

Supporting Statement  
Approval Request to Conduct Cognitive and  
Psychological Research  
(OMB #1545-1349)

**'Out of Scope' Taxpayer Issues- Identifying Gaps in Service Channels and Finding  
Better Alternatives to Meet Taxpayer Needs**

**A. JUSTIFICATION**

**1. Circumstances Making the Collection of Information Necessary**

As outlined in the Internal Revenue Service (IRS) Strategic Plan under the goal of improving service to make voluntary compliance easier, it is noted that the IRS is dedicated to "taking proactive steps to better understand issues from the taxpayer's perspective" through techniques such as focus groups and surveys.

Since Fiscal Year (FY) 2010, the IRS budget has steadily declined from \$12.1 billion to its present level of \$11.2 billion. Coinciding with this decrease has been a significant increase in the number of telephone calls received by Accounts Management (AM). In addition to the effects of budget reduction, the IRS will also be making a number of taxpayer service changes for the 2014 filing season to reflect "available resources and shifting taxpayer demands."

Calls regarding 'out of scope' issues refer to calls that are beyond the service the IRS provides for toll-free and non-toll-free calling. The continued receipt of calls regarding 'out of scope' issues by CSR's indicates a clear gap between taxpayer demand and taxpayer resources that could be utilized to achieve issue resolution.

In filing season 2014, examples of 'out of scope' issues included:

- *Tax Form and Schedule Preparation*: "Line by line" assistance in the completion of all or most of a form or schedule, which could include computations and guidance on what to enter on each line, and/or the verification of form or schedule entries after completion by the taxpayer. (This does not apply to the preparation of worksheets such as the Form 1040ES Worksheet).
- *Tax Planning*: Assisting the taxpayer in determining the appropriate course of action for financial matters.
- *Legal Opinions*: Beyond advising taxpayers on applicable tax law.
  - *Highly Complex Tax Issues (Limited Service)*: Inquiries that cannot be resolved by referencing IRS publications, procedures, forms, instructions or through the Internal Revenue Manual (IRM) within a reasonable amount of time<sup>1</sup>.

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<sup>1</sup> 2014 IRS Service Approach Fact Sheet: <http://www.irs.gov/uac/Some-IRS-Assistance-and-Taxpayer-Services-Shift-to-Automated-Resources>

## **2. Purpose and Use of the Information Collection**

WIRA proposes a research study with the overall goal of identifying gaps in taxpayer needs (with respect to 'out of scope' issues) and alternative resources the IRS provides to meet these needs. The findings from this research will allow the IRS to make improvements to current and future service channels for 'out of scope' issues as well as to improve the advertising surrounding these service channels. In turn, this will improve level of service, facilitate voluntary compliance, and reduce taxpayer burden by incorporating taxpayer perspectives and improving all Service interactions through:

1. Ensuring operational decisions are made only after considering the views of affected taxpayers.
2. Using focus groups, comprehension testing, usability testing, and other research methods both to improve current and before rolling out new services and processes.
3. Facilitating voluntary compliance for taxpayers with issues that are deemed 'out of scope'.

The project will conduct exploratory research to allow the IRS to improve current alternative service channels regarding 'out of scope' issues and create new alternative service channels where gaps exist, potentially reducing burden on the service and the taxpayers as well as encouraging voluntary taxpayer compliance. Additionally, the project will explore potential marketing initiatives which would facilitate use of alternative service channels. To achieve these objectives, WIRA plans to conduct a total of 8 focus groups, (2 per city) in 4 separate cities. Each focus group will consist of 10 participants.

In each session, participants will review and sign a consent form, participate in a targeted group discussion regarding their personal experiences with obtaining alternative service channels for an 'out of scope' issue, complete a comprehension/usability exercise, and then participate in a second targeted group discussion regarding their experience completing the exercise. Upon arrival, participants will be re-screened to confirm their eligibility.

The data collected will be used to develop a better understanding of the taxpayer decision making process and usability levels when contacting the IRS regarding an 'out of scope' issue. It will assist the IRS in developing an understanding of the service needs and preferences of these taxpayers.

## **3. Consideration Given to Information Technology**

Participants will be using information contained on IRS.gov as well as sample documents created by WIRA during the comprehension exercises.

## **4. Duplication of Information**

Direct interaction with taxpayers through focus groups has been a research design used by the IRS for a number of years. Our research questions have not been studied previously and therefore there is no duplication of research.

## **5. Reducing the Burden on Small Entities**

NA

## **6. Consequences of Not Conducting Collection**

Without this type of taxpayer feedback, the IRS will not have timely information to adjust its services to meet customer needs.

## **7. Special Circumstances**

There are no special circumstances. The information collected will be voluntary and will not be used for statistical purposes.

## **8. Consultations with Persons Outside the SOI**

Not applicable.

## **9. Payment or Gift**

Participants will be paid \$75.00 for their participation in this 90 minute study. The purpose of the stipend is to encourage participation, and to thank participants for sharing their time and contributions to the discussion. These stipends are typical for the locations of the groups, time spent in the session, the type of individuals recruited, and in line with the industry standard.

## **10. Confidentiality**

No PII will be collected during the focus group. Moderators will indicate that no names will be used in the final report. Also, the data returned to the IRS will have no identifying information relating specific records to individual taxpayers. Nonetheless, the IRS will ensure that privacy to the extent allowed by law and security of the aggregated results will receive the utmost attention. Public and official access to the information will be tightly controlled. The computer files containing this tabulated information will remain password protected at all times. Data security approaching level C-2 will be accomplished using the Windows 7 operating system. Audiotapes used to record testing sessions will be destroyed when the project is completed and there is no further need for the data. We will apply fair information and record-keeping practices to ensure protection of all taxpayers. The criterion for disclosure laid out in the Privacy Act, the Freedom of Information Act, and section 6103 of the Internal Revenue Code, provides for the protection of taxpayer information as well as its release to authorized recipients.

## **11. Sensitive Nature**

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

## **12. Burden of Information Collection**

The estimated time to complete the participant screening is 5 minutes. The estimated time for each reminder call is one minute, with each testing session lasting 90 minutes. We estimate that 10 percent of the taxpayers contacted for the study will qualify and be willing to participate. Using this percentage, a total of 1,120 individuals will need to be screened to recruit the needed 10 participants for each focus group, along with four alternates. We estimate that 32 people will be sent home because we will only need 80 to stay for the focus groups. To achieve these objectives, WIRA plans to conduct a total of 8 focus groups, (2 per city) in 4 separate cities. The total burden for this collection is 217 hours

<b>Estimated Study Burden</b>				
<b>Type of Collection</b>	<b>No. of Respondents</b>	<b>Annual Frequency Per Response</b>	<b>Minutes Per Response</b>	<b>Total Hours</b>
Participant Screening	1,120	1	5	93.3
Recruited Participant Reminder Calls	112	1	1	1.9
Completing Informed Consent	112	1	1	1.9
Study Participation	80	1	90	120
<b>Total Burden</b>				<b>217</b>

### **13. Costs to Respondents**

No costs are anticipated.

### **14. Costs to Federal Government**

The anticipated cost to the Federal Government is a one-time cost of approximately \$65,000. This includes payments to the contractor (project planning, recruiting participants, communication with WIRA, transcripts, video, etc.) and a participant stipend (\$75).

### **15. Reason for Change**

Not applicable.

### **16. Tabulation of Results, Schedule, Analysis Plans**

There will be two types of data collected during each focus group.

Initially, participants partake in a focus group discussion regarding their actual experience related to their attempt to solve an 'out of scope' issue using IRS resources. Next, participants will answer questions related to hypothetical scenarios surrounding the future reduction of service channels regarding specific tax issues. Questions specific to the participants, which will attempt to determine their as well as preferences for how the IRS could best advertise alternative services offerings for these specific tax issues will be discussed. Data from this portion of the focus group will be qualitative in nature. Participants will then complete a comprehension exercise, involving a fictitious taxpayer, which will test their ability to use a proposed alternative service channel to resolve a taxpayer issue. Responses to the questions will be quantitative in nature and will be scored for accuracy. These scores will be used to measure how well the participants comprehend advertising language designed to steer them to the alternative service channel as well as the information that is presented from the alternative service channel. Lastly, participants will partake in a final discussion regarding their opinions on the advertising language as well as the information contained on the alternative service channels they encountered during the comprehension exercises.

Data from the discussion portions of the focus group will be qualitative in nature. The Contractor will provide transcripts and audio/videotape of each focus group session to WIRA. WIRA will analyze the verbatim feedback from participants to identify key themes in order to facilitate understanding of the taxpayer decision making process in selecting service channels.

Information from this will be useful, but will not yield data that can be generalized to the overall population. As such, the findings will be used for general service improvement, but are not for publication or other public release. Although WIRA does not publish its findings, information will be shared (when appropriate) with other organizations within the IRS, and will include specific discussion of the limitation of the data as discussed above.

#### **17. Display of OMB Approval Date**

We are requesting no exemption.

#### **18. Exceptions to Certification for Paperwork Reduction Act Submissions**

These activities comply with the requirements in 5 CFR 1320.9.

#### **19. Dates collection will begin and end**

Data collection will begin on September 1, 2014 and end on September 30, 2014.

### **B. STATISTICAL METHODS**

The primary purpose of these collections will be for internal management purposes; there are no plans to publish or otherwise release this information.

#### **1. Universe and Respondent Selection**

To participate in this study, participants must have the following characteristics:

- Taxpayer **or** spouse earned wages in calendar year 2013 **or** received a pension or annuity in 2013.
- At least 18 years of age.
- Self-prepared their tax return.
- Diverse in terms of age, gender, race/ethnicity, household income, education, and filing status.
- Taxpayer contacted the IRS in filing season 2014 regarding a tax related issue other than "Where's My Refund?"

Each focus group will have 10 participants. Research has demonstrated that this number of participants helps create the best group dynamics: the groups are sufficiently large to stimulate relatively spontaneous interaction, but small enough to give everyone sufficient opportunity to speak.

The screener guide will be used to qualify and select focus group participants. Qualitative and quantitative data will be gathered, which will not be, nor presented to be, representative of the population.

## 2. Procedures for Collecting Information

Each focus group will take no more than 90 minutes. Prior to the focus group, participants will be asked to read and sign a Consent Form. An outline of the areas of discussion is below.

### Introduction

- Moderator introduces self, plan for comprehension testing, topics of discussion, and ground rules (audio/video taping, presence of observers, privacy, etc.)
- Respondents introduce themselves by first name

### Section 1: Discussion of Actual Taxpayer Experience Resolving 'Out of Scope' Issue

- Taxpayers will be asked to provide comments, suggestions, and feedback on their experiences with using IRS resources to attempt to resolve their 'Out of Scope' issue. This will include the process they used to attempt to resolve their issue as well as their comments and suggestions on the service channels themselves.

### Section 2: Hypothetical Service Reduction Questions

- The taxpayers will be asked to answer questions regarding their preference for the use of alternative service channels if the IRS were to hypothetically take away certain service channels in the future.
- Taxpayers will discuss preferences for specific service channels they would move to as well as their preferences for advertising aimed at these efforts.

### Section 3: Alternative Service Channel Scenarios

- Taxpayers will be given a scenario involving a fictitious taxpayer and will be asked to use information provided to resolve their 'out of scope' issue.
- Taxpayer will be asked to take notes on their experiences
- Taxpayers will be observed as they complete the task, as well as recorded.
- Taxpayers will respond to a short questionnaire about their experiences and will provide the answers to the questions based on the service channels.
- Once completed, taxpayers will participate in a discussion where they will provide comments, suggestions, and feedback on their experiences using the alternative service channels to resolve the issue for the fictitious taxpayer. This will include feedback on the information contained on the service channels themselves as well as the language used in the advertising of these service channels.

### Section 4: Closing

- Elicit final suggestions/recommendations from participants
- Address any additional questions from observers

WIRA team members will moderate the focus groups. The moderator's guide was developed by WIRA.

## 3. Methods to Maximize Response

Information collected will not yield generalizable quantitative findings; it can provide useful customer input, but it does not yield data about taxpayer opinions that can be generalized.

#### **4. Testing of Procedures**

Pretesting of the future alternative service channel comprehension exercises and advertising language and the moderators guide will be tested with internal IRS staff.

#### **5. Contacts for Statistical Aspects and Data Collection**

The statistical expertise of Social Scientists within WIRA will be sufficient for the needs of the data collected from this project.