wage and investment and self-employed taxpayers living in the United States. These taxpayers file a Form 1040, 1040-A, 1040-EZ, 1040-NR, 1040-NR-EZ, or 1040-X (as well as supporting forms and schedules). The sample frame will be developed using IRS administrative data sources, such as the returns transaction file (RTF). Some populations will be explicitly excluded from the survey population. This includes taxpayers that are minors, deceased taxpayers, and taxpayers that have international addresses, including active duty military serving overseas.

When sub-populations vary considerably, it is advantageous to sample each subpopulation (stratum) independently. Stratification is the process of grouping members of the population into relatively homogeneous sub-groups before sampling. The strata should be:

- Mutually Exclusive. Members must be assigned to only one stratum, and
- Collectively Exhaustive. No members can be excluded.

Then, random or systematic sampling can be applied within each stratum. Stratification often improves the representativeness of the sample by reducing sampling error. It also tends to produce a weighted mean that has less variability than the arithmetic mean of a simple random sample of the population. For these reasons, the proposed sample design for this study is a stratified random sample.

The sampling approach has been designed to ensure that key taxpayer subgroups are adequately represented in the study findings. The stratification includes two main criteria:

- Preparation method. The method by which the taxpayer prepared his or her return.
 - Prepared by a paid professional (paid)
 - Prepared using tax preparation software (soft)
 - Prepared by hand (self)
- Differential burden. Variable reflecting type of activities performed by taxpayers to meet their Federal tax obligations. Taxpayers are assigned burden corresponding to the highest burden item reported on their tax forms.

Differential burden is summarized in the following table.

Strata	Definition
Low	Wage income; Interest income; Unemployment income; Withholding; Earning income tax credit (with no qualifying children) or advanced EIC; Does not meet any of the conditions for higher levels of differential burden
Low-Medium	Capital gain income (includes capital gains distributions and undistributed capital gains); Dividend income; Earned income tax credit (with qualifying children); Estimated tax payments; Retirement income (includes SS benefits, IRA distributions, or pensions and annuities); Any non-refundable credit (includes child and dependent care expenses, education credits, child tax credit, elderly or disabled credit); Household employees; Non-business adjustments; Does not meet any of the conditions for higher levels of differential burden
Medium	Itemized deductions (includes mortgage interest, interest paid to financial institution; charitable contributions, and medical expenses); Foreign income, expense, tax, credit, or payment; Moving expenses; Simple Schedule C or C-EZ; General business credit; Does not meet any of the conditions for higher levels of differential burden
Medium-High	Farm income as reported on Schedule F; Owns rental property as reported on Schedule E, including farm rental and low income housing; Estate or trust income as reported on Schedule E; Employee business expense deductions; Files AMT without AMT preference items; Prior year alternative minimum tax credit; Investment interest expense deduction; Net loss as reported on Schedule C; Depreciation or amortization as reported on Schedule C; Expenses for business use of home as reported on Schedule C; Does not meet any of the conditions for higher levels of differential burden
High	Cost of goods sold as reported on Schedule C; Partnership or S-Corp income as reported on Schedule E; Files AMT with AMT preference items

These variables were chosen for stratification because of their importance to the modeling of taxpayer burden and behavioral activities. The differential burden variable is included to ensure that different tax concepts, tax provisions, and tax characteristics with differential recordkeeping and reporting requirements are included. The tax preparation method variable ensures both a proper balance and an adequate representation of paid preparers, software preparers, and self preparers, allowing us to reflect the role of technology and services in meeting recordkeeping and reporting requirements.

The specifications of the sample design are developed to balance three main issues. The first is that it must be efficient in the way the sample is distributed so that estimates from the sample are reliable (i.e., meet confidence interval range requirements). Specifically, the aim is for the coefficient of variation to be under 2%. The second is to ensure that there are a sufficient number of cases to meet the needs of the modeling tool to identify the determinants of burden within and across strata. The third is that the design should facilitate comparisons between future Individual Taxpayer Burden surveys and the previous surveys.

To make the Individual Taxpayer Burden survey comparable with the previous surveys, we continue to use the same design variable (total monetized burden), the same stratified random sampling approach, and the same stratification variables as in the tax year 2007 survey. In the 2007 survey, the Neyman allocation method was used to determine the sample size for each stratum, subject to the total sample size of 15,000. It aimed to minimize the variance of estimated mean burden; however, it limited the sophistication of the modeling of certain thin populations of interest.

For the tax year 2010 survey, we adjusted the Neyman allocation by requiring a minimum number of observations per stratum. The minimum number of observations was defined by applying a common rule of thumb, which states that a sample must include at least 10 or 15 observations per independent variable in a regression model (Stevens, 2002; Bartlett et al., 2001). To be conservative, we chose 15. Given that the expected number of independent variables is 15, the minimum desired number of complete responses for modeling each stratum is 225.

Our objective was to minimize the variance of estimated mean burden constrained on this minimum sample size for modeling, with response rate incorporated. We started with the same total sample size of 15,000 as in the tax year 2007 study, considering this as our base sample. We then calculate the coefficient of variation, given the minimum stratum size of 225. Because the coefficient of variation was too large for the sample size of 15,000, we adjusted the sample size to 20,000, and recalculated the coefficient of variation. The sample size of 20,000 resulted in a coefficient of variation of 1.62%. This coefficient of variation met our requirement. Because we used a new data collection protocol, it also allowed us some additional confidence that we will achieve the desired number and mix of complete responses. See Table B1, **Overall Return Distribution by Strata**, below.

Table B1 – Sample allocation for ITB TY2010 survey

Monetized Burden Strata	Projected Pop Count	Est. Mean	Est. Std. Dev.	Est. Response Rate	Sample Allocation	Expected Number of Respondents
11 paid, low	9,822,075	190.46	241.53	0.2558	880	225
12 paid, low-medium	26,114,402	295.10	370.49	0.3213	1,644	528
13 paid, medium	15,940,360	619.92	980.87	0.3916	2,656	1,040
14 paid, medium-high	15,732,824	946.43	1,157.12	0.3970	3,092	1,228
15 paid, high	10,685,596	1,837.13	2,524.26	0.3894	4,582	1,784
21 self, low	3,503,015	85.97	115.25	0.3594	626	225
22 self, low-medium	2,707,918	157.75	225.08	0.3436	655	225
23 self, medium	1,695,808	499.83	709.51	0.4355	517	225
24 self, medium-high	770,422	715.88	876.97	0.4046	556	225
25 self, high	288,597	923.48	881.83	0.4119	546	225
31 soft, low	10,478,344	116.18	159.24	0.3058	736	225
32 soft, low-medium	15,971,640	185.25	228.28	0.3678	619	228
33 soft, medium	10,942,941	518.45	713.67	0.4620	1,327	613
34 soft, medium-high	6,336,666	769.97	1,015.50	0.4396	1,093	480
35 soft, high	1,639,707	1,278.71	1,615.97	0.4772	472	225
Total	132,630,316	551.90			20,000	7,701
Overall CV						1.62%

A similar approach is expected for the TY2011 ITB survey. Using preliminary results from the TY2010 to guide the sample allocation, we expect to be able to further refine the accuracy and efficiency of the information collection. However, not having the benefits of this analysis at this time, we will conservatively assume identical sample size, response rate and CV for the TY2010 and TY2011 ITB surveys.

The 2011 Taxpayer Compliance Burden Survey Universe is predominately TY2008, TY2009, and TY2010 taxpayers who had either a Collection or Examination case close in Calendar Year 2011. For this study we propose to survey 8,000 taxpayers stratified into lower and higher return complexity and by their subsequent interaction with IRS Examination, Collection and Appeals processes. Not having appropriate post-filing burden variance data available, the 2011 Post-filing burden study will use the variance of post-filing cycle time to stratify the sample as a proxy. We propose a follow-up 2012 post-filing burden of similar design, which would use burden variance from the 2011 study to derive a more accurate and efficient design.

The Taxpayer Compliance Burden Strata are defined below.

Return Complexity	Definition
Low	Wage income; Interest income; Unemployment income; Withholding; Earning income tax credit (with no qualifying children) or advanced EITC; Does not meet any of the conditions for higher levels of differential burden Capital gain income (includes capital gains distributions and undistributed capital gains); Dividend income; Earned income tax credit (with qualifying children); Estimated tax payments; Retirement income (includes SS benefits, IRA distributions, or pensions and annuities); Any non-refundable credit (includes child and dependent care expenses, education credits, child tax credit, elderly or disabled credit); Household employees; Non-business adjustments; Does not meet any of the conditions for higher levels of differential burden
High	Itemized deductions (includes mortgage interest, interest paid to financial institution; charitable contributions, and medical expenses); Foreign income, expense, tax, credit, or payment; Moving expenses; Simple Schedule C or C-EZ; General business credit; Farm income as reported on Schedule F; Owns rental property as reported on Schedule E, including farm rental and low income housing; Estate or trust income as reported on Schedule E; Employee business expense deductions; Files AMT without AMT preference items; Prior year alternative minimum tax credit; Investment interest expense deduction; Net loss as reported on Schedule C; Depreciation or amortization as reported on Schedule C; Expenses for business use of home as reported on Schedule C; Cost of goods sold as reported on Schedule C; Partnership or S-Corp income as reported on Schedule E; Files AMT with AMT preference items
Post-Filing Issue Complexity	Definition
Appl	Case closed to Appeals (CY 2011)
Coll-Low	Case closed to Collections (CY 2011); Completed an Instalment Agreement; Paid Balance in Full; Does not meet any of the conditions for higher levels of differential Collection burden
Coll-High	Account was placed in Currently Not Collectible Status Due to Hardship; Balance Due Exceeded \$25000; Requested a Collections Due Process Hearing; Requested an Equivalent Hearing; Had a Federal Tax Lien to Released; Submitted/Completed an Offer in Compromise;
Exam - Low	Case Closed to Examination (CY 2011);

	Case Closed to Automated Underreporter (CY 2011); Examination technique was Correspondence; Does not meet any of the conditions for higher levels of differential Examination burden
Exam-Med	Examination technique was Office; Does not meet any of the conditions for higher levels of differential Examination burden
Exam-High	Examination technique was Field
Amended	Filed an Amended Individual Income Tax Return (CY 2011)
Preparation Method	Definition
Assisted	Prepared by a paid professional (paid) Prepared using tax software (soft)
Unassisted	Prepared by hand (self)

Entity Burden Surveys

Business entity taxpayers are defined here as corporations, limited liability companies, or partnerships filing any of the following income tax returns: Forms 1065, 1065-B, 1066, 1120, 1120-F, 1120-FSC, 1120-L, 1120-ND, 1120-PC, 1120-RIC, 1120-REIT, 1120-S, or 1120-SF.

Tax-exempt organizations to be surveyed are taxpayers filing any of the Form 990, 990-EZ, or 990-PF. Organizations filing Form 990-N are excluded from this planned survey data collection because their filing requirements and compliance burden are minimal. The sample frame is all such tax exempt returns from the IRS Returns Inventory and Classification System (RICS). Business entities and tax-exempt organizations will be selected using a modified Neyman allocation. The sample strata will be based on return type, preparation method, and total revenue. Preparation and revenue strata are shown below:

Preparation Method Strata:

1. Self Prepared
2. Paid Prepared (defined as presence of a paid preparer)

Total Revenue Strata:

Self Prepared:

1. Less than \$5,000
2. \$5,001 - \$100,000
3. \$100,001 - \$1,000,000
4. \$1,000,001 or more

Paid Prepared:

1. Equal to zero
2. \$1 - \$5,000
3. \$5,001 – 50,000
4. \$50,001 - \$100,000
5. \$100,001 - \$500,000
6. \$500,001 - \$1,000,000
7. \$1,000,001 - \$5,000,000
8. \$5,000,001 - \$10,000,000
9. \$10,000,001 or more

The specifications of the sample design were developed to balance two main issues. The first and most important is to ensure that there are a sufficient number of expected complete responses to meet the needs of the modeling tool to identify the determinants of burden and their relative impacts. The second issue is that the sample design must be efficient in the way the sample is distributed so that estimates from the sample are reliable (i.e., meet confidence range requirements).

As defined above, the three variables that will be used for stratification are: tax form type, tax preparation method, and total revenue. These variables were chosen for stratification because of their importance to the modeling of taxpayer behavior activities. Tax form type is included to ensure that an adequate number of the different form types are included. The tax preparation method ensures both a proper balance and an adequate representation of paid preparers versus self-preparers. Stratifying on total revenue will ensure that an even distribution of different organization sizes will be included.

For each stratification variable, category breaks were chosen to increase the precision of sample estimates. This is accomplished by choosing breakpoints that segment taxpayers into groups whose burden is homogeneous – or alternatively, breakpoints that create separate estimation strata for groups whose burden is highly variable. Sample size can then be concentrated on taxpayer segments with heterogeneous burden, thus increasing the precision of population estimates.

The overall return distribution for the 2010 Tax-Exempt Burden Survey is shown in Table B2 below.

Table B2 – Overall Tax-Exempt Entity Return Distribution by Strata

Stratum	TotProj	SmplRate	Wave1 cycle_pst201137		Wave2 cycle_pst_201152		Wave3 cycle_pst201226	
			ActualPop	ExpSmpl	ActualPop	ExpSmpl	ActualPop	ExpSmpl
Less than \$5,000	31081	0.01603972	16,217	260	8,948	144	5,916	95
\$5,001 - \$100,000	81248	0.00520988	41,085	214	21,877	114	18,286	95
\$100,001 - \$1,000,000	48578	0.01841616	24,509	451	13,362	246	10,707	197
\$1,000,001 or more	18489	0.02488922	7,400	184	6,105	152	4,984	124
Equal to zero	6273	0.05491527	2,318	127	2,081	114	1,874	103
\$1 - \$5,000	16889	0.01651608	8,264	136	5,134	85	3,491	58
\$5,001 – 50,000	80604	0.00438926	37,090	163	24,401	107	19,113	84
\$50,001 - \$100,000	69488	0.00957306	29,409	282	21,594	207	18,485	177
\$100,001 - \$500,000	134164	0.01604597	51,418	825	42,048	675	40,698	653
\$500,001 - \$1,000,000	41783	0.01558878	12,310	192	12,827	200	16,646	259
\$1,000,001 - \$5,000,000	55838	0.05082828	14,195	722	16,894	859	24,749	1,258
\$5,000,001 - \$10,000,000	12482	0.05021166	2,459	123	3,900	196	6,122	307
\$10,000,001 or more	19014	0.09529285	2,801	267	6,495	619	9,718	926
	615931		249,475	3,947	185,667	3,717	180,789	4,337
			Percent of sample	0.3289		0.3097		0.3614

We plan to sample 12,000 TY2010 Tax Exempt taxpayers drawn from the strata above. For the proposed TY2011 Business Taxpayer Burden survey we expect to sample 24,000 taxpayers in a manner similar to that approved for TY2009 under OMB control #1545-1432. While we expect to improve the efficiency of the design of the TY2011 Business Taxpayer Burden survey based on analysis of the TY2009 data, until such time as we conduct that analysis we will conservatively assume a burden impact corresponding to the assumption of the TY2009 Business Taxpayer Burden information collection request.

The overall post-filing return distribution for the 2011 Tax Compliance Burden Survey is shown in Table B3 below.

Table B3 – Overall Post-filing Return Distribution by Strata

Strata	Post Filing Issue Complexity	Return Complexity	Preparation Method	PopCount	Pop%	Sample Allocation
1	Appl	Other than High and Assisted	Other than High and Assisted	2,552	0.02%	591
2	Exam - High	Other than High and Assisted	Other than High and Assisted	4,548	0.04%	591
3	Appl	High	Assisted	8,294	0.07%	591
4	Exam - Medium	Other than High and Assisted	Other than High and Assisted	10,168	0.08%	591
5	Coll - High	High	Unassisted	17,175	0.14%	591
6	Coll - High	Low	Unassisted	23,015	0.19%	591
7	Amended	High	Unassisted	27,091	0.22%	591
8	Amended	Low	Unassisted	32,183	0.27%	591
9	Exam - High	High	Assisted	65,083	0.54%	591
10	Coll - High	Low	Assisted	74,933	0.62%	591
11	Exam - Low	High	Unassisted	90,776	0.75%	591
12	Exam - Medium	High	Assisted	92,153	0.76%	591
13	Exam - Low	Low	Unassisted	132,179	1.09%	591
14	Coll - High	High	Assisted	193,443	1.60%	591
15	Amended	Low	Assisted	257,990	2.13%	591
16	Coll - Low	High	Unassisted	308,263	2.55%	591
17	Coll - Low	Low	Unassisted	386,219	3.19%	591
18	Amended	High	Assisted	472,121	3.90%	591
19	Exam - Low	Low	Assisted	1,459,608	12.05%	591
20	Exam - Low	High	Assisted	2,055,678	16.97%	591
21	Coll - Low	Low	Assisted	2,361,685	19.50%	591
22	Coll - Low	High	Assisted	4,037,175	33.33%	591

2. Describe the procedures for the collection of information.

We have two objectives in the design of the following protocols. The first is the efficient collection of the current sample; the second is to inform the design of future studies. The exact form of each of these contacts will vary somewhat, depending upon several factors. First, it will depend upon whether the contractor is able to obtain a telephone number for sampled taxpayers. For those respondents able to be matched with phone numbers, communication will take place via mail with telephone follow-up contact, if necessary. For respondents without phone numbers, all communication will necessarily take place via mail. The anticipated success rate for matching the sample to telephone numbers is about 50%.

Individual Taxpayer Burden Survey 2010

The survey protocols for the web-first or survey-first options are shown below.

	<input type="checkbox"/> Web-First Option	<input type="checkbox"/> Survey-First Option
Step 1: Invitation to the survey.	A hardcopy letter will be sent to the targeted respondent inviting the individual taxpayer or individual most familiar with the entity's tax return to go to the website URL to complete the online survey. The invitation will include information about the survey, assurances that there is no risk associated with participation, and web access information. In addition, respondents will be given directions on how to obtain a paper survey if they do not have access to the web or would prefer a hard copy. This mailing will also include a letter from an IRS official endorsing the survey and emphasizing the importance of the data collection effort.	A paper questionnaire will be mailed to the targeted respondent. The paper-and-pencil mail survey will include a postage-paid return envelope. The survey will include a series of frequently asked questions that will provide information about the survey and assurances that there is no risk associated with participation. Respondents will also be informed of the option to complete a web survey. This mailing will also include a letter from an IRS official endorsing the survey and emphasizing the importance of the data collection effort.
Step 2: Mail survey sent.	A paper questionnaire will be mailed to those households who have not responded to either the initial letter invitation within 15 days of the initial mailing. The paper-and-pencil mail survey will include a postage-paid return envelope.	
Step 3: Thank you/Reminder postcard (Nonrespondents not matched with phone numbers)	Approximately 30 days after the initial mailing, a thank you/reminder postcard will be mailed to all respondents, including those who 1) have completed the survey or 2) who have not completed the survey and for whom no contact phone number is available. The postcard will thank those who have already submitted a completed web survey and ask those who have not to please do so. The postcard will include access information for the web survey.	
Step 3: Phone prompt.	If no completed survey is received either by mail or web within approximately 30 days after the initial mailing, non-respondents that have been matched to a phone number will receive a prompt from a telephone interviewer asking them to complete the survey. Telephone interviewers will be prepared at this stage to administer the interview over the telephone if the respondent wishes.	
Step 4: Thank you/second reminder prompt.	Approximately 60 days after the initial mailing, a thank you/reminder postcard will be mailed to all respondents. The postcard will thank those who have already submitted a completed web survey and ask those who have not to please do so. The postcard will include access information for the web survey.	

In the case of undeliverable mail, there are two possible scenarios: (1) a new address is available and supplied by the post office and (2) no new address is available. For each scenario, a detailed outline of the modified contact approach is shown on the next page.

	New Address Available	No Address Available
Step 1	<p>A paper questionnaire will be mailed to the targeted respondent at the new address. The paper-and-pencil mail survey will include a postage-paid return envelope. The survey will include a series of frequently asked questions that will give information about the survey and assurances that there is no risk associated with participation. Respondents will also be informed of the option to complete a web survey. This mailing will also include the letter from an IRS official endorsing the survey and emphasizing the importance of the data collection effort. Because of time constraints, this package will be sent via UPS.</p>	<p>If a phone number is available for the respondent, an interviewer will contact the respondent to request an updated mailing address. The interviewer will briefly introduce the survey and will be able to answer questions about the survey and the process. In addition, the interviewer will administer the interview over the telephone if the respondent wishes.</p>
Step 2	<p>If no completed survey is received, respondents will receive a reminder prompt from a telephone interviewer asking respondents to complete the survey. Telephone interviewers will be prepared at this stage to administer the interview over the telephone if the respondent wishes.</p> <p>If no phone number is available, respondents will receive a reminder postcard asking the respondent to please complete the survey.</p>	<p>If a respondent is willing to provide an updated mailing address, a survey package will be mailed to the respondent at the new address. The paper-and-pencil mail survey will include a postage-paid return envelope. The survey will include a series of frequently asked questions that will give information about the survey and assurances that there is no risk associated with participation. Respondents will also be informed of the option to complete a web survey. This mailing will also include the letter from an IRS official endorsing the survey and emphasizing the importance of the data collection effort.</p>
Step 3	N/A	<p>If no completed survey is received, respondents will receive a reminder prompt from the same telephone interviewer who contacted them in Step 1. This interviewer will be prepared to administer the interview over the telephone if the respondent wishes.</p>

Individual Taxpayer Burden Survey 2011 and 2012, Taxpayer Compliance Burden Survey 2011 and 2012

Contact	Description	Schedule
Contact 1: Pre-note	The pre-note is a hardcopy letter from an IRS official endorsing the survey and emphasizing the importance of the data collection effort. It notifies the respondent of selection for the survey, as well as provides information about the survey and assurances that there is no risk associated with participation. In addition, respondents will be given directions on how to view the survey on the taxstats website.	Beginning of data collection period
Contact 2: Survey packet	The survey packet consists of a paper-and-pencil questionnaire, a pre-addressed postage paid reply envelope, and a letter from the survey vendor indicating that the enclosed survey is the one referred to in the previously-received pre-note, a reminder that completing the survey is voluntary, and indicating that the enclosed \$2 incentive is a token of appreciation. The paper survey also includes information on how the respondents may complete the survey on the web, if so desired. A \$2 incentive will be enclosed in this mailing only.	2 – 3 weeks after Contact 1 mails
Contact 3: Thank you/reminder Postcard	All respondents will be mailed a thank you/reminder postcard, including those who 1) have completed the survey or 2) who have not completed the survey and for whom no contact phone number is available. The postcard will thank those who have already submitted a completed survey and ask those who have not to please do so.	3 weeks after Contact 2 mails
Contact 4: Survey packet	Nonrespondents are sent the survey packet, which provides a second copy of the paper-and-pencil questionnaire, a pre-addressed postage paid reply envelope, and a letter from the survey vendor asking for response. As with the first survey packet, the paper survey also includes information on how the respondents may complete the survey on the web, if so desired.	2 weeks after Contact 3 mails
Contact 5: Phone call (only for nonrespondents that have been matched to a phone number)	If no completed survey is received either by mail or web, non-respondents that have been matched to a phone number will receive a prompt from a telephone interviewer asking them to complete the survey. Telephone interviewers will be prepared at this stage to administer the interview over the telephone if the respondent wishes.	2 weeks after Contact 4 mails
Contact 5: Reminder postcard (only for nonrespondents that have NOT been matched to a phone number)	Nonrespondents that have not been matched to a phone number will receive a reminder postcard.	2 weeks after Contact 4 mails
Contact 6: Survey packet	Nonrespondents are sent the survey packet, which provides a third copy of the paper-and-pencil questionnaire, a pre-addressed postage paid reply envelope, and a letter from the survey vendor asking for response. As with the first and second survey packets, the paper survey also includes information on how the respondents may complete the survey on the web, if so desired.	2 weeks after Contact 5 phone or postcard follow-up

Additional contacts planned for the 2012 Individual Taxpayer Burden Survey		
Contact 7: Reminder postcard (only for nonrespondents that have NOT been matched to a phone number)	If no completed survey is received either by mail or web, all non-respondents a reminder postcard.	2 weeks after Contact 6 mails
Contact 8: Survey packet	A subgroup of nonrespondents will be selected to receive a fourth survey package. Responses from these surveys will be analyzed to determine the efficacy of incorporating an 8 th contact into future survey protocols to support response rate.	2 weeks after Contact 7 mails

2010 Tax Exempt Organization Burden Survey

Contact	Description	Schedule
Contact 1: Initial survey packet	The initial survey packet consists of a paper-and-pencil (TeleForm) survey, a letter from the IRS endorsing the survey, a letter from Westat with instructions on completing the survey online, and a postage-paid return envelope.	Beginning of data collection period
Contact 2: Thank you/reminder Postcard	All respondents will be mailed a thank you/reminder postcard, including those who 1) have completed the survey or 2) who have not completed the survey and for whom no contact phone number is available. The postcard will thank those who have already submitted a completed survey and ask those who have not responded to please do so.	7 – 10 days after Contact 1 mails
Contact 3: Follow-up survey packet	All sampled organizations will receive a follow-up survey packet, which will include the paper-and-pencil (TeleForm) survey, a letter from the IRS endorsing the survey, and a letter from Westat with instructions on completing the survey online. ⁴ The letters will be tailored to acknowledge the earlier survey package sent to the respondent.	7 – 10 days after Contact 1 mails
Contact 4: Telephone nonresponse follow-up	If no completed survey is received either by mail or web, non-respondents that have been matched to a phone number will receive a prompt from a telephone interviewer asking them to complete the survey. Telephone interviewers will be prepared at this stage to administer the interview over the telephone if the respondent wishes.	7 – 10 days after Contact 1 mails

2012 Business Taxpayer Burden Survey

Contact	Description	Schedule
Contact 1: Initial survey packet	The initial survey packet consists of a paper-and-pencil (TeleForm) survey, a letter from the IRS endorsing the survey, a letter from Westat with instructions on completing the survey online, and a postage-paid return envelope.	Beginning of data collection period
Contact 2: Thank you/reminder Postcard	All respondents will be mailed a thank you/reminder postcard, including those who 1) have completed the survey or 2) who have not completed the survey and for whom no contact phone number is available. The postcard will thank those who have already submitted a completed survey and ask those who have not responded to please do so.	7 – 10 days after Contact 1 mails
Contact 3: Follow-up survey packet	All sampled organizations will receive a follow-up survey packet, which will include the paper-and-pencil (TeleForm) survey, a letter from the IRS endorsing the survey, and a letter from Westat with instructions on completing the survey online. ⁴ The letters will be tailored to acknowledge the earlier survey package sent to the respondent.	7 – 10 days after Contact 2 mails

Web survey. The secure web survey will be posted online using a proprietary web survey delivery system developed by our contractor, Westat. The software easily accommodates different question formats, including open-ended response fields. It also allows participants to skip questions and complete the survey in more than one session (i.e., the respondent can leave the web survey and come back to finish it at a later time). Development and testing of the web survey will follow well-established, documented best methods.

Paper-and-pencil survey. The paper-and-pencil mail survey will be designed to be user friendly, easy to navigate, and with clear and simple instructions. The survey will be created using TeleForm technology, a software system for intelligent data capture and image processing. The software extracts indexing information automatically from any document type through the use of multiple recognition engines. TeleForm reads hand print, machine print, optical marks, bar codes, and signatures.

Data storage and usage. Response data will be stored and tracked in a response database which can then used to update and extend the IRS compliance burden model. In addition, a tailored Survey Management System will track cases throughout all modes of contact, including mail, telephone, and IVR.

3. Describe methods to maximize response rates and to deal with issues of non-response.

Upon completion of the survey protocol, we will conduct a non-response bias analysis. This analysis will be the same as what was done for previously-conducted surveys, using a raking technique as a way to control for bias in a multivariate scenario. The process is further outlined in the paper “Response Mode and Bias Analysis in the IRS’ Individual Taxpayer Burden Survey”, by J. Michael Brick, George Contos, Karen Masken, and Roy Nord.

4. Describe any tests of procedures or methods to be undertaken.

To ensure that the collection of information is not burdensome and that the questions are clearly written and will produce accurate and valid results, the IRS will conduct cognitive testing for any new or revised survey instrument. Cognitive testing is a well-established qualitative research method intended to identify problems respondents have with comprehension of survey questions (Willis 2005)¹. The testing will be conducted with taxpayers in the

¹Willis, G.B. (2005). Cognitive Interviewing: A Tool for Improving Questionnaire Design. Thousand Oaks, CA: Sage Publications.

Washington, D.C. area. Respondents will be recruited according to specific criteria (e.g., filing status, complexity of return, and filing method). Efforts will be made to recruit respondents who are demographically representative of the population being surveyed.

In addition, at the outset as well as after each interaction of testing, the instrument will undergo extensive review by the IRS, the contractor, and stakeholders.

5. Provide the names and telephone numbers of individuals consulted on statistical aspects of the design and the name of the agency unit, contractor(s), grantee(s), or other person(s) who will actually collect and/or analyze the information for the agency.

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