Office of Management and Budget
Clearance Package

Wage & Investment Division
Market Segmentation Survey 2008
Option Year 2 (amended)
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Internal Revenue Service
Wage and Investment
Strategy and Finance, Research, Survey Administration and Analysis

July 14, 2008

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I. Introduction

Background and Overview

IRS has replaced its traditional measures of accomplishment with a balanced measurement system consisting of business results, customer satisfaction, and employee satisfaction. The current transactional surveys involving Wage & Investment (W&I) customers (ACS (Automated Collection System), ACS Support, Automated Underreporter (AUR), Compliance Services Collection Operation (CSCO), Accounts Management (Adjustments), Compliance Center Examination, Toll-Free, Innocent Spouse, Field Assistance) concentrate primarily on the post-filing aspect of the customer's experience. While Toll-Free and Field Assistance do address pre-filing and filing concerns, they do so reactively: i.e., the customer takes the initiative because of a problem, issue or question they have, and those functions respond as best they can. Relatively little was known about the pre-filing and filing needs and preferences of the approximately 122.5 million Wage & Investment taxpayers until the W&I Market Segmentation Studies were conducted beginning in 2002. Because W&I is devoting a major increase in resources and attention to problem prevention for its customers, it is important to keep gaining a better understanding of the needs and preferences of the mass market of W&I taxpayers, most of whom have little contact with the IRS.

Objectives of Data Collection

The purpose of this task is to assist the Wage & Investment Division in developing a more thorough understanding of the mass market they serve. The Market Segmentation 2008 telephone study will be administered to a random sample of taxpayers who filed a Tax Year 2007 tax return. The study will yield valuable information on Wage & Investment taxpayer behavior patterns, their interactions with the IRS, and potential fail points in the tax administration system. In addition, it will prioritize taxpayer needs and reveal penetration and acceptance of key W&I products and services.

II. Methodology

This year's study will be administered via both online and phone data collection methods. The majority of the completed surveys will be administered online, with a smaller set of interviews conducted by telephone to test for differences between the two data collection modes.

Sample Design

A random-digit-dialing method will be used to reach taxpayers for the telephone survey, and a list of individuals from Knowledge Networks, will be used for the online component. A random selection method will be used to ensure that households selected to participate in the survey will represent the US population geographically.

Qualified taxpayers are:

- Individual taxpayers over the age of 18
- Filed 2007 federal income tax returns either by themselves, by friends/relatives, or preparers (paid and unpaid)
- Report living in a valid US zip code
- Prefer to speak or read Spanish (for the Spanish interviews)

Sampling Plan

The audience for this survey will include individual taxpayers. The targeted number of completed interviews will consist of 500 telephone interviews (400 English and 100 Spanish) and 2,800 online interviews (2,400 English and 400 Spanish).
The confidence levels for the telephone sample is 95% +/- 4.5%, and 95% +/- 1.5%.

Weighting procedures, similar to those employed for prior segment surveys and for many of the transaction surveys we do for W&I, will be employed to assure that overall results are representative of the W&I taxpayer base. W&I will provide PCG with the necessary population values for the sub-segments recommended here needed to construct the weighting.

Data Collection

Data collection will start in August 2008. The survey will be administered over a two-month time frame. This date is essential to make sure that participants' recollections of the 2007 tax-filing season are fresh in their minds.

Please see the attached questionnaire for the details of information to be collected.

This information gathering effort is W&I's primary means of obtaining information relative to the pre-filing, filing, and post-filing experiences of "uneventful" taxpayers, i.e., those whose only real contact with the IRS is filing a tax return.

Use of Data

The data from 2008 Market Segmentation Survey will be compared earlier segment surveys data to 1) provide balanced measures of customer satisfaction with IRS W&I services, and 2) to gauge whether or not some improvement was made since prior administrations of this survey. In addition, it will prioritize customers' needs and reveal penetration and acceptance of key W&I products and services. Furthermore, the study will seek to drill down on compliance issues to help reduce the number of notices. Handling notices increases burden on IRS resources. The Spanish population portion of the study will provide comparable information for the MLI (Multi-Lingual Initiative) organization.

Conducting Research

Pacific Consulting Group will conduct this research. PCG will work with SRBI and Knowledge Networks to conduct the data collection task: SRBI will conduct the telephone interviewing and Knowledge Networks will administer an online version of the survey. The purpose of the dual methodology is to gather information online that is not easily attainable by phone, and to compare modal differences between the phone and online methods. Should there be minimal modal differences, the IRS may consider migrating this study to a less expensive online method in the future. PCG will conduct interviewing training at SRBI and provide weekly updates to W&I to ensure that the process is going smoothly and to address any issues that arise throughout the research process.

Efforts to NOT Duplicate Research

This is the only survey that provides quantitative and qualitative data on the pre-filing and filing process for individual taxpayers, including those who have no contact with the IRS other than filing their return. Little, if any, duplication exists, as W&I does not collect this information on the other customer satisfaction surveys currently in use. See also "Use of Data."

Stipend

No payment or gift will be provided to respondents.

Recruitment Efforts

This data gathering effort will be carried out telephonically through the use of an IRS-provided list, and eligible participants will be selected by using the screening questions located at the beginning of the questionnaire..

Methods to Maximize Response Rate

PCG will strive to maximize response and cooperation rates among those selected in the sample. For the phone method, we will make up to twelve callbacks (at least one in the evening and one on Saturday), if necessary, to reach a respondent. Once the telephone is answered, we will administer screening questions to identify the person most familiar with the tax filling process. Interviewers will go through study-related training; part of this training will be teaching them refusal avoidance and refusal conversion techniques.

We will make all attempts to achieve the best response rate possible. Similar studies indicate a 49% response rate.

Test Structure/Design

PCG will conduct two types of questionnaire testing. First, PCG will check the internal consistency of the questionnaire, including all branching and drill-down. Second, PCG will also conduct a pretest of the questionnaire, with a minimum of 25 completed telephone responses and 30 completed online survey responses, to ensure: 1) correct CATI/online programming; 2) good questionnaire flow and logic based on the ease of the respondent being able to follow the questioning; 3) clarity of the questions for the respondents. Based on the test, PCG will make necessary changes approved/requested by W&I.

Participant Criteria

The target universe for this study will be based upon Wage and Investment taxpayers (18 years or older) who have filed calendar year 2007 returns in calendar year 2008.

See Screener Questions at the beginning of questionnaire (attached).

III. Privacy, Security, Disclosure, Confidentiality

The IRS will ensure compliance with Taxpayer Bill of Rights II. All participants will be treated fairly and appropriately.

The security of the data used in this project and the privacy of participants will be carefully safeguarded at all times. Security requirements are based on the Computer Security Act of 1987 and Office of Management and Budget Circular A-130, Appendices A7B. Physical security measures include a locked, secure office. Audiotapes are stored in locked cabinets. Transcription of audiotapes are stored in locked cabinets or shredded. Data security at the appropriate levels have been accomplished. Systems are password protected, users profiled for authorized use, and individual audit trails generated and reviewed periodically.

The IRS will apply and meet fair information and record-keeping practices to ensure privacy protection of all participants. This includes criterion for disclosure—laid out in the Privacy Act of 1974, the Freedom of Information Act, and Section 6103 of the Internal Revenue Code—all of which provide for the protection of taxpayer information as well as its release to authorized recipients.

Confidentiality will be safeguarded. During the data collection process, participants will not be identified to IRS personnel. In addition, no participant names will be mentioned in the reports or data files. Participants will be advised that comments will be audiotaped. Confidentiality is assured by virtue of agency policy. The terms of IRS's contract with the data collection requires that the confidentiality of any data be maintained.

IV. Burden Hours

The survey interview has been designed to minimize burden on the taxpayer. The time that a respondent takes to complete the survey has been carefully considered and only the most important areas are being surveyed. The average expected time of survey completion is expected to be 21 minutes. The interview questions are generally one sentence in structure and on an elementary concept level. While the questionnaire is long, no respondent will answer all of the questions and most respondents will follow a skip pattern that eliminates the majority of the questions. In fact, the 2007 survey shows that approximately 60% of respondents have had no contact with the IRS in the last year (except to file their return);

this population will only answer one-third of the survey, which will take approximately 7 minutes to complete. The burden hours factor in this detail.

We have made every attempt in designing this survey to maximize response rate. We assume the response rate of 50 percent.

Pretest burden hours:
33 taxpayers who have no contact with IRS in past year x 7 minutes = 231 mins
22 taxpayers who have had contact with IRS in past year x 21 minutes = 462 mins
55 non-respondents x 2 minutes = 110 mins

Total pretest burden time = 13 hours

Survey burden hours:

Telephone
300 taxpayers who have no contact with IRS in past year x 7 minutes = 2,100 mins
200 taxpayers who have had contact with IRS in past year x 21 minutes = 4,200 mins
500 non-respondents x 2 minutes = 1,000 mins

Web
1,680 taxpayers who have no contact with IRS in past year x 7 minutes = 11,760 mins
1,120 taxpayers who have had contact with IRS in past year x 21 minutes = 23,520 mins
2,800 non-respondents x 3 minutes (slightly longer online to read) = 8,400 mins

Total survey burden time = 850 hours

Grand total is estimated to be 863 hours.

Cost Estimate

The estimated cost for administering this survey is $421,109.00.

Other Information

The following information will be provided to Statistics of Income, Statistical Support Section within 60 days after the close of the survey data collection operations:

- Findings: A brief summary of significant findings that were evidenced in the results.
- Actions taken or lessons learned: A brief summary of any action taken or lessons learned as a result of the findings.
- Number of completed questionnaires

Statistical Contacts

For questions regarding the study or questionnaire design or the statistical methodology, contacts:

Elaine Lowitz and Wei Tang
Pacific Consulting Group
399 Sherman Avenue, Suite 1
Palo Alto, California 94306
(650) 327-8108

Attachments:

Questionnaire – Including PRA Statement & OMB Control Number