

Appendix B

Office of Management and Budget (1545-1349)
Summary of Projects Submitted for Approval and Results of Data Collections
(Summary Reports Received August 2007- August 2010)

Control # and Name: SOI-265

Tax Compliance Attitudes

Participants: 1011 (20,000 Requests)

Data Collection Began: 8/07

Data Collection Ended: 8/07 **Burden Hours:** 417

Cost: \$20,000 **Response Rate:** 5%

Purpose: To understand what influences taxpayers' tax compliance, their opinions of IRS, and their customer service preferences.

Findings: The majority of taxpayers reject cheating on taxes. Taxpayers see paying taxes as a civic duty and believe that noncompliant taxpayers should be held accountable. Personal integrity is the top influence on taxpayers' decision to pay taxes honestly. Taxpayers believe that IRS should focus compliance efforts on corporations and high-income taxpayers. 80% of taxpayers are satisfied with their interactions with IRS.

Actions taken or lessons learned: The results from the study will be used by the IRS Oversight Board to provide specific recommendations on how the IRS can best serve taxpayers.

Control # and Name: SOI-266

EITC Focus Groups

Participants: 70 (2,155 Requests)

Data Collection Began: 9/07

Data Collection Ended: 10/07

Burden Hours: 175

Cost: \$11,352/\$30,121 **Response Rate:**

Purpose: The IRS contracted with WESTAT to plan, conduct, analyze, and report on 8 focus groups with third-party tax preparers who filed for the Earned Income Tax Credit (EITC) on behalf of their clients in Tax Year 2006. Results from these focus groups are expected to provide a qualitative assessment of the types and quality of communication that these preparers have with their clients and with the IRS, and their potential effect on tax-preparers' compliance with EITC regulations. Barriers to such communication and suggestions about ways to improve communication are also addressed. The goal of these discussions is to supply the IRS with information about the current communication process that can be applied to efforts to enhance the existing system.

Findings: Many of these tax preparers rely heavily upon their professional tax software for the information they need to process tax returns with EITC claims, including receiving any updates to EITC eligibility requirements and meeting Due Diligence compliance requirements. When in doubt about what their software is (or isn't) telling them, many will turn to information posted on irs.gov and/or reference materials they keep on-hand for clarification. For the most part, those that have visited www.irs.gov have found the information posted there about EITC to be useful, although some have found it tricky on occasion to find what they are looking for on the website. Nearly all participants have never heard about the IRS-sponsored "eitcfortaxpreparers.com" website before, and many express interest in learning more about it. It should be noted that several participants across these groups express some distrust about information they might obtain on a ".com" website, as opposed to a ".gov" website which they would worry less about given the government association. In terms of discussing their experiences communicating with the IRS about EITC matters, these tax preparers' contacts with the IRS seem to be largely positive, unless there is a problem or question about a client's eligibility for EITC. A majority of these preparers describe frustration with the way they currently contact the agency to discuss these situations, which is most often via telephone. Issues such as long waits on hold, working with multiple agents on the same client issue, receiving different answers from different agents, and lack of recognition as tax professionals are among their chief complaints. Many would like to see a phone line or other contact resource (e.g. email) dedicated to EITC issues, as well as a structure wherein one IRS agent is

assigned to work on the client's EITC problem. Many of these preparers express willingness to take advantage of opportunities to learn more about EITC eligibility requirements from the IRS if online and other training resources are offered. A few suggest that it would be helpful if the IRS could develop "real world" examples of complex situations that can make it tricky for them to determine EITC eligibility, such as those involving criteria for a "dependent child" when two different caretakers try to claim the same child for EITC on different tax returns, or when the filing parent's visa or immigration status is questionable.

Actions Taken/Lessons Learned: WESTAT offers the following recommendations to the IRS considering the outcomes of these focus group discussions. The IRS should consider conducting outreach with tax software vendors. For the most part, these tax preparers rely heavily upon their tax software for the information they need to process EITC returns, including late-breaking updates to eligibility and other requirements. Many seem to be under the impression that the IRS has "approved" the information contained in their tax software. It might well serve the IRS to communicate with the major tax software vendors (e.g. Turbo Tax, LeCerte, Pro-Series, Drake) to learn more about where and when they draw the content they include in their tax packages regarding EITC. "Advertise" EITC online resources to third-party, paid tax preparers. These tax preparers seem willing to learn what they can about EITC to process tax returns more efficiently and correctly. Nearly all of the participants across these groups have never heard about the eitfortaxpreparer.com website, and are interested in learning more about it. Many visit irs.gov when searching for information about EITC. A link to eitfortaxpreparers.com appears on irs.gov but it requires scrolling through several web pages to discover. Making the link to eitfortaxpreparers.com more obvious and accessible from irs.gov would likely increase use of the .com site. It may also help to post an email notice about eitfortaxpreparers.com on the IRS listservs (e.g. IRS NewsWire) that several of these preparers subscribe to. Offer phone resources dedicated to EITC issues. When a client presents with a letter from the IRS saying their EITC claim is delayed or declined, many of these preparers head to the phones to call the IRS about the problem. However, many are not certain which IRS number they should call to discuss EITC related issues. The irs.gov website lists several telephone numbers that tax preparers can call with questions, but this list is not easy to find on the site; only a handful of participants know it exists. It might be helpful if the IRS made the phone list more prominent on the website, and perhaps "advertise" it to tax preparers (e.g., provide a link and instructions within an email from the IRS Newswire.) A phone line that preparers or taxpayers can call specifically about EITC would probably be very well received. Offer tools that third-party, paid tax preparers can use to better explain EITC eligibility to their clients. A few preparers mention that sometimes clients come to them demanding the full EITC credit because they either heard about the credit from someone or saw it advertised in their area (e.g., Miami and Houston.) Other times, clients simply don't understand why they do not qualify for the credit. Creating "real-world" examples of difficult eligibility situations and simplified tools that preparers can share with their clients could help taxpayers and preparers better understand the eligibility process

Control # and Name: SOI-267

Automated Collection System Study

Participants: 15 (139 Requests)

Data Collection Began: 9/07 **Data Collection Ended:** 9/07 **Burden Hours:** 20

Cost: \$8,288 **Response Rate:** 11%

Purpose: This research was conducted as part of the IRS agency-wide initiative to monitor taxpayer satisfaction with the service provided. These focus groups provided customer input for the ACS questionnaire revision process. The ACS questionnaire helps identify what ACS staff and managers can do to improve customer service, and tracks customer satisfaction with ACS's progress over time.

Findings: The comments made by participants in the focus groups supported the majority of the questionnaire. The comments also led to revisions of some questions to make them more clear to respondents. Two main themes that emerged from participants were: (1) the IRS needs more internal coordination and communication to keep track of individual cases; and (2) the initial letters were confusing and sometimes threatening.

Actions taken or lessons learned: The focus groups, together with input from the IRS, led to revisions of the ACS Customer Satisfaction survey. These revisions will help respondents understand the questions and help the IRS understand the survey results and make improvements.

Control # and Name: SOI-268

Compliance Service Collection Operations Study

Participants: 10 (500 letters)

Data Collection Began: 9/07

Data Collection Ended: 10/07 **Burden Hours:** 27

Cost: \$7,453 **Response Rate:** 2%

Purpose: This research was conducted as part of the IRS agency-wide initiative to monitor taxpayer satisfaction with the service provided. These focus groups provided customer input for the CSCO questionnaire revision process. The CSCO questionnaire helps identify what CSCO staff and managers can do to improve customer service, and tracks customer satisfaction with CSCO's progress over time.

Findings: The comments made by participants in the focus groups supported the majority of the questionnaire. The comments also led to revisions of some questions to make them more clear to respondents. The groups also highlighted that taxpayers cannot easily assess the accuracy of information from the IRS. In addition, customer experiences can differ by whether the customer contacted the IRS by phone, whether the case was resolved, and whether the taxpayer agreed with the resolution.

Actions taken or lessons learned: The focus groups, together with input from the IRS, led to revisions of the CSCO Customer Satisfaction survey. These revisions will help respondents understand the questions and help the IRS understand the survey results and make improvements.

Control # and Name: SOI-269

Field Collection Study

Participants: 5 (500 letters)

Data Collection Began: 9/07 **Data Collection Ended:** 10/08 **Burden Hours:** 22

Cost: \$7,453 **Response Rate:** 1%

Purpose: This research was conducted as part of the IRS agency-wide initiative to monitor taxpayer satisfaction with the service provided. These focus groups provided customer input for the questionnaire revision process. The Collection questionnaire helps identify what Collection staff and managers can do to improve customer service, and tracks customer satisfaction with Collection's progress over time.

Findings: The comments made by participants in the focus groups supported the majority of the questionnaire. The comments also led to revisions of some questions to make them more clear to respondents. The focus groups revealed that taxpayers are confused about when the Collection process begins and ends. They have contacts with the IRS that are not part of the Collection process, but they do not differentiate between calling a Toll-Free line and speaking with a Revenue Officer. In addition, some taxpayers have their tax professional assist them with the process and others do not.

Actions taken or lessons learned: The focus groups, together with input from the IRS, led to revisions of the Collection Customer Satisfaction survey. These revisions will help respondents understand the questions and help the IRS understand the survey results and make improvements.

Control # and Name: SOI-270

Compliance Center Exam Study

Participants: 7 (500 letters)

Data Collection Began: 9/07 **Data Collection Ended:** 10/08 **Burden Hours:** 21

Cost: \$7,453 **Response Rate:** 1%

Purpose: This research was conducted as part of the IRS agency-wide initiative to monitor taxpayer satisfaction with the service provided. These focus groups provided customer input for the CCE questionnaire revision process. The CCE questionnaire helps identify what CCE staff and managers can do to improve customer service, and tracks customer satisfaction with CCE's progress over time.

Findings: The comments made by participants in the focus groups supported the majority of the questionnaire. The comments also led to revisions of some questions to make them more clear to respondents. In addition, the groups highlighted the need to learn more about the number of customer contacts to the IRS and customer expectations for hearing from the IRS.

Actions taken or lessons learned: The focus groups, together with input from the IRS, led to revisions of the CCE Customer Satisfaction survey. These revisions will help respondents understand the questions and help the IRS understand the survey results and make improvements.

Control # and Name: SOI-271

F990 Redesign Focus Groups

Participants: 0

Data Collection Began: N/A **Data Collection Ended:** N/A **Burden Hours:** N/A

Cost: N/A **Response Rate:** N/A

Purpose:

Findings: The study was **cancelled**. Approval was not received timely.

Actions Taken/Lessons Learned:

Control # and Name: SOI-272

Penalty Case Opening/Closing Letters Focus Groups

Participants: 19 (35 Requests)

Data Collection Began: 9/07

Data Collection Ended: 9/07

Burden Hours: 34

Cost: \$3,200 **Response Rate:** 54%

Purpose: Each year the IRS hosts Nationwide Tax Forums to inform practitioners and professionals about current laws, practices, procedures, and other topics that affect the tax professional community. Aside from seminars and workshops, the forums also include voluntary focus group sessions. The focus groups provide an opportunity for the IRS to solicit feedback from tax professionals on notices and letters that have been simplified or are planned for simplification. The W&I Notice Improvement Office in conjunction with W&I Research and Analysis conducted focus group sessions at two of the 2007 Nationwide Tax Forums, testing two letters: Letter 3804, Request to Taxpayer to File Form 3520A and Provide Notice Required by IRC 6677 for Penalties (Penalty Case Opening Letter) Letter 3946, Advisory about IRC 6677 Penalties and LCCI Offering (Penalty Case Closing Letter) Penalty Case Opening Letter: This letter informs taxpayers that they have not filed a return, or have filed an incomplete or inaccurate return regarding their transactions with a foreign trust. This letter is initiated by a revenue agent currently working the taxpayer's income tax case. Penalty Case Closing Letter: This letter informs taxpayers that based upon their response to the "Penalty Assessment Opening Letter," they have not established reasonable cause with respect to filing obligations for foreign trusts, and they still need to file a complete and accurate return. Additionally, the letter informs them that penalties will be assessed. The overall objective of this project was to collect and provide qualitative data to the W&I Notice Improvement Office with regard to tax professionals' experience and evaluation of these penalty letters.

Findings: Overall, participants responded favorably to the two letters. They felt they would be readable by the majority of taxpayers. Participants also felt the use of notice elements such as boldfaced type and tables helped clarify important points in the letters and offered additional explanation. However, participants did express concerns, which included that the language of the Penalty Case Opening Letter was "a little strong" and "heavy handed," conveying a feeling that the taxpayer is "guilty until they can prove innocence." Participants questioned whether a taxpayer would understand which form they needed to complete. Additionally, some participants felt the letter should make a stronger case in suggesting the taxpayer seek representation for their dealings with the IRS. As for the Penalty Case Closing Letter, participants had mixed feelings concerning its readability. While many felt it was clear and did not have the negative connotation conveyed in the opening letter, others felt it didn't flow as well and contained wording that was difficult to follow. Participants were also split on the amount of information covering the taxpayer's right to appeal. Some felt this was too lengthy while others felt the right amount of information was included. Participants expressed further concerns, which the study's report discusses.

Actions taken or lessons learned: The findings were used to revise drafts for the penalty case opening and closing letters.

Control # and Name: SOI-273

TAS Study

Participants: 4,384

Data Collection Began: 10/07

Data Collection Ended: 3/08 **Burden Hours:** 731

Cost: \$18,010 **Response Rate:** 62%

Purpose: The Taxpayer Advocate Service (TAS) targeted two different groups of taxpayers to assess their knowledge and use of TAS services. Tax professionals and small business owners were asked to participate in a study that collected information via mail. The study attempts to gather information on the following: *Tax Professionals:* Are tax professionals aware of TAS services? Are these professionals properly referring cases to TAS? Are tax professionals aware of the criteria that must be met in order for TAS to assist a taxpayer? How satisfied are tax professionals with any TAS services they have received. *Small Business Owners:* Are small business owners (SBOs) aware of TAS services? Do SBOs know when it is appropriate to come to TAS for assistance? How satisfied are small business owners with any TAS services they have received?

Findings: *Tax Professionals:* Nearly half of the tax professionals have professionally prepared tax returns for 20 or more years. The largest group of tax professionals is made up of CPAs (40%), followed by “Un-enrolled Agent” (23%) and Enrolled Agent (13%). The tax professionals had the following observations about the IRS and the Taxpayer Advocate Service: Getting Problems Resolved with the IRS: Over three of every four tax professionals have said that less than one percent of their clients could not resolve a tax problem by using the normal IRS channels. On the other hand, about 1 in 15 tax professionals said that five percent or more of their clients had a tax problem that could not be resolved through the normal IRS channels. Awareness of TAS: Over three out of every four tax professionals were aware the IRS had an organization that helps taxpayers and had heard it called the Taxpayer Advocate Service. About two out of every three tax professionals who knew of TAS had heard about TAS via the IRS.gov or an IRS Form/Publication. Referrals to TAS: Over one out of every three tax professionals had referred at least one taxpayer to TAS for assistance or had worked with TAS on behalf of a taxpayer during the past year. Why tax professionals contact TAS: Over seven out of every ten tax professionals said they were motivated to contact TAS because TAS provided a prompt response or was able to cut through red tape. Approximately one out of every four tax professionals said they contacted TAS, or referred a taxpayer to TAS, because the IRS had not responded within 30 days or the taxpayer did not have the money needed to pay for tax assistance. Getting information about how TAS can help: The tax professionals said the top three sources of information were IRS.gov, tax publications, and seminars. Advertising TAS services: A majority of the tax professionals said TAS should advertise its services year round. Satisfaction with TAS services: Nearly 80 percent of tax professionals said they were satisfied or very satisfied with TAS services during the past year. *Small Business Owners:* Over half of all small business owners (SBOs) said their firm had been in business 10 years or more. Just over 50 percent of the SBOs have no employees; over one-third of all SBOs have one to five employees. The SBOs had the following observations about the IRS and the Taxpayer Advocate Service: Who prepares your tax return: Over 8 out of every 10 SBOs had a professional tax preparer complete their business tax return. Getting information about tax law changes: Six out of every ten SBOs said they rely on their tax professional for getting information about tax law changes. About three out of every ten said they used IRS forms and instructions for getting tax information. Awareness of TAS: 87 percent of all SBOs were not aware of TAS. Trust of the IRS: Over half of all SBOs said they trust the IRS. Just under half of all SBOs believe the IRS correctly handles tax matters. The SBOs primarily became aware of TAS through their tax professional or an IRS letter/publication. Contacting TAS for help about three percent of the SBOs had contacted TAS for help with a tax problem within the past year. Most the SBOs contacted TAS because they received an IRS notice about a tax problem. The motivation for contacting TAS is not very clear, although it appears the SBOs were looking to TAS to provide a prompt response to their problem. How to reach TAS: Nearly seven percent of the SBOs did not know how to contact TAS. Future contact with TAS: More than one of every five SBOs said they were likely or very likely to contact TAS in the future. Satisfaction with TAS services: 25 percent of the SBOs who had used TAS said they were satisfied or very satisfied with TAS services during the past year.

Actions Taken / Lessons Learned: *Overall:* Four wave survey design produced a better than expected response rate. The procurement process for survey printing and mailing was extremely cumbersome, as

the IRS blanket procurement contract had expired and the project had to be bid independently. The entire procurement process lasted over two months. Future survey efforts must plan for this time lag. *Tax Professionals*: Survey Question #8 (on why the tax preparer contacted TAS) allowed for only one response; however, from scanning the survey documents, several respondents listed multiple reasons (only the first was tabulated). For future iterations of this survey, this question would allow multiple responses. Survey Question #11 (on the most effective time for TAS to advertise its services) allowed for only one response; however, from scanning the survey documents, several respondents listed more than one time period (only the first was tabulated). For future iterations of this survey, this question would allow multiple responses. *Small Business Owners*: Survey Question #8 (on why small business owners contacted TAS) allowed for only one response; however, from scanning the survey documents, several respondents listed multiple reasons (only the first was tabulated). For future iterations of this survey, this question would allow multiple responses. The survey sample was selected from most recently available IRS filing requirement data. Nevertheless, several respondents reported being out of business for a number of years. We will look for a new data source to select the sample from for future survey iterations.

Control # and Name: SOI-274

1040, 4933, and 4259 Call Scripts- Phase II

Participants: 24 (1,332 Requests)

Data Collection Began: 10/07

Data Collection Ended: 10/07

Burden Hours: 222

Cost: \$27,274.92

Response Rate: 45%

Purpose: The Primary Abandons Taskforce Report drafted by Internal Revenue Service (IRS) outlined the need to address primary abandons to IRS' toll-free product lines. In Filing Year (FY) 2006, the enterprise primary abandon rate for the Customer Account Services (CAS) Toll-Free Product Lines was 16.36 percent. In order to reduce this primary abandon rate, IRS contracted with Kleimann Communication Group, Inc. (KCG) (under subcontract to Lockheed Martin/MSD, Inc.) to conduct focus groups and one-on-one usability tests on IRS call scripts to test the usability of the phone system and identify elements that can be improved. In these focus groups and usability testing, Lockheed Martin, MSD/KCG tested the actual call scripts heard by taxpayers and tax practitioners calling IRS toll-free numbers, specifically the 1040 (individual taxpayer), 4933 (business and specialty tax), and 4259 (practitioner priority line) product lines. We also tested alternative scripts. We evaluated how effectively these call scripts and alternatives performed across a range of taxpayer demographics, identified possible areas for improvement, and identified causes for call abandons. With this information, IRS will be able to improve the usability of the call scripts and the customer experience. The purpose of this research was to determine the following: Why do taxpayers abandon calls? What perceptions do taxpayers have about calling the IRS toll-free numbers? How can IRS improve call scripts so that taxpayers can effectively get the information they seek? Do taxpayers understand the information contained in the call scripts?

Findings: Overall, we found that the phone system is functioning adequately and found some additional data that determines "why" callers hang up. While the industry does not count primary abandons, due to their uncontrollable nature, we were able to make some additional recommendations to further improve the IRS phone system. Prompter Abandons. Customers cannot return to a previous menu if they made a mistake. Customers were impulsive and impatient. Customers seemed to be more successful and prefer more menus with fewer options per menu. Business customers were more successful moving from the 1040 line to the 4933 line with the test script menu that split callers between individual or business concerns early on. Customers assumed or questioned whether the order of the menu options relates to the most frequently requested information. Integrated Customer Communications Environment (ICCE) Abandons Customers knew some of their personal information but don't always have complete information with them when calling IRS. Customers were not fazed by entering personal information over the IRS phone system. Additional Findings: Most customers said they would have already checked the website before calling IRS. Customers suggested letting taxpayers know what kinds of information is available on the IRS website, especially if they do not need to call to get the information they need.

Customers overwhelmingly loved the Estimated Wait Time (EWT) option and would like to see it implemented.

Actions taken or Lessons Learned: None at this time.

Control # and Name: SOI-275

Mandate Awareness Study-Form 990N

Participants: 2,064 (3,492 Requests)

Data Collection Began: 11/07

Data Collection Ended: 01/08

Burden Hours: 219

Cost: \$94,710 **Response Rate:** 59%

Purpose: Beginning in 2008, small tax-exempt organizations that previously were not required to file returns may be required to file an annual electronic notice, Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ. This filing requirement applies to tax periods beginning after December 31, 2006. Organizations that do not file the notice will lose their tax-exempt status. Small tax-exempt organizations, whose gross receipts are normally \$25,000 or less, are not required to file Form 990, Return of Organization Exempt from Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt from Income Tax. With the enactment of the Pension Protection Act of 2006 (PPA), these small tax-exempt organizations will now be required to file electronically Form 990-N, also known as the e-Postcard, with the IRS annually. Exceptions to this requirement include organizations that are included in a group return, private foundations required to file Form 990-PF, and section 509(a)(3) supporting organizations required to file Form 990 or Form 990-EZ. In addition, this filing requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches. The IRS mailed educational letters starting in July 2007 notifying small tax-exempt organizations that they may be required to file the e-Postcard. The IRS is developing an electronic filing system (there will be no paper form) for the e-Postcard and will publicize filing procedures when the system is completed and ready for use. The purpose of this Mandate Awareness Survey was to determine awareness of the mandate and the source of that awareness; assess the impact of the mandate on organization interest in and usage/planned usage of 990-N Electronic Notice (e-Postcard); determine through diagnostic measures whether there are any perceived program issues/problems expected that might impact future usage. Results from this survey will be used to guide the TEGE in its marketing efforts.

Findings: Survey call records show that as few as 44% of the EOBFM list appear to be still in existence. Among those still operating, 65% were 990-N qualified – and it's this group that forms the sample of respondents in the survey. Among the other 35% who are still in existence but not qualified for 990-N, 88% said they use Form 990 or 990EZ. Among organizations still operating and qualified for 990-N, 59% were aware of the 990-N requirement and 48% were voluntarily aware of the letter – with awareness rising to 59% after probing. Overall, 80% of the 990-N qualified said they “definitely will” file a 990-N in the future. The impact of the letter here was clear, with significantly higher likelihood of filing among those aware of it. The percentage of those highly likely to file 990-N is very similar to the proportion of organizations who appear to be technically capable of filing the notice. What are the concerns about filing 990-N? Mainly, they may forget how to access the website. Finally, in terms of how to communicate with this target re: 990-N and EO matters, it is clear that these organizations are heavily mail-oriented and far less open to electronic communication than we've seen with other IRS target groups.

Actions taken or lessons learned: The IRS has done a pretty good job to date of communicating 990-N requirement among those qualified to file the form. The impact of the letter here was clear, with significantly higher likelihood of filing among those aware of it.

Control # and Name: SOI-276

2007 Free-File Migration Study

Participants: 1,594 (2,826 Requests)

Data Collection Began: 01/8

Data Collection Ended: 2/08

Burden Hours: 319

Cost: \$138,103 **Response Rate:** 56.4%

Purpose: Free File usage data show that a large number of Users of Free File use the product one year but then do not return to use it the following year. For example: in 2007, there were 1,348,906 such Taxpayers – called “Migrators”. The vast majority of these (89%) used another e-file method (66% On-Line and 23% Practitioner e-file) instead of reverting to/moving to Paper filing (only 11% were Paper Filers). The objectives of this Free File Migrators Research was to determine why Migrators move to non-Free File methods as well as their future intentions toward resuming usage of Free File, along with their barriers to resumed usage.

Findings: Surveyed 8-9 months after the ‘07 filing season, many Free File Migrators do not remember their ‘07 filing method (or do not distinguish it from other methods), with one-fifth of them thinking they used Free File. This lack of recall of method – together with lack of recall of why they left Free File, an overall positive disposition toward Free File (only 14% would not consider it again and 88% would recommend it to friends and family), and lack of loyalty to the new method (likelihood of use of it is no higher than that of Free File) – indicates an aloofness toward filing method and a lack of strong feeling about which methods they use. Instead, Migrators seem to be driven more by a desire for convenience/ease of use and are ready to use whichever method is likely to provide it. In line with this, among Migrators who did recall why they switched from Free File, there is very low (only 4%) mention of any “bad experience” with the product. Instead, their top specific reason for migration was “went directly to the website of the company used in 2006” and among those mentioning this (mainly migrators to Other Online Filing Methods), there is some indication that Taxpayers thought they were continuing to use Free File by going back to the ‘06 provider. However, this does not appear to be a strong negative, as the vast majority say they went back to that provider because they liked them. Finally, if there is a barrier to Migrator usage of Free File that the study identifies, it is perceived difficulty of use and some confusion in use. However, these are not major negatives, with mentions by only about 10% of all Migrators as reasons for shifting from Free File.

Actions taken or lessons learned: ETA has used the information from this survey to define and focus both its marketing and outreach efforts to target those specific market segments (taxpayers) who have either used e-File / Free File and migrated away or may qualify for e-file / Free File but have not used these programs. By identifying specific target groups and documenting the migration patterns, both the ETA messages and delivery methods can be specifically geared towards a specific audience where necessary behavioral changes are identified.

Control # and Name: SOI-277

2007 e-Signature Shared Secrets Study

Participants: 2,404 (4,124 Requests)

Data Collection Began: 01/8 **Data Collection Ended:** 2/08 **Burden Hours:** 401

Cost: \$138,103 **Response Rate:** 58.3%

Purpose: From past research, the IRS has a base of information about Taxpayers’ attitudes toward use of Self-Select PIN and possible e-Signature options. What the IRS needs now is information about Taxpayer behavior as it relates to possible different components of shared secrets used in identifying Taxpayers using a PIN as their signature. Specifically, the IRS needs to know which shared secrets they have, have ready access to, and are likely to have with them while completing their Federal Income Tax return (or having it completed for them). Research is needed to secure this type of behavioral information, which is not available in Taxpayer data or otherwise. The IRS identified 12 specific Taxpayer targets for this research. Each has a different combination of preparation method and signature method this year vs. last year, and learning about each is important to understanding their shared secrets portfolio. The purpose of the e-Signature Shared Secrets Survey was to survey the 12 target audiences and determine which shared secrets items they have, which are easily available to them, and which are practical as potential components of the e-Signature shared secrets requirements.

Findings: Results from this study show that while virtually all in every segment say they keep a copy of their Federal Return, only about three-fourths have the copy with them as they are filing – which tells us that ability to access AGI during filing is high, but not universal. Results from measures of computer, Internet, and e-mail usage show that ability to pre-register is clearly higher in the Self-Prepared segments

(about 80% vs. about 60% among Paid-Preparers). Among the six Self-Prepared groups, ability to register is generally consistent. Four types of documents top the list of key docs that all segments have with them when preparing their Federal Return (though with differences by Self vs. Paid-Prepared), and the same two combinations emerge as most important if IRS were to require either 1-of-2 or 2-of-2 in use of Self-Select PIN. These documents are their W-2 Form, Driver's License, Form 1099 and Last Year's Federal Tax Return. In addition, virtually all Taxpayers in each segment could provide the DOB authenticator used by business. Focusing on Self-Preparers, other learning showed that their #1 reason (by far) for not using SSP in 2007 was that "the signature form seemed easier". Finally, IRS wanted to know if the small segment of Self-Preparers who moved from Practitioner PIN in 2006 to Form 8453 in 2007 had assistance in preparing their return each year. Results show that 57% had help in '07, but this was only marginally lower than the 66% figure for '06. Top assistors were Preparers and Friends/Family, with fewer than 10% mentioning any tax assistance group such as VITA, TCE, or AARP.

Actions taken or lessons learned: TBD by IRS product team. The findings strongly indicate that most taxpayers have the resources at some time to use the SSP. The 86% of taxpayers that said they have easy access to their returns correlates strongly to actual experience; 84% of taxpayers whose SSP authenticators reject are able to correct them. The research confirms our estimate that four million returns will have shared secret problems under current conditions and that our original estimate that one million taxpayers out of the four million return rejects will have some problem using the SSP in 2009 was reasonable based on known data. The additional information provided by the research results suggests that we can revise that estimate downward. Our original estimates did not factor in the incentive value of not having the Form 8453OL option would create; the new research gives us a basis for quantifying that value. The research indicates that most taxpayers will be able to use the SSP successfully in 2009 with minimal effort. In addition, taxpayers that do not have their shared secrets readily available in 2009 will be educated to do so for 2010. The research clearly shows that nearly every taxpayer has a copy of their tax return at some point to which they can refer to obtain their shared secrets. Finally, we need to decide whether we should develop a process to accept e-file returns without signatures. Even though the number of taxpayers that will experience difficulty signing an online return is low, IRS may not want to be perceived as creating a barrier to e-file. Having the option will enable IRS to assess the level of difficulty taxpayers are experiencing and focus on appropriate mitigation strategies.

Control # and Name: SOI-278

Taxpayer Segmentation Study

Participants: 6,968 (14,605 Requests)

Data Collection Began: 8/08 **Data Collection Ended:** 5/09 **Burden Hours:** 2,323

Cost: \$2,471,172 **Response Rate:** 48%

Purpose: Collect taxpayer compliance burden data for individuals, including self-employed individuals. Taxpayer burden is defined as the time and money spent by the taxpayer in complying with their federal tax filing requirements. The data collected are to be used by the Individual Taxpayer Burden Model to estimate taxpayer burden for the population of individual filers.

Findings: We gathered data on the taxpayer burden experienced by individual taxpayers for tax year 2007. This was the first update to individual taxpayer burden data since tax years 1999 (individuals) and 2000 (self-employed individuals). The new data will ultimately drive population estimates using the Individual Taxpayer Burden Model. The survey results provide us with burden data for various taxpayer groups, including those who prepared their returns themselves and those who used a paid professional. The data are further broken out by those who used software and those who didn't those who used IRS services, and those who didn't, etc.

Actions taken or lessons learned: It will take some time for us to incorporate the data into the burden model, and since the IRS never had direct access to the prior survey data, we can't compare the results to that earlier effort. However, we plan to continue working to incorporate the new data into the model, and will prepare new burden estimates based on the survey results this fall.

Control # and Name: SOI-279

Employee Plan Voluntary Compliance

Participants: 22 (60 Requests)

Data Collection Began: 1/08 **Data Collection Ended:** 5/08 **Burden Hours:** 33

Cost: \$3,000 **Response Rate:** 37%

Purpose: The Rulings and Agreements function of Employee Plans has a Voluntary Compliance program in addition to their Determination program. The Voluntary Compliance program seeks to assist plan sponsors to understand and comply with the pension law. If the program identifies a plan that fails to satisfy the requirements of the pension law, they may enable the plan sponsor to correct the problem and preserve the tax benefits of the plan. There are three categories in which the program enables a plan sponsor to make corrections to their plan: self-correction which allows the sponsor to self-correct a failure to satisfy the pension law without pre-approval from the IRS and without paying sanction; correction with IRS approval under which an employer pays a limited fee; and an audit in which the employer corrects and pays a reasonable sanction. In recent years, Employee Plans has made efforts to streamline the Voluntary Compliance process and is currently increasing efforts to promote the program to small employers as directed by the Pension Protection Act of 2006. Due to the increased attention and expanded scope of the program, TEGE would like to conduct focus groups with customers of this program, which is not covered by the existing determination customer survey.

Findings: Participants suggested reducing the number of questions on the application, creating a website and a phone number that provides status updates on their cases, permitting use of the DOL calculator to calculate plan earnings, expanding the program to include additional correction methods and allowing more plan failures and excise tax filings to enter the program, streamlining the handling of differences between discretionary and required amendments, reducing program fees making them more like a user fee, and making dealings with plan sponsors more equitable.

Actions taken or lessons learned: The application has been streamlined for certain types of failures. VPC has provided a phone number so program participants can obtain case status information. This phone number is on VCP's website and included in the case acknowledgement letter. A recently published rev proc provides for use of the DOL calculator under limited circumstances, and rev proc 2008-50 expanded the correction methods and addresses additional excise taxes. The new Appendix F streamlines the differences between discretionary and required amendments. VCP will review the program fees in the next rev proc update, and is working on implementing a process where plans sponsors who submit under VCP are dealt with more equitably.

Control # and Name: SOI-280

Earned Income Tax Credit Study

Participants: 46 (3,064 Requests)

Data Collection Began: 4/08 **Data Collection Ended:** 5/08 **Burden Hours:** 134

Cost: \$19,229 **Response Rate:**

Purpose: The IRS contracted WESTAT to plan, conduct, analyze, and report on 7 focus groups with English-speaking and Spanish-speaking, EITC-eligible taxpayers to obtain their feedback about the effectiveness of the EITC "I Take Credit" marketing campaign. Results from the focus groups are expected to provide a qualitative assessment of taxpayers' awareness of EITC, and whether current outreach strategies motivate participation. The goal of these discussions is to supply IRS with insights into the kinds of strategies that could motivate taxpayers to file for EITC, and to suggest ways that the IRS can enhance the effectiveness of EITC outreach efforts.

Findings: Most of the participants in the 4 English-speaking discussion groups had heard about EITC previously. The opposite was true for participants from the 3 Spanish-speaking groups, where only one participant had ever heard about EITC. The ways that participants had heard about EITC varied and included information sources such as professional tax preparers, tax software (e.g. Turbo Tax), radio/TV, poster ads and family, friends and coworkers. When asked why they thought someone would choose to file for EITC, the response was unanimous across all 7 focus groups: to get money back. The primary reasons participants thought someone might not file for EITC was that the person either did not know about the credit, or had misinformation about the eligibility requirements. A few participants suggested that some people might not file for EITC because they fear that doing so might lead to negative

repercussions later on, such as an audit by the IRS, or a higher tax bill the following year. Members of each discussion group were presented with 3 types of marketing materials in English or Spanish -- a 60 second radio spot; 2 posters; and, a brochure -- that had been designed to inform the public about EITC as part of the "I Take Credit" advertising campaign. Participants across all groups tended to favor the brochures over the radio spots and posters because: (1) the brochures included straightforward details about EITC and eligibility that gave them enough information to help them decide if they wanted to learn more and/or file for the credit; (2) they tended to use photos that represented different types of EITC-eligible taxpayers; (3) "EITC" was easy to spot on the front of the brochure; and, (4) they were a portable source of information.

Actions Taken Lessons Learned: WESTAT offered the following recommendations to the IRS considering the outcomes of these focus group discussions. 1. Photos and voices portrayed in EITC ads should match the characteristics of EITC eligible taxpayers and reflect the characteristics of the program itself (e.g., taxes are serious business.) 2. The most salient features of EITC ads (e.g., the content and "tone" of a radio ad, and the picture and largest text in print materials) should be eye-catching and get "right to the point" about EITC. 3. IRS sponsorship should be linked to all EITC ad types. 4. Place the ads where members of the target audience are most likely to encounter them.

Control # and Name: SOI-281

Outreach and Education Activities

Participants: 1,810 (3,298 Requests)

Data Collection Began: 12/07

Data Collection Ended: 12/08 **Burden Hours:** 115

Cost: \$ 0 **Response Rate:** 55%

Purpose: The objective of the research was to determine customer opinion on outreach activities and on information which FSLG provides to their customers.

Findings: For all characteristics of the outreach activity that were topics of the feedback form, the majority of the participants chose the most favorable choice - indicating they were very satisfied. Over 79 percent were satisfied (the two most favorable choices) with every factor; fewer than 3 percent were dissatisfied (the two least favorable choices). Over 25 percent of the participants offered comments – the majority of were positive. Suggestions included allowing more time for individual sessions, conducting sessions more frequently, and topics for future agendas. Respondent comments, overall, indicated that they were very satisfied with presenters' knowledge, presentation skills, subject matter of the sessions, tailoring of outreach sessions towards specific audiences, and presentations showing that the IRS was approachable and helpful.

Actions taken or lessons learned: The results provided information and customer opinion needed to determine an effective and immediate method of if the outreach events are accomplishing their goals. FSLG will be able to identify/implement changes accommodating customer needs. Also, FSLG used the results provided to make decisions on the most effective methods of distributing outreach program information as well as which audiences to target.

Control # and Name: SOI-282

Cash Economy

Participants: 53 (96 Requests)

Data Collection Began: 4/08 **Data Collection Ended:** 6/08 **Burden Hours:** 178

Cost: \$ 530 **Response Rate:** 55%

Purpose: How to influence tax-related behaviors of potentially non-compliant business owners, who receive income in cash, towards compliance

Findings: There is anecdotal evidence from practitioners and small business owners to indicate significant shortfalls in the effectiveness of IRS outreach and education efforts to the small business taxpayer community and improvement is needed in the quality of IRS Tax Assistance. Certain outreach organizations/ stakeholders supporting IRS outreach and education activities, such as the Small Business Administration are not effective in assisting new business owners Both types of focus group participants indicate a great burden on small business owners to comply for tax laws, particularly as it relates to

business with low profit margins. Increased third party reporting is seen as a way to improve compliance as well as improving early outreach activity to new business owners.

Actions taken or lessons learned: In the way of lessons learned, small business owners themselves may not be the right group to survey on this topic. As such, a more target survey will be directed toward a larger and more diverse group of practitioners. An on-line survey has been approved and will take place in 12/08.

Control # and Name: SOI-283

Taxable SSN Benefits and CP 11 Notice

Participants: 21 (143 Requests)

Data Collection Began: 5/08 **Data Collection Ended:** 5/08 **Burden Hours:** 33

Cost: \$16,895 **Response Rate:** 15%

Purpose: Comprehension Testing, the new method developed by WIRA, requires participants to independently perform a specific task or action based upon information contained in a scenario. In the case of notices, participants are asked to read a notice and then are questioned about the contents of the notice. This type of testing provides a method for evaluating whether a notice meets its communications goals. In this test, 21 participants used fictitious taxpayer data to complete the Social Security Benefits Worksheet used for computing the taxable portion of social security benefits and capturing those results on Form 1040. They also read a CP 11 notice regarding a fictitious scenario in which an error was made in the computation of taxable social security benefits. The objectives of this test were threefold: Assess a taxpayer's ability to understand and accurately calculate taxable social security benefits using the Social Security Benefits Worksheet within the Form 1040 instructions booklet; quantitatively test the CP 11's communication goals; And evaluate the feasibility of testing both a form and notice in the same testing session.

Findings: Only 10 of the 21 participants used the Taxable Social Security Benefits Worksheet to calculate the amount of taxable social security, and of these, only six made the correct calculation, with the remaining four committing errors of calculation, errors of decision, or a combination of both. The 11 participants who didn't use the worksheet all determined an incorrect amount for social security that was taxable. This finding indicates the importance of the worksheet in making the correct calculation. For the CP 11, less than one-third of participants were able to state the specific changes the IRS made, as indicated on the notice. To clarify the issue, the notice's authors could add the specific Form 1040 line item associated with the error to the table the notice contains. One of the goals of this research was to evaluate the feasibility of testing both the Social Security Benefits Worksheet and the CP 11 within the same testing session. Based upon the quality of the response received, and comments of participants following the testing session, this goal was achieved. Testing forms and their subsequent notices using this combined method should help the Notice Improvement Office better understand how taxpayers interact with both products and how well taxpayers understand the relationship between them.

Actions taken or lessons learned: This test demonstrated that the method can be used to test a form and a notice and the relationship between the two. The improvement possibilities regarding the notice and the worksheet have been provided to the appropriate personnel for use in any future redesigns.

Control # and Name: SOI-284

1040 EZ Instructions

Participants: 78 (2,354)

Data Collection Began: 5/08 **Data Collection Ended:** 5/08 **Burden Hours:**

Cost: \$52,976 **Response Rate:**

Purpose: The purpose of the focus groups was to gain insight about taxpayer perception of this document. The focus groups were designed to identify specific parts of the document that leads to taxpayer error or misunderstanding. The focus groups also provided insight into suggestions for improvement to the instructions.

Findings: Most respondents reacted very favorably to the new 1040EZ instructions. Most noted that it was an improvement from 2007. Font type, font size and layout were consistently given high ratings and considered the best improvements by most of the participants. The checklist was also noted as a favorable

improvement by the majority of the participants. Several participants mentioned that the 2008 instructions looked like the 2007 instruction, just with a different color and font and was not different enough to determine if one version was better than another. Most respondents stated that the language was easy to read and that the text contained no difficult words. However there were a few participants that felt that for EZ instructions they were not that 'easy'. Overall, the participants preferred the revised instructions, but suggested further improvements. Based on the comments, additional changes will be made to the tested instructions to further improve these products.

Actions taken or lessons learned: Based on the comments provided, additional changes will be made on the tested instructions to make them easier for the taxpayers to complete.

Control # and Name: SOI-285

External Customer Survey

Participants: 2,035 (11,615 Requests)

Data Collection Began: 4/08 **Data Collection Ended:** 6/08 **Burden Hours:** 874.2

Cost: \$126,120 **Response Rate:** 6%

Purpose: To measure external customer satisfaction with publications, forms, and other documents it produces with respect to content, usefulness, format, graphics, delivery mode (electronic, paper, CD-ROM, etc.), availability and delivery.

Findings: Overall satisfaction was high among all groups. Product satisfaction is lowest among individual taxpayers. Overall Satisfaction was derived from 3 overall satisfaction questions (forms, publications and instructions) for all groups except Forms Distribution. Individual and business respondents were most satisfied with the ease of getting forms and instructions (80% and 78% respectively) and least satisfied with understanding them (55% for both).

Actions Taken/Lessons Learned: We need to modify measuring overall satisfaction. We plan to use a different scale which will be more in line with CARE

Control # and Name: SOI-286

Market Segment Survey

Participants: 3567 (6525 Requests)

Data Collection Began: 9/08 **Data Collection Ended:** 12/09 **Burden Hours:** 1238

Cost: \$421,109 **Response Rate:** 55%

Purpose: The Market Segment Survey (web & phone) provides insight into the needs, opinions, and behaviors of the overall Wage and Investment (W&I) taxpayer market, including Schedule C, E, and F filers. PCG has administered this survey four times since 2003. Questions have been tailored over the years to align with key initiatives and service changes (e.g., first contact resolution, Economic Stimulus Package, etc.). Topics include how these customers use IRS services, how to improve the efficiency and effectiveness of service delivery, and how to prioritize strategies for improving both customer satisfaction and IRS services. This study includes individual taxpayers who filed a 2007 tax return in 2008 (including some Spanish-speaking taxpayers), regardless of whether or not they received assistance directly from the IRS for tax-related items. This differs from transactional surveys that represent only taxpayers who have had some contact with the IRS.

Specifically, this research: identifies a customer segmentation scheme—based on differences in satisfaction and service usage—to assess and address the specific needs and behaviors of different groups of taxpayers; reveals usage of IRS services and service channels; reveals taxpayer behavior patterns and potential improvements needed based on their pre-filing, filing, and post-filing experiences, including experience with refunds and notices; measures customer satisfaction of individual taxpayer experiences with W&I services; and identifies specific recommendations to help increase customer satisfaction and lower the cost of service delivery.

Findings: Average taxpayers' satisfaction with the overall tax experience is 3.76 on a 5-point scale, where 1 is *very dissatisfied* and 5 is *very satisfied*. 68% of taxpayers are satisfied (*somewhat* or *very satisfied*) overall. Taxpayers are most satisfied with *Person Who Prepared Your Return (Non Self-Preparer)* (4.17) and least satisfied with *Resolving Your Notice* (3.37) By customer segment, individual taxpayers who e-filed are more satisfied overall than non e-filers. By service channel, taxpayers who

choose to contact the IRS through the various service channels are most satisfied with using free tax preparation services from volunteers, followed by using the IRS.gov Web site. Taxpayers who choose to contact the IRS using the IRS Toll-free line or local IRS offices are less satisfied than those who chose to contact the IRS through different methods. A high percentage of interactions via the IRS Toll-free line and local IRS offices are related to notices or problems. Satisfaction is lower for those contacting the IRS regarding notices than for pre-filing issues. In general, taxpayers are satisfied with the clarity of information about what to do to receive the stimulus payment and less satisfied with the clarity of information about the amount of the payment. *Resolving Your Notice* and *Preparing and Filing Federal Return (Self-Preparer)* are the top improvement priorities. Improving first contact resolution will likely have a positive effect on customer satisfaction. Close to one-half (44%) of taxpayers contacted the IRS more than once in the past 12 months about their most recent issue. The majority of taxpayers who contacted the IRS (87%) expect first contact resolution, and 78% said they got what was needed to resolve their issue. The highest volume of customer interactions is through the IRS.gov Web site (50%), followed by the IRS Toll-free line (35%). Fewer than 20% of taxpayers expressed any difficulties using the IRS service channels (18% of Toll-free callers, 13% of IRS.gov Web site visitors, and 5% of those who contacted the IRS via regular mail). Nearly all taxpayers who visited the IRS.gov Web site received the information they were seeking, and 84% of IRS.gov Web site visitors found the information to be clear and accurate. Satisfaction with services by volunteers trained by the IRS is highest among all IRS service channels. 39% of individual taxpayers prepared and filed their 2007 taxes themselves (self-filers), while the majority (61%) used a preparer. Nearly six out of ten (59%) individual taxpayers filed their 2007 federal tax returns electronically, while 40% filed by regular mail. Nearly one-half (45%) are aware that refunds can be tracked online. Approximately four out of ten responded to their notice by contacting the IRS with questions (41%); others responded without questions (14%), had someone else handle the notice (18%), or did nothing (27%). Resolution of notices received in the past 12 months is relatively high for all channels. The dominant issues for the most recent notice are under-reported income, inadequate withholdings, or a mistake on a return. 84% of notices received in the past 12 months have been resolved

Actions taken or lessons learned: PCG suggested several recommendations from the survey data including: Strive to reduce the number of notices. Promote pre-emptive services (greater taxpayer and preparer education/information) so that taxpayers prepare their taxes correctly the first time; thereby, reducing the need for notices. Seek to increase notice resolution in cases where the taxpayers contacted the IRS via regular mail or through the IRS Toll-free line. Improve first contact resolution across all channels. Faster issue resolution leads to money owed being collected more quickly, allowing IRS resources to work on more cases. First contact resolution improves compliance. Harness the IRS.gov Web site to prepare taxpayers to avoid the need to contact the IRS multiple times. Proactively migrate taxpayers from using local IRS offices (Taxpayer Assistance Centers or TACs) and the Toll-free line to the IRS.gov Web site, particularly for forms/publications, Economic Stimulus Payment issues, refund information, and tax law information. Improve service for self-filers. Providing good service to self-filers will have a positive effect on overall satisfaction. Continue to encourage e-file. Migrate eligible taxpayers to Free-File. Free-File is something that benefits customers as well as the IRS. Improve EITC outreach.

Control # and Name: SOI-287

Seminar Companion Survey

Participants: 213 (900 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 7/08 **Burden Hours:** 17

Cost: \$0 **Response Rate:** 24%

Purpose: To test out a new product at the IRS Tax Forum in Chicago.

Findings: Overall, participants either really liked or really disliked the Seminar Companion, but the majority of participants really disliked the new product. Over 78 percent of participants said that they would like to receive the old product at the next tax forum. Only 25 percent of participants were satisfied with the Seminar Companion.

Actions taken or lessons learned: IRS learned that tax forum participants really rely on the information provided in the Seminar Handbook and that they do not like the Seminar Companion. Numerous

participants explained that the Handbook allows them to easily take notes during seminars and they can go back to those notes after the Forum and still understand the notes; whereas the Companion does not allow for easy note taking.

Control # and Name: SOI-288

Free File Campaign Study

Participants: 39 (1,180)

Data Collection Began: 7/08 **Data Collection Ended:** 7/08 **Burden Hours:** 158

Cost: \$41,923 **Response Rate:** 3%

Purpose: Electronic Tax Administration and Refundable Credits (ETARC) and Taxpayer Service Program Management Office (TSPMO) tested a Free File marketing tool and taxpayers' ability to begin the Free File process by choosing a Free File company that qualified them to file their return for free within the same testing session. ETARC and TSPMO expected that taxpayers would provide specific suggestions to improve the marketing tool and information available on the Free File Web site. The objectives of this project were twofold. The first task was designed to assess taxpayers' ability to understand the following communication goals of a Free File Marketing tool targeted to young V-Coders who met the Free File income requirement and have never used Free File or e-file services: Do the taxpayers understand what the Free File program is? Can the taxpayers identify who is eligible to Free File? Does the marketing tool inform the taxpayer of the benefits of using the Free File program? Do taxpayers comprehend how to Free File? The overall objective of the second task was to assess taxpayers' ability to understand and accurately begin the Free File process by choosing a Free File company that best fit their fictitious taxpayer's filing needs.

Findings: The Postcard –The postcard met all of its communication goals except one. Only 55.6% of the participants correctly answered that the fictitious taxpayer would get his refund in as little as 10 days using Free File to file the return. In addition, while 75% of the participants correctly stated that the fictitious taxpayer can see if he qualifies for the Free File program by going to irs.gov, only 7 participants specified that he must click on the Free File logo. Choosing A Free File Company – Of the 36 participants, 73 percent correctly chose a Free File company. Some participants had difficulty navigating to the Free File page from irs.gov, which led to 7 participants incorrectly choosing e-file or Free File as their Free File Company. Of the 9 participants whose choice was not a valid company, at least 2 did not click "Start Now" to begin the Free File process, because they did not want to actually file a return. The participants who used "The Wizard" to guide them to a company (17 participants) on average said it was easy to use. Some participants offered suggestions about how to make it easier to choose a company from the list "The Wizard" generated.

Actions taken or lessons learned: Based on the research findings, WIRA made specific recommendations addressing both the postcard and website. As a result, ETARC changed the design of the postcard and updated content/format features on the Free File website to improve taxpayers' Free File application experience. Specific changes include: Artwork on the postcard to incorporate larger denomination bills and a stylized "swoosh," Clearer descriptions in the postcard and website main page of Free File and how it works. More detailed prompts and links on the website for improved functionality and navigation Clarification that an outside company (not the IRS) will prepare the return, Clear statements that "The Wizard" serves to guide taxpayers to a list of Free File companies, not one specific company. New Direct Deposit wording to clarify receipt of refund "in as little as 10 days" Clear statements regarding what tax forms Free File supports on the website main page, and addition of links to the forms.

Control # and Name: SOI-289

International Focus Group

Participants: 90 (535 Requests)

Data Collection Began: 8/08 **Data Collection Ended:** 9/08 **Burden Hours:** 116

Cost: \$10,189 **Response Rate:** 15%

Purpose: The overall objective is to use the practitioner feedback to identify and prioritize improvements to the Form 1040NR, specifically, to provide insight from the customer's perspective about possible

improvements to the Form 1040NR and to provide useful input for program evaluation and execution of the revision of the Form 1040NR.

Findings: The majority of the focus group participants reacted positively to the redesigned Form 1040NR and stated that it was an improvement. However, key areas were identified for improvement. The new format of the questions, especially the layout into tables, received favorable comments from the participants who stated that it was much improved. Several questions could benefit from clarification and terminology needed further explanation. Time referents such as “current” and number of “days” in the country could be better defined, ordering of items could be improved for a consistent and logical flow of information, and compound questions could be separated into individual items to enhance understanding and clarity. Overall, the proposed revisions to Form 1040NR received favorable comments from the focus group participants. In reviewing questions one at a time, there was discussion on the meaning of some questions and some confusion on what information was being requested. In summary, many of the questions need to be clarified, either by rephrasing the question and/or adding information to the instructions.

Actions taken or lessons learned: The Form 1040NR Redesign team is meeting the week of October 20, 2008 to review the focus group report findings and plans to consider the comments in the redesign of the form before it is finalized.

Control # and Name: SOI-290

Comprehension Testing for Correspondex Letters

Participants: 33(150 Requests)

Data Collection Began: 6/08 **Data Collection Ended:** 6/08 **Burden Hours:** 46

Cost: \$ 19,574 **Response Rate:** 22%

Purpose: The Notice Improvement Office requested W&I Planning Research and Analysis (WIPRA) collect data regarding taxpayer understanding of, reaction to, and suggestions for improvement of Correspondex Letters 2800 and 2801 (C Letters 2800/2801). One of the best ways to accomplish this goal is through comprehension testing. A comprehension test is a one-on-one test between a moderator and a taxpayer. Through comprehension testing, the Notice Improvement Office hopes to better understand how taxpayers interact with these products and how well they understand what actions are required of them so that the office can improve their taxpayer communications. The overall objectives of this project were to quantitatively assess taxpayer’s ability to understand the communication goals of C Letters 2800 and 2801.

Findings: The C Letter 2800 met all of its communication goals. Overall, participants understood why they received the letter, what actions they needed to take, and the correct timeframe for completing these actions. Generally, however, participants felt the letter was too long, but there appears to be no consensus among them on what should be eliminated. Suggested changes include reducing the number of pages, using shorter sentences, and removing redundant information. The C Letter 2801 met a majority of its communication goals. Over half of the participants understood why the IRS sent the notice, correctly identified the steps that should be taken to avoid adverse consequences, and understood the processes involved with completing these steps. However, only five participants understood that a penalty is not automatically associated with this letter. Almost everyone mentioned there was a \$500 penalty but then failed to indicate that the penalty was conditional upon making a false statement. Including additional information about the nature of the penalty may help to clarify this issue.

Actions taken or lessons learned: Findings were used to revise C Letters 2800 and 2801.

Control # and Name: SOI-291

Participants:

Data Collection Began: **Data Collection Ended:** **Burden Hours:**

Cost: \$ **Response Rate:**

Purpose:

Findings:

Actions Taken/Lessons Learned:

Control # and Name: SOI-292

Improvements to Forms and Instructions

Participants: 66 (153 Requests)

Data Collection Began: 8/08 **Data Collection Ended:** 8/08 **Burden Hours:** 154

Cost: \$ 7,075 **Response Rate:** 43%

Purpose: The Treasury Inspector General for Tax Administration – Office of Audit (TIGTA-OA) is conducting an audit in which we are reviewing the most common errors made by taxpayers year after year, and determining whether unclear forms or instructions contribute to these errors. The objective of the Focus Group Study was to meet with tax professionals to discuss potential changes and possible improvements to Federal tax forms that could reduce the number of errors made by taxpayers and thereby reduce taxpayer burden and unnecessary expenses for the IRS.

Findings: Missing Dependent SSNs/ITINs – Our audit found that a high percentage of taxpayers attempt to claim an exemption but fail to provide any SSN, or they improperly wrote in the words “applied for” (an old accepted practice that was discontinued years ago). Our proposal to the focus groups was to print “Valid SSNs are required to receive credit for exemptions” in the left margin of the Form 1040 using red ink. All participants responding agreed that additional emphasis should be placed on the form to help ensure taxpayers are aware of the requirement. The highest percentage responding agreed with our proposal to use color but many others just suggested using fonts, uppercase lettering, bold letters, etc., to get the taxpayers’ attentions. Participants also provided other various suggestions. Computation of Exemption Amount – Our audit found that many taxpayers erroneously skipped the line on the Form 1040 that is used to claim the exemption amount. Further research found that the purpose of this line is not well identified and may be obscured by secondary information. Our proposal to the focus groups was to title the appropriate line on the Form 1040 “Exemptions” to more clearly identify that this is the line on the return that is used to calculate the exemption amount. All focus group participants that responded agreed the line should be clarified to include the “Exemptions” title. They also suggested removing the secondary information from the exemption line, and moving the exemption line to another location on the form. Child Tax Credit (CTC) Dependent Exceeded Age Limit – Our audit found that almost 80 percent of taxpayers that were denied the Child Tax Credit because their child was too old had been able to claim it for that child within, at least, the last two years. We proposed and presented both a change to the instructions and to page 1 of the Form 1040. The change to the instructions included clarification and the change proposed on the form included several variations of using a “born after” date to help the taxpayers determine if their child was eligible. Many participants agreed that the form and instructions could be made clearer and provided a variety of suggestions. Most common was a suggestion to move the Child Tax Credit issue to page 2 of the Form 1040 where the credit is actually claimed. A variety of other suggestions was offered and will be considered. Changes to the Tax and Earned Income Credit Tables – Our audit found that taxpayers may be confusing the IRS Tax Table with the IRS Earned Income Credit Table. Our proposal suggested that the Tables be shaded using different colors to more easily discern one table from the other. A variety of responses to our proposal was received but no consensus was reached. We will continue to evaluate the participants’ suggestions.

Actions Taken – We will issue, in our final report, recommended changes to the Form 1040 and/or instructions based on our analysis of the data gathered during the focus group sessions in addition to the audit results.

Control # and Name: SOI-293

Needs of U.S. Taxpayers Living Abroad

Participants: 27 (476 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 9/09 **Burden Hours:** 50

Cost: \$4,284 **Response Rate:**

Purpose: The main objective of this project was to gather information about the service needs of international taxpayers to assist in the development of a survey of international taxpayers. A second objective of this project was to gain information regarding the service needs of tax practitioners who prepare returns for international taxpayers. The specific themes explored were: What are the main topics

for which tax practitioners need service? How do they get service now? What are their barriers to service? What are their barriers to filing? How would they like to get service in the future? How can we improve service? Similar themes were asked of the practitioners regarding taxpayers they serve.

Findings: Tax professionals who attended these focus groups were looking for the IRS to provide them with more knowledgeable and complete assistance through both the phone and the internet. Although the IRS does offer a telephone hotline for assistance with international returns and has an international section of IRS.gov, these tax professionals were not aware of these service offerings. Because the participants were unaware of the international telephone line and the international section of IRS.gov, we were not able to further probe for improvement possibilities to these services. Usability testing of IRS.gov utilizing international scenarios would provide more in-depth suggestions for improvement. These tax professionals are also looking for ways to increase their knowledge regarding international tax returns through more training. They suggest that the IRS hold international training courses at the tax forums, create an international training DVD, or provide international training through other professional meetings. They are looking for more in-depth training that goes beyond the overviews given during the sessions at the Nationwide Tax Forums. The inability to e-file returns with international addresses, and the overall inability of the forms to handle international addresses was also an issue raised at all three tax forums.

Actions taken or lessons learned: Findings suggest that both tax practitioners and their international clients want and need more information regarding preparing and filing international returns. One suggestion for helping them meet their tax obligations was to offer avenues of service – both online and by phone – that are specific to international returns. Additionally, tax practitioners expressed a need for more training. Suggestions included that the IRS conduct international training courses, create instructional DVDs, or offer international-specific training in some other manner. This feedback will be used to help improve service to tax practitioners with international clients and to taxpayers living abroad.

Control # and Name: SOI-294

First Contact Resolution with Tax Practitioners

Participants: 45 (117 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 9/08 **Burden Hours:** 96

Cost: \$16,000 **Response Rate:** 38%

Purpose: The TAB Project wanted to understand practitioner opinions and suggestions on their first contact experiences with the IRS. Five communication mediums used by practitioners to contact the IRS that were of special interest were telephone contact, face-to-face contact, website contact, written correspondence and other contact. The objectives of the focus groups were: To understand the problems encountered by tax practitioners upon their first contact with the IRS; and to learn how to improve the IRS first contact resolution with tax practitioners upon their first contact with the IRS.

Findings: Overall, practitioners conveyed that they had good first contact experiences with the IRS. Some of the contacts they had directly with IRS representatives and indirectly with using the IRS website were areas practitioners encountered problems. They are interested in the IRS increasing the level of expertise of IRS representatives and improving the usefulness of their electronic capabilities. It was very apparent that practitioners felt the method they preferred to use to contact the IRS depends on the type of problem involved. The IRS may want to continue to pay close attention to tailoring the process used to resolve a problem to the communication medium used to contact them. IRS representatives and electronic communications seem to have a direct impact on resolving a problem. A focus on these areas may help improve first contact resolution.

Actions taken or lessons learned: The insights gained from the focus groups will help the IRS ensure that practitioners' feedback is a major factor in driving future improvement efforts. For example, the IRS will use the results from the focus group sessions in planning first contact strategies for this year and next year. We now have specific communication vehicles (i.e. website) to review for potential enhancements. We also know that we need to look into how to increase staff expertise.

Control # and Name: SOI-295

Exempt Organization Focus Group

Participants: 44 (375 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 9/08 **Burden Hours:** 66

Cost: \$5,750 **Response Rate:**

Purpose: Obtaining preparers' and Circular 230 practitioners' feedback related to current Customer Education and Outreach products.

Findings: CE&O resources were often described as "helpful" or "useful", but many Eos were unfamiliar with the products. Most participants cited the EO website as the starting point for research as it is "credible." Many participants, however, found the website difficult to navigate, with writing that targeted "tax professionals." A majority of professionals emphasized that they use the publication to reinforce ideas to their clients to help them remain compliant with EO tax law. Five publications were well known and used often. The remaining publications were not used often (or not at all), so were unfamiliar.

Actions Taken/Lessons Learned: The most significant lesson learned was participant confusion and unfamiliarity with EO products. This confusion and unfamiliarity with EO products is EO's most significant lesson

Control # and Name: SOI-296

Evaluation of Notice Elements

Participants: 30 (148 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 8/08

Burden Hours: 51

Cost: \$4,691.62 **Response Rate:**

Purpose: The overall objective of this project was to provide qualitative data concerning tax professionals' experience with IRS notices. The specific business questions that were explored by this project were: How well do notices achieve their communication goals? How would tax professionals rate the various notice elements (language, calculations, length)? Does the average taxpayer understand the resolution actions notices require? Which sections of the notices can be improved?

Findings: To make notices easier to follow, a significant number of tax practitioners recommended using plainer language that stays away from "IRS speak," an improvement that could also help shorten the notices. Some tax professionals suggested that only a fraction of a current notice's content applies to their client's situation. As such, the IRS could remove unnecessary or repetitive sections, including ones that reference IRS code or discuss issues such as penalty or interest. In some cases, the supplementary, irrelevant content can contribute to clients' confusion when reading the notices. The same is true for added materials included in a notice package. For example, duplicate notices intended for spouses can give clients the impression that they owe twice the amount the notice identifies. Aside from length and language, tax professionals also suggested the IRS could make notices easier to understand by showing how the IRS had determined the calculations a notice cites. Currently, a notice may give a figure for the amount of taxes due without showing how it arrived at that number. For tax professionals who may question the accuracy of those calculations, the absence of a line of thought to follow raises concerns. Focus group participants also discussed problems they encountered when trying to communicate with the IRS. In following up on notices, they may not hear back from unresponsive managers or would not get IRS confirmation that amended returns have been processed satisfactorily. Delayed and inefficient responses slow down and add frustrations to the resolution process. Lastly, clients frequently do not grasp a notice's purpose: why the IRS sent it to them and what the IRS expects of them. Putting numbers in boldface type and highlighting key information – such as tax year and IRS contact information – could help guide the notice reader's eyes to important details that might clarify a notice's meaning. Tax professionals also suggested telling the client at what stage the notice is – whether it is the first, a follow-up, or the final contact.

Actions taken or lessons learned: The tax professionals that participated in these focus groups suggested the IRS reduce inconsistencies in the notices, use less jargon, and cut out unnecessary material. Some pointed out that they could often shorten the notices their clients receive to a third of their current length. To make the notices easier to follow, the IRS should also show how it calculated certain figures, such as the taxes due. Focus group participants also noted that IRS responses to both phone and written queries are often inadequate. Clients are kept on hold for an inappropriate length of time and the IRS fails to

respond to some of the tax professionals' requests. Responding to notice-related questions in a more timely and informed fashion would help reduce the amount of time it takes to resolve those issues. This feedback has been submitted to Notice Improvement for consideration when simplifying notices, evaluating their communication goals, and looking to ways to improve those IRS products.

Control # and Name: SOI-297

Evaluation of IRS Economic Stimulus

Participants: 21 (138 Requests)

Data Collection Began: 8/08

Data Collection Ended: 8/08 **Burden Hours:** 55

Cost: \$840/.45 **Response Rate:**

Purpose: The overall objective of this project was to provide qualitative data to Wage and Investment Communications & Liaison concerning tax professionals' experience with IRS communication on the Economic Stimulus Package. This project explored the following specific business questions: How well did the IRS communicate information about the Economic Stimulus Package? How can the IRS improve the communication process?

Findings: Tax practitioners participating in the Economic Stimulus Package focus groups called attention to how confusing they and their clients found the stimulus payments. Tax practitioners attributed a large part of the problem to omissions in mainstream media reports that led taxpayers to believe they would qualify for larger payments. Focus group participants said they believed the IRS fell short in giving media representatives a clearer idea of how the stimulus payments would play out and failed to correct for the misunderstanding media coverage caused. Additionally, participants thought the IRS delayed posting information on the stimulus package to its website, thus forcing professionals to turn to other sources. Practitioners found IRS.gov to be more helpful after the filing season than during it. And even when the IRS had information on its website, a good percentage of it was too complicated for practitioners and taxpayers to understand. To improve its communication process, the IRS needs to deliver information on schedule, provide more practical resources to practitioners, and help news outlets better understand tax law. Without a clearer message from the IRS, tax preparers and their clients found themselves perplexed and making mistaken assumptions about how large their stimulus payments would be.

Actions taken or lessons learned: Focus group participants recommended the IRS standardize the message it relays to taxpayers, send the media clearer and more complete press releases, promptly post information on its website, strengthen its partnerships with the tax professional community, and simplify the way it explains the payments in its literature. Using more Public Service Announcements to bypass mainstream news sources and to speak directly to the taxpayer may help the IRS give the public a more accurate picture of how the payments will work. Using flowcharts and diagrams could help in explaining the stimulus payments. The IRS should have also sent certain populations – namely senior citizens – messages that address their specific worries. Generally, tax professionals said they felt the IRS could have improved its communication by watching out for inaccuracies in its messages, better training its call center personnel, working more closely with media outlets, and giving tax professionals the resources and information they needed when they needed it to reach out to members of their communities. Unfortunately, tax practitioners found that the IRS occasionally invested time and resources where it was not useful – such as in producing an informational YouTube video – and otherwise responded too late and by doing too little. This feedback will be used to determine ways to improve the communication process.

Control # and Name: SOI-298

Evaluation of Alternative Minimum Tax Patch

Participants: 18 (146 Requests)

Data Collection Began: 7/08 **Collection Ended:** 9/08

Burden Hours: 31

Cost: \$4,373.19 **Response Rate:**

Purpose: The overall objective of this project was to provide qualitative data to Wage and Investment Communications & Liaison concerning tax professionals' experience with IRS communication on the AMT patch. This project explored the following specific business questions: How well did the IRS communicate information about the AMT patch? How can the IRS improve the communication process for late legislation?

Findings: Focus group participants found information about the AMT patch in a variety of sources, of which the most important were professional organizations, software providers, and the IRS. Many participating tax practitioners said they relied heavily on their software provider, more so than the IRS, because, among other reasons, the software had clearer explanations. Perhaps the most serious complaint tax professionals made was that the media inaccurately or incompletely reported on the AMT patch. This led their clients, now confused, to call their tax advisors or to question the information they had heard prior to reading the news. Focus group participants consequently thought the IRS had succeeded in transferring information to the tax professional community, but had failed when conveying that information to the public. In response, participants recommended the IRS replace mass mailings to taxpayers with other forms of communication, including launching an information-only hotline, making use of Public Service Announcements, and creating short videos that permit the IRS to speak directly to the taxpayer and thus bypass a news reporter. They also pointed out that the IRS needs to write its literature in plainer language. Additionally, the majority of practitioners wished the IRS would communicate with them prior to sending out press releases so that tax professionals would be ready to answer client questions and straighten out any misunderstandings the news reports may cause.

Actions taken or lessons learned: Participating tax practitioners contended that the IRS had sufficiently communicated with them – either directly or indirectly by way of software providers or professional associations. They did find lacking, however, the IRS’s communication with the general public. Part of the problem, focus group participants noted, was the media’s muddling of AMT patch information. Media reports would confuse clients who would then inundate their tax advisors with questions. Participants thus recommended alternative ways for the IRS to communicate with individual taxpayers. Tax practitioners also suggested that it would be best if the IRS posted new tax information before October, when professional associations host their annual tax updates. One focus group participant said he would like the IRS to guide him to relevant parts of the tax code by posting links to the code in its email alerts. In addition, the majority of participants considered IRS explanations of the AMT patch too dense for readers – whether clients or tax professionals – to comprehend effortlessly. This feedback will be used to determine ways to improve the communication process on future late legislation.

Control # and Name: SOI-299

e-help Desk 2008 Online Survey

Participants: 1258 (5431 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 9/08 **Burden Hours:** 188

Cost: \$9,400 **Response Rate:** 23%

Purpose: To identify the customer base of the e-help desk, evaluate the level of service and to determine customer preferences.

Findings: 1,258 people completed the survey in six cities. The average level of Satisfaction with the e-help support desk was 4.89 out a 5.0 scale. 89% preferred contacting the support desk by telephone.

Actions taken or lessons learned: The majority of respondents were satisfied with the level of service received. The biggest complaint was the wait time on the phone, waiting for an assistor. Plans are underway to address wait times for customers who call the e-help desk for technical assistance. The second largest complaint was the password procedures. Security plays a large roll in this process but there are efforts planned to make the password reset process easier for the practitioners.

Control # and Name: SOI-300

Participants: 141 (257)

Data Collection Began: 7/08 **Data Collection Ended:** 9/08 **Burden Hours:** 226

Cost: \$ 2,579 **Response Rate:** 5%

Purpose: TAS regularly conducts focus groups at the IRS National Tax Forums to obtain input from practitioners on a variety of issues related to tax administration and IRS procedures. This year, focus groups were held in support of the National taxpayer Advocate’s Annual Report to Congress, to critique new TAS outreach podcasts on important tax issues, and to assist the IRS multi-functional team reviewing IRS notice inserts.

Findings: Several themes emerged during the course of the focus group interviews and generally, participants in all locations voiced the same concerns, regarding the respective topics: Focus Group 1 – Improving ACS (Automated Collection System) Inability to work with one ACS assistor from start to finish. If resolution of an ACS issue requires more than one contact, practitioners rarely, if ever, get to work with the same assistor. The system is designed so that the incoming calls are put in a queue and the next available assistor takes the call. This creates several concerns for practitioners: Repetition - having to restate the circumstances to the new assistor; Time delay - it takes considerable time for the assistor to read through the notes on the electronic file; Inconsistency - various ACS assistors request that different information be submitted to resolve the issue. The knowledge level of ACS assistors seems to vary greatly. Participants indicated that the knowledge level of ACS assistors was directly proportional to their courtesy, professionalism, flexibility, and ability to “think outside the box” to resolve problems. Newer, less experienced employees seemed to be tied to a script and were inflexible in working with practitioners to find solutions to their clients’ problems. Many participants indicated that they were more successful in resolving problems when they dealt with ACS sites in the western United States, as opposed to the east coast. Several stated that they often waited until late in the day to call ACS, hoping to connect with an employee in the Pacific Time zone. Practitioners indicated that they did not know that a direct, priority line to ACS existed and also complained that they were often transferred, cut-off, or put on hold for long periods of time (and they HATE the music that is playing while they are on hold). These delays waste time and add to their clients’ cost for services. Submitting information requested to resolve ACS issues appeared to be a common problem for participants. ACS is inflexible about limiting the number of pages that can be faxed (ten), so if the requested information is eleven or more pages, it must be mailed. Mailed information is often lost and hardly ever acknowledged, and if it is sent certified, it does not go directly to the assistor; which causes further delays. ACS is inflexible about the timeframes taxpayer (and practitioners) have for submitting information to resolve issues, but then often takes months to review the submitted information. Collection activity (liens, levies, etc.) continues while ACS has information to be reviewed, creating hardships for the taxpayer. Focus Group 2 – Notice Insert Effectiveness: The most common comment from the practitioners was that they did not use the inserts—they trashed them when they received them with their clients’ notices, as per their valid power of attorney (POA), or when clients brought them in. The practitioners recognized that the inserts might be helpful for individuals who self-prepared their own returns, but practitioners did not need the information. Practitioners generally agreed that although most inserts are printed only in English, language was not the real barrier. Even if they were translated, the terms would not be readily understood by English as Second Language (ESL) clients. Age, too, was thought to not be a significant indicator as to the usefulness of notice inserts; whereas knowledge and education levels were considered to be significant factors. The higher the education level, the more useful the inserts are to taxpayers. Most participants thought that IRS forms and publications should *not* be included as notice inserts, as they are often unnecessary and easily accessible from the Internet, the local office, or by calling the toll-free number. Participants almost unanimously agreed that the language in Publications 1 and 5 is important to taxpayers, *but felt that the language should be part of the notice*, not a separate insert. If this is not possible, these publications should be retained as notice inserts. Focus Group 3 – National Taxpayer Advocate (NTA) Podcasts, *Cancellation of Debt (COD)* The intention was for the focus groups to view two versions of this podcast—a long and a short version. However, most participants viewed the long version in one of the TAS seminar presentations, so only the short version was shown in the focus groups. A synopsis of the participant comments follows: Most felt that the length of the podcast was appropriate, although too much information was presented. They also said that the information would probably be “way over the heads of most taxpayers.” Many said that they learned from the podcast and could use it in their offices to educate their coworkers and clients. The suggestion was made that the information might be condensed to give a brief overview and then say what taxpayers should do if they receive a Form 1099C and where to go for assistance. *Identity Theft (ID Theft)* Most agreed that the information was great and the length of the podcast was appropriate. Comments indicated that this is a great “awareness” message and should be run on a loop in waiting areas, particularly IRS Taxpayer Assistance Center waiting areas. A suggestion was made to focus on what

taxpayers should do if they think they are ID theft victims. *Choosing a Preparer*-Most practitioners felt that this podcast was not appropriate for them, since they would not be advising established clients to review the podcast. Most did feel that the information was good for taxpayers who are looking for a preparer. Some indicated that some of the information presented was in conflict. The NTA suggested looking for a preparer on the Internet and then warns about using preparers found on the Internet. The biggest contention practitioners had with the information presented in this podcast was when the NTA suggested that taxpayers find out the fee for preparation up front. Many were offended, saying preparers do not know exactly what to charge until they review the records and actually prepare the return. Generally, participants were not concerned about the production aspects of the podcasts—the lighting, setting/background, and speaker clothes/makeup. Some said that the bookcase and pictures in the background were somewhat distracting, but the most common concern was with how the captioning was inserted (sometimes over the speaker’s face) and that the captioning was sometimes redundant when the text was already written in bullets on the screen. Most agreed that the speaker was knowledgeable and at ease with the camera, as well as the information she was presenting. Some suggested that taxpayers might be more receptive if they could more readily identify with the presenter; if the presenter appeared to be an “ordinary taxpayer,” rather than the National Taxpayer Advocate (a high-ranking official).

Actions Taken / Lessons Learned: *Reversed the ACS and Notice Insert Effectiveness time slots:* At the first Tax Forum in Atlanta, it became apparent that more practitioners were interested in participating in the ACS focus group than in the Notice Insert Effectiveness focus group. Therefore, the one with the greatest interest was rescheduled so that it was conducted during the regular seminar time (beginning at 9:00 a.m.) and the Notice Insert Effectiveness focus group was changed to the lunch timeframe, so that more participants could be recruited without fear of losing CPE credits. *Focus Group Description Sheet:* A list describing all of the focus groups was created and was available to all recruiters in the focus group recruiting booth, so that everyone was aware of the purpose of all of the focus groups and could assist in recruiting, if necessary. *Focus Group Recruiting Reminder Card Redesign:* The focus group reminder card given to participants when they were recruited was redesigned to include the exact location of the room where the focus groups were held, to alleviate confusion when participants tried to find the focus groups.

Control # and Name: SOI-301

2008 Practitioner Study

Participants: 109 (1147 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 9/08 **Burden Hours:** 232

Cost: \$16,000 **Response Rate:**

Purpose: Correspondence examinations are handled through Campus Compliance Services (CCS). CCS is faced with the problem of not knowing how taxpayers who have gone through the correspondence audit process feel about their experience. Since many practitioners assist taxpayers through the process, their insight is essential to CCS for deciding whether letters or procedures should be changed to better serve taxpayers. The nationwide tax forums provide CCS an opportunity to obtain tax practitioners' input on various aspects of Correspondence audits. The results will supplement the internal findings from ongoing customer satisfaction surveys. The objectives were: To learn about the experiences tax practitioners have had with the correspondence examination program, both successful and unsuccessful; and to determine tax practitioners' opinions and improvement suggestions on the correspondence exam program. Field Exam audits are conducted by revenue agents (examiners) in the practitioner's office or taxpayer's place of business. Many Field Exam audits are conducted with tax practitioners representing the taxpayers. The nationwide tax forums provide the Exam Audit Process (EPIC) Team an opportunity to obtain tax practitioners' input on various aspects of Field Exam audits. The results will help them correlate or validate internal findings from Customer Satisfaction surveys and related quality assurance reviews they have analyzed in the past. The objectives were understanding taxpayers' expectations on: Communications within the Field Exam Audit process; Length of the audit; and Quality of the experience.

Findings: Many participants have very good experiences with the process overall; the few bad ones are really frustrating. Participants generally feel the process works fine as long as the audit issues are simple. Key Concerns: Clients blame practitioners if the process is difficult even if the IRS is at fault All groups feel adamantly that the 'on-hold' music needs to change, Too much telephone tag; examiners work schedules don't coincide with office hours, Many examinations are too complex or require too much documentation to be handled through correspondence, Lack of consistency, Perception that quality has gone downhill. Most participants have very good experiences with the Field Exam Audit process. The participants identified six common themes that ran throughout all the groups. Common Themes: New revenue agents cause more "heart-ache" than experienced revenue agents and need training on how not to be so "gung-ho," Revenue Agents and tax practitioners need to "work together" in auditing the tax return, Practitioners want to use secure e-mail if it is truly secured, Practitioners had not heard of the term "Mutual Commitment Date" although some revenue agents are using the concept, Practitioners like electronic recordkeeping and want the IRS to use it, and Appointment letters for Schedule C audits need to be more precise as to the audit issue.

Actions taken or lessons learned: While CCS and the EPIC Team have not agreed to take any action as a result of the focus groups, the insights gained from the focus groups will help the IRS ensure that practitioners' feedback is a major factor in driving future improvement efforts.

Control # and Name: SOI-302

Correspondence Exam Improvement

Participants: 28 (1661 Requests)

Data Collection Began: 8/08 **Data Collection Ended:** 9/08 **Burden Hours:** 98

Cost: \$32,596 **Response Rate:** 1.58%

Purpose: This research was conducted as part of the IRS agency-wide initiative to monitor taxpayer satisfaction with the service provided. These focus groups provided customer input for the Correspondence Exam Improvement Project to help the Correspondence Exam Improvement team create an improvement plan that addresses customer satisfaction. These focus groups allowed 'drill down' on taxpayer issues with the Correspondence Examination that arose in transactional surveys. The focus groups also provided an opportunity to test several potential solutions to taxpayer satisfaction issues.

Findings: The comments made by participants in the focus groups confirmed the high-leverage items for improving taxpayer satisfaction that were identified in transaction surveys: taxpayer dissatisfaction with telephone service, a lack of overall communication between the IRS and taxpayers, and the obsolescence of several types of supporting documents that are requested by the IRS during the examination process.

Actions taken or lessons learned: The focus groups, together with input from the IRS, helped to refine solutions proposed to IRS senior management for pilot testing.

Control # and Name: SOI-303

Evaluation of Notices Focus Groups

Participants: 30 (350 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 8/08 **Burden Hours:** 54

Cost: \$82,000 **Response Rate:** 9

Purpose: The overall purpose of this research project was to collect and provide qualitative data to the W&I Notice Improvement Office with regard to tax practitioners' insights and feedback on evaluating the following notice topics: notice content, notice elements, and notice receipt.

Findings: The tax professionals that participated in these focus groups suggested the IRS reduce inconsistencies in the notices, use less jargon, and cut out unnecessary material. Some pointed out that they could often shorten the notices their clients receive to a third of their current length. To make the notices easier to follow, the IRS should also show how it calculated certain figures, such as the taxes due. Focus group participants also noted that IRS responses to both phone and written queries are often inadequate. Clients are kept on hold for an inappropriate length of time and the IRS fails to respond to some of the tax professionals' requests. Responding to notice-related questions in a more timely and informed fashion would help reduce the amount of time it takes to resolve those issues.

Actions Taken or Lessons Learned: The practitioner feedback from the focus groups can be used as a resource to drive future efforts to improve the quality and effectiveness of IRS notices. The insights gained from the focus groups will provide the W&I Notice Improvement Office with information to enhance the written correspondences it uses to communicate with taxpayers and tax practitioners. The common themes identified in this report can be used as starting points in identifying and determining where to concentrate improvement efforts. The findings or summary observations from this research project will also be shared with the IRS Commissioner chartered Taxpayer Communications Taskgroup (TACT) which is currently seeking to study and improve the clarity, accuracy, and effectiveness of the IRS's written communication with taxpayers.

Control # and Name: SOI-304

First Contact Resolution with Tax Practitioners

Participants: 45 (117 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 9/08 **Burden Hours:** 96

Cost: \$16,000 **Response Rate:** 38%

Purpose: The TAB Project wanted to understand practitioner opinions and suggestions on their first contact experiences with the IRS. Five communication mediums used by practitioners to contact the IRS that were of special interest were telephone contact, face-to-face contact, website contact, written correspondence and other contact. The objectives of the focus groups were: To understand the problems encountered by tax practitioners upon their first contact with the IRS; and to learn how to improve the IRS first contact resolution with tax practitioners upon their first contact with the IRS.

Findings: Overall, practitioners conveyed that they had good first contact experiences with the IRS. Some of the contacts they had directly with IRS representatives and indirectly with using the IRS website were areas practitioners encountered problems. They are interested in the IRS increasing the level of expertise of IRS representatives and improving the usefulness of their electronic capabilities. It was very apparent that practitioners felt the method they preferred to use to contact the IRS depends on the type of problem involved. The IRS may want to continue to pay close attention to tailoring the process used to resolve a problem to the communication medium used to contact them. IRS representatives and electronic communications seem to have a direct impact on resolving a problem. A focus on these areas may help improve first contact resolution.

Actions taken or lessons learned: The insights gained from the focus groups will help the IRS ensure that practitioners' feedback is a major factor in driving future improvement efforts. For example, the IRS will use the results from the focus group sessions in planning first contact strategies for this year and next year. We now have specific communication vehicles (i.e. website) to review for potential enhancements. We also know that we need to look into how to increase staff expertise.

Control # and Name: SOI-305

2008 External Stakeholder Survey

Participants: 381

Data Collection Began: 7/08 **Data Collection Ended:** 9/09 **Burden Hours:** 120

Cost: \$ 337,276 **Response Rate:**

Purpose: This document serves as the final report of the feedback received from the External Stakeholder Survey and Focus Group Interviews (Attachment A & B) conducted from July through September 2008 at the IRS Tax Forums. The overall objective of the project was to obtain input from Tax Practitioners in identifying and prioritizing documents critical to Chinese, Vietnamese, Korean and Russian LEP Taxpayers and solicit feedback from tax practitioners on e-tools and /or interactive applications to assist small business LEP Taxpayers. The specific business questions explored by this project were: What documents do tax practitioners believe are critical to Chinese, Vietnamese, Korean and Russian LEP taxpayers? What priority should the IRS place on these critical documents? What e-tools should be added to the irs.gov espanol webpage to assist LEP small businesses?

Findings Surveys were conducted in the six cities in which the Tax Forums were held: Atlanta, Chicago, Orlando, Las Vegas, New York and San Diego. Three hundred and eighty one (381) total surveys were received; generally all participants who participated provided a survey. More than half of the respondents (52%) have 10 or more Spanish-speaking clients, with 23% having clients who speak languages other than Spanish. The majority of respondents were from the State of Florida, followed by California, Georgia, and Chicago. The top five documents identified as critical for Chinese, Vietnamese and Korean LEP Taxpayers were the 1040 return, 1040 instructions, Publication 17, EITC information and ITIN. Other tax products that would benefit the LEP taxpayers were basic tax instructions which can be easily understood in their identified language and information on tax payments. Thirty three percent (33%) of the respondents indicated that a Multilingual website would be beneficial to them and their clients. Participants for the focus groups were recruited in various locations throughout the Forums at each location. Recruitment efforts were made at the Focus Group Booths, MLI Forum Booth, and breezeways of Seminars. Participants who refused to participate at the Focus groups stated that the focus group conflicted with their time slot. The 990 seminar coincided with the scheduled focus groups at each of the locations. Participants indicated they would be interested in attending but preferred to attend the seminar which was an important seminar to attend. Attempts were made to change the timeslots for the focus group. Due to scheduling conflicts with other focus groups that were scheduled by other IRS functions the MLI focus group could not be rescheduled at any of the locations. The focus group in Atlanta was canceled since there were not enough participants to conduct a discussion or a focus group. In order to conduct a focus group there must be 6-12 participants at each location.

Actions Taken Lessons Learned: (1) Based on the findings and suggestions made at the focus groups, the three online tools that should be translated into Spanish are: On-line payment Agreement, Find and Authorized e-file provider and On-line EIN. (2) Provide additional information on webpage for newly arrived immigrants; Where and how to obtain an ITIN. (3) Provide more information on the webpage on the Child tax credit (4) Provide more information on Small Business for the Spanish Tax Practitioners. The IRS MLI Strategy Office will use the survey & focus group results to: Determine which of the vital documents identified as critical to the LEP taxpayers will be translated. Identify alternatives for providing products and services to LEP taxpayers who speak other languages if vital documents cannot be translated. Translate at least one of the on-line tools as identified in the focus group for the FY 09 filing season.

Control # and Name: SOI-306

Forms Focus Group

Participants: 195 (14,615 Requests)

Data Collection Began: 7/08 **Data Collection Ended:** 8/08 **Burden Hours:** 899

Cost: \$110,051.30

Response Rate: 38.5

Purpose: The purpose of the focus groups was to gain insight about taxpayer perception of these documents. The focus groups were designed to identify specific parts of these documents that lead to taxpayer error or misunderstanding. The focus groups also provided insight into suggestions for improvement to these forms and instructions. Three products were tested, Forms 941X, 6251-EZ and 8910.

Findings: Overall, participants liked the revised Form 8910 better. They agreed that “it looks easier.” All of the participants noticed that the revised form has fewer questions and they agreed “shorter is better.” Many participants agreed that the revised form is “more approachable” and felt that this form would not be as intimidating to fill out. Overall, participants did not see much difference in the forms, 6521 and 6521-EZ. Many participants commented that both forms have too much information on each line, which causes confusion. Many agreed that the instructions are only somewhat helpful. The participants mentioned that the instructions would be easier to read if each paragraph or sentence was broken up more. The participants agreed that while it would make the instructions longer, changing some of the “wordier” sections of the instructions to bulleted lists would make them more helpful in filling out the form. Some participants also commented that providing examples in the instructions would be helpful. After completing the new Form 941X, many participants agreed that the form is less burdensome than the

current Form 941C because you can submit the form without a Form 941. Many agreed that the instructions are clear and the font is larger, with more spacing in the lines. However, participants had some concerns regarding the form. Some had trouble changing the number from positive to negative on line 16, and discussed that using brackets is a standard accounting practice and using a negative sign is not. Many participants agreed that the negative numbers may not be picked up by the IRS which could lead to additional error(s). Overall, the participants preferred the revised forms better, but suggested further improvements for all forms in the focus group. Based on the comments, additional changes will be made to the tested forms and instructions to further improve these products

Actions taken or lessons learned: Based on the comments provided, additional changes will be made on the tested form and instructions to make them easier for the taxpayers to complete.

Control # and Name: SOI-307

IRS.gov Frequently Asked Questions Usability Study

Participants: 10 (40 Requests)

Data Collection Began: 8/08 **Data Collection Ended:** 8/08 **Burden Hours:** 11

Cost: \$7,681 **Response Rate:**

Purpose: The purpose of this test was to determine if the information in the Frequently Asked Questions portion of the web site is logical. In addition, we were testing to confirm that the layout of the information is logical and easy to understand. Testing was also conducted to determine if the navigation of the FAQs is logical and intuitive.

Findings: Overall users were generally pleased with the redesigned look and feel of the Frequently Asked Questions. The navigation made sense to users for the most part. Instances where navigation wasn't clear will be brought up with the business since it was due to wording of the link rather than the location of the link. Scenarios were clear for users to understand. Many users felt that the new search feature was very helpful.

Actions taken or lessons learned: There were no high priority issues that need immediate attention. Any outstanding issues that we found, that were within scope, will be fixed before the release date of COLDS R1. Issues that were found that were **not** within scope will be presented to the business and it will be up to them to take action.

Control # and Name: SOI-308

Market Segment Survey

Participants: 3567 (6525 Requests)

Data Collection Began: 9/08 **Data Collection Ended:** 12/09 **Burden Hours:** 1238

Cost: \$421,109 **Response Rate:** 55%

Purpose: The Market Segment Survey (web & phone) provides insight into the needs, opinions, and behaviors of the overall Wage and Investment (W&I) taxpayer market, including Schedule C, E, and F filers. PCG has administered this survey four times since 2003. Questions have been tailored over the years to align with key initiatives and service changes (e.g., first contact resolution, Economic Stimulus Package, etc.). Topics include how these customers use IRS services, how to improve the efficiency and effectiveness of service delivery, and how to prioritize strategies for improving both customer satisfaction and IRS services. This study includes individual taxpayers who filed a 2007 tax return in 2008 (including some Spanish-speaking taxpayers), regardless of whether or not they received assistance directly from the IRS for tax-related items. This differs from transactional surveys that represent only taxpayers who have had some contact with the IRS. Specifically, this research: identifies a customer segmentation scheme—based on differences in satisfaction and service usage—to assess and address the specific needs and behaviors of different groups of taxpayers; reveals usage of IRS services and service channels; reveals taxpayer behavior patterns and potential improvements needed based on their pre-filing, filing, and post-filing experiences, including experience with refunds and notices; measures customer satisfaction of individual taxpayer experiences with W&I services; and identifies specific recommendations to help increase customer satisfaction and lower the cost of service delivery.

Findings: Average taxpayers' satisfaction with the overall tax experience is 3.76 on a 5-point scale, where 1 is *very dissatisfied* and 5 is *very satisfied*. 68% of taxpayers are satisfied (*somewhat* or *very*

satisfied) overall. Taxpayers are most satisfied with *Person Who Prepared Your Return (Non Self-Preparer)* (4.17) and least satisfied with *Resolving Your Notice* (3.37) By customer segment, individual taxpayers who e-filed are more satisfied overall than non e-filers. By service channel, taxpayers who choose to contact the IRS through the various service channels are most satisfied with using free tax preparation services from volunteers, followed by using the IRS.gov Web site. Taxpayers who choose to contact the IRS using the IRS Toll-free line or local IRS offices are less satisfied than those who chose to contact the IRS through different methods. A high percentage of interactions via the IRS Toll-free line and local IRS offices are related to notices or problems. Satisfaction is lower for those contacting the IRS regarding notices than for pre-filing issues. In general, taxpayers are satisfied with the clarity of information about what to do to receive the stimulus payment and less satisfied with the clarity of information about the amount of the payment. *Resolving Your Notice* and *Preparing and Filing Federal Return (Self-Preparer)* are the top improvement priorities. Improving first contact resolution will likely have a positive effect on customer satisfaction. Close to one-half (44%) of taxpayers contacted the IRS more than once in the past 12 months about their most recent issue. The majority of taxpayers who contacted the IRS (87%) expect first contact resolution, and 78% said they got what was needed to resolve their issue. The highest volume of customer interactions is through the IRS.gov Web site (50%), followed by the IRS Toll-free line (35%). Fewer than 20% of taxpayers expressed any difficulties using the IRS service channels (18% of Toll-free callers, 13% of IRS.gov Web site visitors, and 5% of those who contacted the IRS via regular mail). Nearly all taxpayers who visited the IRS.gov Web site received the information they were seeking, and 84% of IRS.gov Web site visitors found the information to be clear and accurate. Satisfaction with services by volunteers trained by the IRS is highest among all IRS service channels. 39% of individual taxpayers prepared and filed their 2007 taxes themselves (self-filers), while the majority (61%) used a preparer. Nearly six out of ten (59%) individual taxpayers filed their 2007 federal tax returns electronically, while 40% filed by regular mail. Nearly one-half (45%) are aware that refunds can be tracked online. Approximately four out of ten responded to their notice by contacting the IRS with questions (41%); others responded without questions (14%), had someone else handle the notice (18%), or did nothing (27%). Resolution of notices received in the past 12 months is relatively high for all channels. The dominant issues for the most recent notice are under-reported income, inadequate withholdings, or a mistake on a return. 84% of notices received in the past 12 months have been resolved

Actions taken or lessons learned: PCG suggested several recommendations from the survey data including: Strive to reduce the number of notices. Promote pre-emptive services (greater taxpayer and preparer education/information) so that taxpayers prepare their taxes correctly the first time; thereby, reducing the need for notices. Seek to increase notice resolution in cases where the taxpayers contacted the IRS via regular mail or through the IRS Toll-free line. Improve first contact resolution across all channels. Faster issue resolution leads to money owed being collected more quickly, allowing IRS resources to work on more cases. First contact resolution improves compliance. Harness the IRS.gov Web site to prepare taxpayers to avoid the need to contact the IRS multiple times. Proactively migrate taxpayers from using local IRS offices (Taxpayer Assistance Centers or TACs) and the Toll-free line to the IRS.gov Web site, particularly for forms/publications, Economic Stimulus Payment issues, refund information, and tax law information Improve service for self-filers. Providing good service to self-filers will have a positive effect on overall satisfaction. Continue to encourage e-file. Migrate eligible taxpayers to Free-File. Free-File is something that benefits customers as well as the IRS. Improve EITC outreach.

Control # and Name: SOI-309

Oversight Board Compliance Study

Participants: 1005 (20,000 Requests)

Data Collection Began: 8/08 **Data Collection Ended:** 8/08 **Burden Hours:** 423

Cost: \$20,000 **Response Rate:** 5%

Purpose: To understand what influences taxpayers' tax compliance, their opinions of IRS, and their customer service preferences.

Findings: Taxpayers surveyed had the following attitudes: Most rejected cheating on taxes; Paying taxes was seen as a civic duty and most felt that taxpayers should be held accountable for paying honestly;

Integrity was the top influence on paying taxes honestly; IRS should focus on corporations and high-income taxpayers; IRS sources vied with paid professionals as top Information sources; Taxpayers were willing to wait on the phone, but were less apt to make appointments; Their satisfaction with services was undiminished; Most favored financing for IRS activities and Most viewed competence and ethics as critical to tax-preparer qualifications

Actions taken or lessons learned: The data will be used to help the IRS Oversight Board to further develop a taxpayer compliance strategy based on the needs and demands of taxpayers that is consistent with the IRS' strategic objectives. The IRS Oversight Board also published the results to inform taxpayers and other key stakeholders.

Control # and Name: SOI-310

2008 Free File Migration Telephone Survey

Participants: 1,644 (2,869 Requests)

Data Collection Began: 9/08 **Data Collection Ended:** 10/08 **Burden Hours:** 431

Cost: \$131,191.97 **Response Rate:** 57.3%

Purpose: Research is an integral part of the IRS e-file marketing cycle and monitoring e-product development. Research is performed at the beginning of the cycle for the purpose of identifying the customers and their likes and dislikes prior to developing a product. In addition, it is performed once the product is offered in order to determine its acceptance and how to improve it. Results from the research provide ETA and the other Business Operating Divisions (BODS) with usage volume, penetration rates, and taxpayer profiles as to who does and does not use each product. It also provides BODS with detailed information to guide the next season's marketing campaign and/or and how to direct outreach and marketing efforts. Finally, it provides the feedback necessary to determine if the funding was spent wisely and achieved the expected results. Various internal and external marketing research activities are performed each year that provide the BODS with taxpayer profiling data in the form of demographics, attitudinal or psychographic information and customer satisfaction. 2007 data showed a large number of Taxpayers using Free File one year, but not returning the next year. Most of these "Migrators" (83% of them) used another e-file method (64% Online and 19% Practitioner e-file), with 17% using Paper.

Findings: In year-to-year results, Migrators remain as positive toward Free File as they are toward the methods they migrate to. In addition, the level of recommendation is even higher, while the suggestions for improvements are unchanged. Those generally positive attitudes toward Free File and lack of loyalty to the '08 method, together with a lack of rationale for moving away from Free File, indicates the same aloofness toward filing method that we found among Migrators in last year's survey. This was evident in their inability to recall why they migrated or to point to any "bad experience" or shortcoming of Free File, and in their lack of clear recall of how they actually filed during the past tax season – with about one-fifth of them thinking that they DID use Free File (though, in fairness, that filing occurred 6 months earlier and this may be affecting recall). Still, looking at key drivers of Free File vs. those of the method migrated to, there is one difference which could be accounting for at least some part of migration...Among Migrators to Other OLF Methods (i.e., two-thirds of all Migrators), the "Other OLF Method" has a clear advantage in terms of Ease And Convenience which may be outweighing the Cost advantages of Free File. On the other hand, given their lack of focus on method, Ease/Convenience may simply be what Migrators remember most about a filing method used 6 months ago. Finally, in terms of how to reach Migrators, there was a drop in mentions of regular mail in '08 and increases for all e-methods – though some of this may be a result of a younger survey sample.

Actions taken or lessons learned: One of the main lessons learned was that this survey needs to be done closer to the filing season. The survey was taken in September and there was a great deal of uncertainty among the taxpayers as to exactly how they filed last year. Examples include 20% of all taxpayers that migrated away from Free File thinking that they used Free File and 56% of those who filed on paper, remembering that they filed on paper and not electronically. Any questions as to "why" taxpayers migrated may be tainted by time. 51% of all the migrators could not provide a reason why they migrated away from Free File (remember that 20% thought they actually used it). Unless the survey is done closer to filing season where taxpayers can provide definitive and factual answers as to "why" they migrated or

didn't migrate, the reasons that they did are mostly based on speculation or prompted responses and are not of much use. The study did point out that a majority of those taxpayers who took part in the survey preferred to be contacted by mail (e-mail) to receive information or marketing regarding Free File. At the current time IRS does not do direct mailings however the mailing option was forwarded to the Marketing team to discuss for future applications. The key lesson learned was that the vast majority of taxpayers who used Free File in one year, continued to file electronically in subsequent years. The reversion to paper was minimal.

Control # and Name: SOI-311

2008 Free File Cognitive & Behavioral Study

Participants: 1802 (3017 Requests)

Data Collection Began: 9/08 **Data Collection Ended:** 10/08 **Burden Hours:** 471

Cost: \$93,245.25 **Response Rate:** 58%

Purpose: Research is an integral part of the IRS e-file marketing cycle and monitoring e-product development. Research is performed at the beginning of the cycle for the purpose of identifying the customers and their likes and dislikes prior to developing a product. In addition, it is performed once the product is offered in order to determine its acceptance and how to improve it. Results from the research provide ETA and the other Business Operating Divisions (BODS) with usage volume, penetration rates, and taxpayer profiles as to who does and does not use each product. It also provides BODS with detailed information to guide the next season's marketing campaign and/or and how to direct outreach and marketing efforts. Finally, it provides the feedback necessary to determine if the funding was spent wisely and achieved the expected results. Various internal and external marketing research activities are performed each year that provide the BODs with taxpayer profiling data in the form of demographics, attitudinal or psychographic information and customer satisfaction.

Findings: 2008 results show decreases in Future Usage Intent and ratings of Free File as Very Easy To Use, along with increases in Suggested Improvements. The lower Ease Of Use rating correlates with lower ratings on Ease of Site Navigation and Ease of Company Selection – though we cannot pinpoint whether these declines are reflective of product performance, study timing, or changes in User types. Overall, this year's drivers of Free File Usage align very closely with those of 2006 and 2007 – still mainly Convenience and Cost. Finally, the levels of claimed usage of specific site features were at parity with those of last year, with substantial cross-usage of the 4 features (especially with Step-By-Step instructions).

Actions taken or lessons learned: Based on the results from the 2008 survey, changes were made to the program in an attempt to raise customer satisfaction back to the 2007 level. Changes include: Reformatted the logos on the IRS.gov landing page to avoid program confusion; reformatting the Free File landing page to make it easier to navigate; reformatting the instructions to avoid taxpayer confusion Revisions to the Free File Wizard to make it easier to select a company; reformatting and updated the FAQs to address taxpayer issues; and Made changes to our specifications for Free File Company landing pages to make navigation easier. Increased marketing to younger taxpayers to increase knowledge and awareness of the Free File program

Control # and Name: SOI-312

Marketing Materials Focus Group Study

Participants: 54

Data Collection Began: 9/08 **Data Collection Ended:** 9/08 **Burden Hours:** 84

Cost: \$36,432.20 **Response Rate:** 59%

Purpose: Research is an integral part of the IRS e-file marketing cycle and monitoring e-product development. Research is performed at the beginning of the cycle for the purpose of identifying the customers and their likes and dislikes prior to developing a product. In addition, it is performed once the product is offered in order to determine its acceptance and how to improve it. Results from the research provide ETA and the other Business Operating Divisions (BODS) with usage volume, penetration rates, and taxpayer profiles as to who does and does not use each product. Research also provides BODS with detailed information to guide the next season's marketing campaign and/or and how to direct outreach

and marketing efforts. Finally, it provides the feedback necessary to determine if the funding was spent wisely and achieved the expected results. Following is a Statement Of Work for qualitative marketing research for ETA Marketing Campaign Materials. Each year, the IRS conducts a coordinated marketing campaign designed to increase usage of electronic filing. In addition to standard existing campaign messages, IRS is planning two important new elements for its FS2009 marketing campaign – (1) a new e-IRS logo, which is intended to communicate the concept of an “electronic IRS”; and (2) a series of environmental messages linked to tax filings/paying taxes. The overall objective of the research is to explore responsiveness to the 2009 Filing Season e-file/Free File marketing campaign among the target audience – Taxpayers and Tax Professionals. Specific objectives are to: Assess Taxpayers' reactions to the two new elements, and to make sure the campaign is as effective as possible. Determine if the new “e-IRS” logo is easily understood by taxpayers as a symbol of electronic interaction with the IRS. Determine how Taxpayers respond to environmental messages tied to filing their tax filing and paying taxes.

Especially important in this is to learn if saving paper helps to motivate people to file electronically.

Findings: For the majority of participants in every group, there was very weak possible linkage of tax filing/e-filing and the environment. When the link was pointed out to them, most participants felt that while e-file may be “saving some trees”, there is still significant waste in the process. Participants were also exposed to 4 “green” e-file messaging concepts. *Save paper – that’s good for the environment* This message was considered “simple” and “understandable” and seemed to tap in to popular sentiment. *Cuts paper use by 50%* For many Taxpayers, this message just did not ring true. They thought the actual reduction in paper required for filing would be much smaller. But Preparers saw it differently. Most found this message compelling because it implied a “business benefit” and because the 50% paper-saving benefit sounded reasonable. *Save paper – enough to wrap around the earth 10 times.* This messaging idea was confusing and difficult to understand for many participants across the 6 groups. **BACK OF POSTCARD:** *Save trees – almost 300,000 if everyone filed electronically-*This message on the back of the two postcards was a much more relevant expression of the environmental impact for most participants. Participants were next exposed to executions of “green” e-file messaging via 2 DM postcards. Overall, the postcards were not seen as particularly compelling. *Postcard #1: Money and Leaves-*This postcard delivered the dual meaning of “green” – communicating a message about both money and the environment. *Postcard #2: Money Tree* This postcard, on the other hand, gave more emphasis to the “money” meaning of “green” than to the environment. Finally, participants were asked for their reaction to 3 possible new e-IRS logos. First, the overall role of the logo was unclear to most of them and there was some difficulty in understanding how, exactly, they would use an “e-IRS”. Some participants did not like the idea of e-IRS being “The Gateway To Electronic Services”.

Actions taken or lessons learned: As a result, the marketing materials were modified and perfected for the upcoming campaign.

Control # and Name: SOI-313

FEAB Focus Group Study

Participants: 60 (92 requests)

Data Collection Began: 9/08 **Data Collection Ended:** 9/08 **Burden Hours:** 136

Cost: \$ 8,000 **Response Rate:** 65%

Purpose: The overall mission of the Stakeholders, Partners, Education and Communication (SPEC) organization is to assist taxpayers in satisfying their tax responsibilities by building and maintaining partnerships with key stakeholders and seeking to create value by informing, educating and communicating with their shared customers. To accomplish this, SPEC uses a three-pronged Community-Based Partnership approach as its operating model. The three parts are: Tax Education, Tax Preparation Services and Financial Education and Asset Building (FEAB). This project involved exploring ways to improve SPEC's role in FEAB, including how to support current FEAB offerings and which additional FEAB services SPEC should champion with its partners. The objectives of this project were to gather information related to the following business questions in order to facilitate SPEC program planning: What FEAB services are currently offered by SPEC partners? How do these partners measure the success of these services? What barriers do partners face in offering FEAB services and measuring

their success? How can SPEC assist partners in maintaining these current services? How can SPEC support partners interested in providing a greater range of services and/or expanding their FEAB programs?

Findings: The ‘current state’ of organizations represented in the focus groups varied greatly. They also had differing goals and emphases. Some of the ideas discussed are outside the direct control of SPEC, but provide context for SPEC to use in recommending changes to other IRS functions. SPEC partners currently offer the following FEAB services: conducting classes and workshops on financial education and asset building, assistance in opening checking and savings accounts, providing information about and assistance in obtaining benefits, including food stamp application assistance. Many, but not all, are tied to tax assistance services. There is universal agreement that measuring outcomes is extremely difficult. Some partners use proxies such as: conducting pre- and post-education tests, measuring changes in the credit scores of clients, calculating the dollars attributable to EITC, and conducting longitudinal surveys. Without measuring FEAB activities in some way, SPEC is unable to assess its success. A lack of adequate funding, (outmoded or no) technology, and trust issues hamper partners in providing more FEAB services. Also, the marketing efforts of predatory lenders and issues surrounding the recruitment and retention of volunteers are other barriers to improved FEAB services. SPEC should be more involved in facilitating, creating, and maintaining national and local partnerships. This would include organizing events and activities where ideas and successes may be shared amongst participants. SPEC provides tiered training. (I.e. learning how to do an easy return, and if appropriate, learning how to do more and more difficult returns). However, many partners are unaware of how it works. Partners are also unaware of the mechanism for training volunteers well before the tax season begins. SPEC needs to improve the quality of promotion and marketing materials, as well as making the materials more ‘eye catching’. The use of some part of tax refunds to buy U.S. Savings Bonds should be explored, as well as, issuing debit cards in lieu of checks for tax refunds.

Actions taken or lessons learned: Based on the focus group sessions, Research recommended that SPEC act on the following: **Training** – The availability of training opportunities earlier in the tax season cycle should be emphasized, as well as the tiered training approach that SPEC’s training material provides. **Coordination** – Facilitate the interaction of partners at the national and local levels and coordinate a national forum where potential banking (and other) partners would be available for discussions. These forums would also allow best practices to be shared. **Measuring Impact** – No consensus on availability and value of current measurement tools were mentioned. Until such time as outcome measures can be identified, SPEC should count the number of partners that SPEC consultants contact to promote FEAB, as well as the number of partners who offer FEAB services. Though these are not ideal measures of success, they will lead SPEC and its partners to think about better ones in the future. **Other Ideas for Consideration that are outside the Control of SPEC** – Shorten the refund cycle time, Issue debit cards, not checks for some or all of refunds Facilitate the purchase of U.S. Savings Bonds with tax refunds using Form 8888 (Direct Deposit of Refund to More Than One Account)

Control # and Name: SOI-314

Modernized IEIN Web Survey

Participants: 25,505 (40,851 Requests)

Data Collection Began: 10/08 **Data Collection Ended:** 5/09 **Burden Hours:** 760

Cost: \$ 0 **Response Rate:** 62%

Purpose: The success and impact of Modernized IEIN is dependent upon the use of the Internet EIN website by taxpayers. To gauge this success, OMB approved the use of two surveys to obtain feedback from customers who were successful in applying for an EIN and from those who were unsuccessful.

Findings: 1,763 applicants that received the reject survey stated the system wouldn’t take the information they were entering. Out of the 23,030 applicants that answered the successful survey, 14,918 strongly agree that the web application is easier than filling out a paper form.

Actions taken or lessons learned: The Reject Survey and Successful Survey was removed from Modernized Internet Employer Identification Number on 5/13/2009

Control # and Name: SOI-315

Economic Stimulus Cognitive Testing

Participants: 85 (233 Requests)

Data Collection Began: 9/09 **Data Collection Ended:** 11/09 **Burden Hours:** 25

Cost: \$23,000 **Response Rate:** 37%

Purpose: The purpose of this project is to gather qualitative data on the problems/issues/questions people have regarding the IRS's implementation of and communications about the ESP to refine a quantitative survey.

Findings: Generally people who took both the phone survey and the on-line survey understood the survey, thought all the questions were clear and had no questions of their own after taking the survey.

Actions taken or lessons learned: Based on the survey pre-test we were able to create lists for open ended questions such as what sources of information people used for the ESP and reason for not reading letters from the IRS regarding the ESP. We were also able to refine language and definitions used in the survey.

Control # and Name: SOI-316

SPEC Taxpayer Non-Media Focus Groups

Participants: 64 (400 Requests)

Data Collection Began: 9/09 **Data Collection Ended:** 10/09 **Burden Hours:** 107

Cost: \$ 46,135 **Response Rate:** 16%

Purpose: Assess the current SPEC non-media outreach measure of number of taxpayers reached to determine its relevance to impact on overall customer behavior and satisfaction through Focus Groups. The contractor assessed the current outreach measure captured in STARS and reviewed data from the current SPEC partner surveys. The contractor conducted eight focus groups among the designated groups of taxpayers (low income, LEP, rural, disabled, and elderly). The purpose of the sessions was to obtain a more in-depth, qualitative understanding of the current SPEC non-media outreach measure.

Findings: The current non-media outreach measure tracks the number of taxpayers reached through partner-delivered activities such as mailings, and the number of taxpayers reached through direct SPEC contact, such as seminars. The measure appears to have value at a territory level for managers to evaluate the use of staff for the non-media outreach effort, but offers less value as a critical measure in gauging *effectiveness* of SPEC's non-media outreach. The primary drawback of tracking the number of taxpayers reached is that it does not capture effectiveness of outreach activities in promoting major SPEC goals and, therefore, is not actionable. In fact, in some cases, the measurement method inhibits effective outreach efforts. In addition, the current measure often produces inaccurate counts due to lack of information from partners, subjective judgments about the size of the 'effective' target audience, and differences across, and even within, territories in what should and should not be counted. Finally, both the planning and reporting activities associated with the current measure take valuable staff time while adding only minimal value to the planning and evaluation of SPEC activities.

Actions taken or lessons learned: Based on the findings, it is recommended that the current activity-based measure be eliminated as a measure of SPEC effectiveness, either as a critical measure or a workload indicator measure in the spectrum of SPEC external measures. As noted earlier, the current measure is used by many territory managers as an internal management tool. Should the IRS see merit in supporting and/or encouraging its use as such, it is suggested offering guidelines to managers to improve the measure in order to a) reduce administrative burden, and b) minimize "counterproductive" activity generated by the measure itself (i.e. "playing to the numbers" vs. doing what is most likely to produce the desired behavioral outcomes).

Control # and Name: SOI-317

Retirement Plans Newsletter

Participants: 510 (26,000 Requests)

Data Collection Began: 11/08 **Data Collection Ended:** 5/09 **Burden Hours:** 43

Cost: \$ 0 **Response Rate:** 2%

Purpose: To obtain readership information and feedback from subscribers of the Retirement Plans Newsletter (RNE) created and distributed by the IRS TE/GE Employee Plans Customer Education and

Outreach office (TE/GE EP CE&O) via an online survey. The online survey was developed and distributed by TE/GE EP CE&O with the assistance of TE/GE Research & Analysis Office to assess RNE subscriber characteristics including demographics, and reader feedback (latter pertaining to interest in articles and educational materials provided in the newsletter). It is anticipated that such information may help identify areas needed for newsletter improvement.

Findings: Key findings provide descriptive information on RNE demographic and reader feedback characteristics unique to this small group of respondents (out of the 26,000 RNE subscriber population, surveys were completed by a total of only 510 RNE respondents, including 98 non-regular readers finishing Part 1-Demographics, and 412 regular readers completing both Part 1 and Part 2-Reader Feedback). The majority of respondents were comprised of Employer Plan sponsors and Benefits professionals. The 401(k) and Defined Benefit retirement plans were the most commonly held plans while Employee Stock Ownership and Target Benefit plans were least common. Regular readership dominated among respondents in general and those representing a range of professional background types. High regular readership existed among respective holders of the more common Profit-Sharing and 401(k) plans, and the Money Purchase Pension Plan. Unawareness of the newsletter and lack of time appeared to be common challenges to regular readership in this sample. Reasons for not reading did not substantially differ based on professional background or having a given retirement plan type. Remaining findings relate to RNE regular reader feedback, including recurring columns liked, and the sharing of RNE and its materials. The majority of regular readers liked recurring columns, “Recent Guidance,” “We’re Glad You Asked,” and “DOL News,” while half favored “The Filing Cabinet,” and relatively fewer liked “Desk Side Chat with Monika Templeman,” and “Product Profile.” Though in general, the liking of recurring columns did not considerably differ based on demographics, there were exceptions. “We’re Glad you Asked” was favored among a broad range of professionals, while “DOL News” was liked among most of Benefits professionals and Employer Plan sponsors, and disliked among most of Enrolled Agent Tax preparers and CPAs. Both columns were favored by a majority of 401(k), and Money Purchase Pension plan holders, while “The Filing Cabinet” and “Recent Guidance” were favored among most of Money Purchase Pension holders. “Product Profile,” the least liked among respondents in general, was disliked by the majority of 401(k), Money Purchase Pension, SIMPLE IRA, and SEP Plan holders. Less than half of respondents respectively shared the entire newsletter, and the flyer “Timing is Everything.” E-mail was the most frequent flyer-sharing mode, and three quarters of flyer-sharers shared the entire newsletter with others. In general, respective sharing of the flyer and the entire newsletter appeared not to differ on demographic or regular-reader feedback characteristics, but there were exceptions. Exceptions included the majority of Money Purchase Pension Plan holders sharing the RNE, and the majority of Cash Balance and Defined Benefit plan holders who did not share “Timing is Everything.” A substantial percentage of respondents favoring the recurring column least-desired among regular readers, “Product Profile,” shared the RNE.

Actions taken or lessons learned: A lesson learned relates to the importance of carefully documenting research procedures, particularly data collection. Given the extremely low response rate (out of 26,000 subscribers, data was collected from 510 respondents, yielding a 2 percent response rate) subject recruitment appeared to have been difficult. Initial recruitment took place via an announcement placed in the RNE November 2008 edition. Because of the unanticipated, low number of five respondents, recruitment was expanded by directly e-mailing each of the 26,000 RNE subscribers registered for the listserv that distributes the newsletter. That recruitment e-mail was sent in April 2009, and included a survey participation invitation with a direct link to the online survey. However, the details of how the sampling actually took place were unclear. For example, how exactly did we end up with only 510 respondents? To what extent did a far greater number of individuals might have attempted to complete the survey? Were other means of sampling the 26,000 subscribers considered before e-mailing the entire population? The present researcher was assigned to this project long after data collection took place, and little documentation of those procedures existed. Thus, given the extremely small sample size, the information obtained from the RNE Survey provides, at best, an anecdotal description of RNE subscriber demographic and feedback characteristics unique to this particular group of respondents. Future studies

should place a high priority on subject recruitment to obtain an adequate sample size. An additional lesson learned involves the need for better documentation not only of research procedures, but of the actual data. The data file initially provided by our vendor had become corrupted, but unfortunately no back-up data existed at TE/GE Research & Analysis. In November, 2009, we had to order the data from our vendor. Since the data received was in raw form, a considerable amount of time was spent cleaning, coding, and analyzing the data.

Control # and Name: SOI-318

Economic Stimulus Survey

Participants: 3738 (11,333 Requests)

Data Collection Began: 10/09 **Data Collection Ended:** 12/09 **Burden Hours:** 1,188

Cost: \$216,000 **Response Rate:** 33%

Purpose: The purpose of this project was to gather data on the problems/issues/questions people have regarding the IRS's implementation of and communications about the ESP. The results of the survey will be used to assist in the IRS in the implementation of any future similar payments.

Findings: Overall, the IRS did a good job administering the Economic Stimulus payments. Taxpayers are satisfied with the information they received about the payments. 94% of English-language and 68% of Spanish-language taxpayers are aware of the stimulus payments. 80% of both English-language and Spanish-language taxpayers are satisfied overall with the information about the amount of the payment (gave a rating of 4 or 5 on a 5-point scale). 80% of English-language and 82% of Spanish-language taxpayers are satisfied overall with the information about when they would receive the payment (gave a rating of 4 or 5 on a 5-point scale). English- and Spanish-language respondents were both most likely to receive general information about the stimulus payments from TV, newspaper, or radio, or an IRS mailing, but differ in their likelihood of using other sources of information about the stimulus payments. 36% of English-language respondents and 28% of Spanish-language respondents contacted the IRS about the stimulus payments. 54% of those English-language and 43% of those Spanish-language respondents who contacted the IRS about the stimulus payments did so twice or more. Few people who contacted twice or more switched methods. The main reasons respondents contacted the IRS are to find out when they would receive the payment, whether they would qualify, and the amount they would receive. Taxpayers are more satisfied with the information received from IRS.gov than from the Toll-free line. The difference in satisfaction is greater for English-language respondents than for Spanish-language respondents. Spanish-language respondents are more satisfied with the information from the Toll-free line than English-language respondents. Overall, taxpayers are satisfied with the mailings. Satisfaction with the general letter is lower for all taxpayers, particularly Spanish-language respondents.

Actions taken or lessons learned: If the IRS has to administer Economic Stimulus payments again, the overall success of the process in 2008 and the few areas for improvement noted below can provide guidance. Continue to disseminate information through various channels: IRS mailings, IRS.gov, IRS Toll-free line, and publicity through TV, newspaper, and radio. Evaluate the reach of other publicity methods, such as "Super Saturday" and the online video, which were not mentioned by many respondents. IRS.gov seems to be a better and more efficient method than the Toll-free line for answering taxpayer questions. Those who do call the Toll-free line tend to be individuals who are less likely to use the Internet at all. Therefore, maintain both methods of contact, but try to direct people to IRS.gov. Consolidate the two IRS letters (IRS general letter and IRS personalized letter) into one personalized letter to address the highest overall improvement priorities. In this one letter, continue to provide clear and accurate personalized information about the amount of the payment. Also, improve the clarity and accuracy of the information about *when* to expect the payment. The highest overall improvement priority for both the IRS general letter and the IRS personalized letter is *Information about When You Would Receive Stimulus Payment*. If time does not permit consolidation of the mailings, provide a more clear explanation of the amount and of when to expect the payments in the IRS general letter. Low-income taxpayers are less satisfied with the *Information about Amount of Money You Would Receive for Stimulus*

Payment. Low-income taxpayers and those who do not normally file also more likely to contact the IRS by phone.

Control # and Name: SOI-319

Comprehension Testing Correspondex Letter 4310C

Participants: 61 (188 Requests)

Data Collection Began: 10/08 **Data Collection Ended:** 11/08 **Burden Hours:** 63

Cost: \$24,709 **Response Rate:** 32%

Purpose: The Notice Improvement Office requested W&I Research and Analysis (WIRA) collect data regarding taxpayer understanding of, reaction to, and suggestions for improvement of Correspondex Letter 4310 and Publication 4535. One of the best ways to accomplish this goal is through comprehension testing. A comprehension test is a one-on-one test between a moderator and a taxpayer. Through comprehension testing, the Notice Improvement Office hopes to better understand how taxpayers interact with these products and how well they understand what actions are required of them so that the office can improve their taxpayer communications. The overall objectives of this project are to quantitatively test taxpayers' ability to understand the communication goals of C Letter 4310-C with accompanying Publication 4535.

Findings: The C Letter 4310 successfully met one of its three communication goals. Participants knew what to do if they found suspicious activity on their accounts. The letter, however, failed to communicate that not all taxpayers would have to take those steps immediately after receiving the letter. Most participants missed the letter's intent of advising them to monitor their financial accounts. If they had questions, a large number of participants said they would call an IRS representative or the tax examiner who reviewed their case. Many said they were not sure what role the TAS served. Publication 4535 successfully met the majority of its communication goals. Taxpayers recognized that the IRS does not initiate contact with taxpayers via email. Nearly all participants also knew that identity theft could have an impact on their tax records, but far fewer could explain how. When identifying ways taxpayers could minimize their chances of becoming victims of identity theft, participants were more likely to cite not carrying a Social Security Number and checking a credit report annually than protecting their personal computers.

Actions taken or lessons learned: Findings will be used to evaluate the notice when it is up for revision.

Control # and Name: SOI-320

IRS.gov Pick List Usability Study

Participants: 15 (60 Requests)

Data Collection Began: 11/08 **Data Collection Ended:** 11/08 **Burden Hours:** 10

Cost: \$5,150 **Response Rate:**

Purpose: The enhanced pick lists was built to enhance the user experience by making the various pick lists on IRS.gov easier to use. Usability testing was necessary to make sure that the changes we made were the right ones and are going to help all IRS.gov users find what they are looking for. Taxpayers were given the opportunity to provide their feedback regarding the pick lists and the content associated with them.

Findings: Overall users found the pick lists easier to navigate through. Users liked the search functionality but seemed frustrated with the fact that there was no search option it was more of a sort option. To fix this problem we changed the title from "Search" to "Sort". In addition, users felt that the lists were cluttered. To fix this we added spacing vertically and horizontally within the pick lists. Overall users liked the pagination controls and thought this design was better than what was currently on the IRS.gov web site.

Actions taken or lessons learned: There were 6 high priority issues identified during testing. The current year/ revision date formatting was an issue and was brought to the business owner's attention to try to create a standard for the future. Some of the column headings were confusing to users so they were changed to make more sense (i.e. type and issue). Separating the document prefixes and numbers into separate columns was more of a suggestion that we have shared with the various business owners but will need to be addressed at a later date. SGML pages seemed to be confusing to users and the team suggested

adding more text to the page about who would be using those picks lists. After discussing this with the business owner they informed the team that regular tax payers would never get to this page unless they knew about SGML file formats. Another issue within the SGML pick list was found that the team suggested creating help text when the user rolls over the SGML title. Other issues were found that are **NOT** within the scope of the project were captured and will be shared with the business owners.

Control # and Name: SOI-321

EITC Marketing Focus Group Study

Participants: 55 (4738 Requests)

Data Collection Began: 12/08 **Data Collection Ended:** 5/09 **Burden Hours:** 155

Cost: \$ 33,190 **Response Rate:**

Purpose: The IRS contracted with Westat under Task Order 10 to plan, conduct, analyze, and report on a total of 7 focus groups with EITC-eligible, English-speaking (4 groups) and Spanish-speaking (3 groups) taxpayers in geographically dispersed regions of the country. English-speaking taxpayers were asked to provide feedback about the effectiveness of 6 poster ads from 2 different EITC marketing campaigns (“Breathe Easier” and “Consumer Goods”). Spanish-speaking taxpayers were presented with 3 Spanish-language radio ads and 1 Spanish-language TV ad. Outcomes from all of the focus group discussions were expected to inform the IRS about how well the different ads resonated with EITC-eligible taxpayers and whether they motivated participants to learn more about and/or file for the tax credit. These discussion groups were intended to provide IRS with insight into the potential success of implementing multiple campaign themes simultaneously, while establishing and maintaining taxpayers’ recognition of the EITC program.

Findings: Most of the participants in the 4 English-speaking discussion groups had heard about EITC previously. The opposite was true for participants from the 3 Spanish-speaking groups, where only two participants had ever heard about EITC before the group discussions. The ways that participants had heard about EITC varied and included information sources such as professional tax preparers, tax software (e.g. Turbo Tax), radio/TV, and family, friends and coworkers. English-speaking taxpayers provided feedback about 6 poster ads from 2 different EITC marketing campaigns; “Breathe Easier” (3 ads) and “Consumer Goods” (3 ads). Most participants in 3 of the 4 English-language discussion locations selected the “Consumer Goods” ads as their favorite of the 2 Marketing campaigns because they thought the ads’ use of everyday things (e.g., a grocery bag, cell phone and jeans) would have the most “universal appeal” to different kinds of EITC-eligible taxpayers. Members of one English-language discussion location were unanimous in their selection of the “Breathe Easier” campaign as their favorite. These taxpayers liked the way the “Breathe Easier” campaign created a link between EITC and family, and thought the pictures of parents with children in each of those ads would appeal equally to taxpayers with and without children. Spanish-speaking taxpayers were presented with 3 Spanish language radio ads and 1 Spanish-language TV ad. Most participants in 2 of the 3 Spanish-language discussion locations selected the 30 second radio ad, “El dinero que mereces recibir” as their favorite, because it provided more information about EITC and treated the issue of EITC in a more serious way than the other ads. Members of one Spanish discussion group preferred the TV ad (“Un dinerito extra”) over all of the radio ads. They liked that the TV ad featured images of a family bringing in lots of groceries and thought that was relevant in today’s economy. Spanish-speaking taxpayers in all 3 locations tended to dislike ads that told “stories”, or that had other “distractions”, such as music.

Actions Taken/Lessons Learned: Westat offered the following recommendations to the IRS considering the outcomes from the English language discussions about the 6 poster ads that represented the “Breathe Easier” and “Consumer Goods” EITC marketing campaigns: 1. The abbreviation “EITC” is not expected to be familiar to many people so ads for the tax credit should not rely solely on the abbreviation. The full name (Earned Income Tax Credit) should be included in the ads to help people become familiar with the tax credit. 2. Discussants shared a concern that most people would be likely to mistake the English poster ads for another kind of advertising (e.g., ads for healthcare, banks, investment services or specific “Consumer Goods”). The intent of the ads could be made clearer by making “IRS” and the related government emblems more prominent in the ads. 3. Participants across these discussions suggested that

an ad about EITC will need to stand out and catch their attention quickly, because they already deal with so many ads during the day. One way this could be accomplished would be by making the US Treasury check that appeared at the bottom of all 6 poster ads more prominent in the ads, and making taglines simple and direct so they will catch people's attention while telling them what the ad is for.

The following recommendations were offered to the IRS based on outcomes from the Spanish-language discussions about EITC radio and TV ads: 1. Radio and TV ads should approach EITC as a "serious" issue. A common suggestion among Spanish-speaking participants was that that radio and TV ads that are designed to inform the Spanish-speaking community about EITC should minimize "storytelling" so they can distinguish the EITC ads from other commercials. 2. Participants across all 3 Spanish-language groups felt that the radio and TV ads did not provide enough specific information about the eligibility requirements for claiming EITC. These ads should provide more detail about what EITC is and how claiming it can benefit taxpayers. 3. Several Spanish-speaking participants came to the focus groups with a pre-existing assumption that only people who have children could file for EITC. The Spanish-language radio and TV ads presented during these discussions that featured images or stories of families with children perpetuated that assumption and created such an impression on those who were previously unfamiliar with the tax credit. EITC ads should make it clear that one does not need to have children to be eligible for the tax credit.

Control # and Name: SOI-322

Field Assistance Comment Card

Participants: 327,010 (5,849,806 Requests)

Data Collection Began: 10/08 **Data Collection Ended:** 9/09 **Burden Hours:** 10,900

Cost: \$ 222,013 **Response Rate:** 6%

Purpose: The survey was conducted as part of the IRS agency-wide initiative to monitor and improve taxpayer satisfaction with the service provided. The IRS has been measuring customer satisfaction in its Taxpayers assistance Centers (TACs) since January 1998 using a survey comment card. The overall goal of this survey is to provide meaningful feedback to managers and staff in those field offices to improve the services provided at these Taxpayer Assistance Centers.

Findings: The annual overall satisfaction is 92% (rating of 4 or 5) and 4% are dissatisfied (1 or 2) rating. The national overall satisfaction rating is 4.65. Customers remain most satisfied with "Employee Professionalism and Courtesy," giving it an average satisfaction rating of 4.74, on a 5-point scale. Customers are also satisfied with "Employee Skill or Knowledge" and "Listening to Your Concerns," giving them both a satisfaction rating of 4.73 and 4.72, respectively. Only 4% of customers gave an overall satisfaction rating of 1 or 2 (dissatisfied). Although the majority of customers (76%) waited 1 to 30 minutes for service, "Promptness of Service" remains the top improvement priority for Field Assistance customers. It is also the top improvement priority for Spanish-speaking customers.

Actions taken or lessons learned: Depending on their needs and experiences, customers may evaluate the Field Assistance process differently, which can cause significant variations between customer subgroups. Customers whose issue was resolved or whose question was answered, customers who waited 1 to 60 minutes, customers who visited an office regarding an IRS notice or letter, customers who visited an office in Area 4, 2, or 5, customers whose income is between \$35,001 and \$50,000, and customers who visited an office for return preparation or to get help with a tax law question gave higher overall satisfaction ratings than customers as a whole. Customers who visited an office to make a payment, customers who visited an office in Area 1, customers who waited over 60 minutes, customers whose issue was not resolved or whose question was not answered, and customers whose income is between \$75,001 and \$100,000 gave lower overall satisfaction ratings than customers as a whole

Control # and Name: SOI-323

IRS.gov Usability Study

Participants: 27 (108 Requests)

Data Collection Began: 11/08 **Data Collection Ended:** 11/08 **Burden Hours:** 22

Cost: \$ 7,025 **Response Rate:**

Purpose: The Website Updates effort is an implementation of various design changes to support the display of the website in a new default resolution layout, usability recommendations, eGovernment mandates, Operations & Maintenance (O&M) Change Requests, and Security Change Requests. The website is also implementing a Rotating Spotlight feature. The Rotating Spotlight is an area of the user interface that updates with article content on a set interval basis. This feature requires usability testing to be conducted in order to determine if an optimal user experience has been achieved. The Search portion of the website has also received design modifications. These modifications are collectively called Enhanced Search. Usability testing will be conducted on the Enhanced Search feature to determine if it is improving the user's experience. Usability testing was necessary to make sure that the changes we made were the right ones and are going to help all IRS.gov users find what they are looking for. Taxpayers were given the opportunity to provide their feedback regarding the web site changes.

Findings: Overall users found the web site enhancements to help them find information on the site. Users seemed generally pleased with the new updates. We realized that some of the changes may take some getting used to, but overall they were successful at helping tax payers locate their information in an easier manner. Most users liked the rotating spotlight but didn't seem to utilize the right side of the home page.

Actions taken or lessons learned: There were no high priority issues found during usability testing. However we found some minor changes that needed to be change before launch. These changes were made prior to launch. In addition, we found some minor issues with the online services heading, the right column layout, the rotating spot light, the second level navigation, and search. These issues have been prioritized and entered into a matrix. These issues will be addressed in future projects related to changes on the web site.

Control # and Name: SOI-324

Asian Russian Language Needs Assessment

Participants: 99 (2,440 Requests)

Data Collection Began: 1/09 **Data Collection Ended:** 2/09 **Burden Hours:** 539

Cost: \$ 35,669.19 **Response Rate:** 5%

Purpose: The goal of this assessment was to expand research done with Spanish-speaking limited English proficient (LEP) taxpayers to the next four highest LEP taxpayer populations: Asian (Mandarin-speaking Chinese, Vietnamese, and Korean) and Russian. This assessment was conducted in an effort to identify barriers and bridge that gap so that these LEP populations can better understand and meet their tax obligations. Kleimann/Harris conducted a 13-minute screening phone call with Asian LEP populations to recruit participants for 9 focus groups with individual and business filers of the three Asian LEP populations (Mandarin Chinese, Korean, and Vietnamese). Kleimann/Harris conducted the screening phone call with Russian LEP populations nationwide, but because of the low expected response rate, did not recruit focus group participants for this population. The project had the following five objectives: Assess the LEP taxpayer's level of awareness about basic tax information Identify needs for language assistance, Assess previous experience with filing, paying, and service use Identify communication preferences Assess knowledge and usefulness of specific products and services.

Findings: The information collected in this study shows that both Asian and Russian LEP taxpayers rely heavily on others to prepare their taxes. Asian LEP taxpayers mention they would use IRS services and translated materials so they can be more self-sufficient, and Russian LEP taxpayers are the most apt to file taxes themselves. Because both Asian and Russians in this segment have limited English skills, language barriers and needs for either reading a translated document or speaking with a bilingual employee exist for both groups. This study suggests further research questions for the Russian LEP populations and three main recommendations for the Asian LEP populations: IRS should craft specific messages to publicize IRS services with targeted advertising strategies. IRS should increase accessible, free materials found in various community locations as well as online. IRS should prioritize producing more bilingual written materials ranging from forms and instructions to specific information on understanding topics like deductions.

Actions taken or lessons learned: After the original OMB package was submitted, IRS added a few questions to the screening protocol to collect more comprehensive information from LEP taxpayers while

recruiting for the focus groups. IRS also requested that it would like statistically significant data to come out of the screening phone calls. This change increased the original burden estimate of 360 hours to 488 burden hours to account for the new estimated time of the screening protocol. This change in burden hours was approved by OMB on December 9, 2008 without IRS having to submit additional documentation, as the screening protocol was adapted from the original documents submitted to OMB. IRS' proposed strategy to gather statistically significant data while screening participants for the focus group did not work as intended. Respondents were hesitant to sign up for a focus group when the group calling them was elsewhere in the country; they were more willing to sign up if they were contacted by a local testing site. Because the screening survey did not produce enough focus group participants, Kleimann/Harris worked with on-site testing recruiters to fill the groups, thus increasing the number of people contacted and the number of burden hours to the grand total, 539 hours, listed below.

Control # and Name: SOI-325

Limited Liability Focus Group Study

Participants: 71 (1091 Requests)

Data Collection Began: 2/09 **Data Collection Ended:** 2/09 **Burden Hours:** 197

Cost: \$93,378

Response Rate:

Purpose: Develop a deeper understanding of LLC taxpayers to capture insights about their attitudes and understanding as it relates to their tax reporting and filing obligations.

Determine the met and unmet federal income tax-related information needs of small business owners who operate or would like to operate as LLCs. Determine if there is a need for specific IRS publications to assist LLCs or those who would like to use such a business structure.

Findings: Develop a new comprehensive publication to address Tax Issues for LLCs. This publication would meet a need among business owners who are considering this business structure, businesses who have already selected this business structure but don't fully understand the implications of it, and tax preparers who see the business owners who are struggling with their decisions (sometimes after they've made them). If this publication can be developed and then marketed to these audiences, and to business owners who have been operating as LLCs for a while and who could find things in the new publication to ask their tax professional about, it seems that this would be extremely helpful to this audience

Actions taken or lessons learned: Based on the comments provided, TFP will work to create a new LLC Publication

Control # and Name: SOI-326

Participants: 69 (2679 Requests)

Data Collection Began: 12/08 **Data Collection Ended:** 1/09 **Burden Hours:** 204

Cost: \$ 92,147 **Response Rate:** %

Purpose: The purpose of the focus groups was to gain insight about taxpayer perception of Form 1040NR. The focus groups were designed to identify specific parts of the form that leads to taxpayer error or misunderstanding. The focus groups also provided insight into suggestions for improvement to the form and instructions.

Findings: After a cursory review of the revised form, most tax professionals liked the appearance and format of the revised form. All participants commented on the page for Other Information. In particular, nearly all participants (tax professionals and nonresident aliens) thought the information on the page was more clearly displayed). They particularly like the box in item H that allows them to enter the date(s) they entered the United States and the date(s) they left the United States. The tax professionals in particular noted that the pages were in a different order. Schedule A is now the last page (instead of the third page) in the revised form. There was no consensus among these participants about where it should be placed. A few participants suggested that Schedule A and Schedule NEC should not be on the 1040NR because not everyone needs to fill it out.

Actions taken or lessons learned: Based on the comments provided, additional changes will be made on the tested form and instructions to make them easier for the taxpayers to complete.

Control # and Name: SOI-327

2009 SPEC Focus Groups

Participants: 20 (40 Requests)

Data Collection Began: 2/09 **Data Collection Ended:** 2/09 **Burden Hours:** 37

Cost: \$24,262 **Response Rate:** 50 %

Purpose: The 2009 SPEC Partner Focus Groups was added as an additional task to the 2009 SPEC Partner contract. Due to the decrease in National Partner customer satisfaction in the previous year's National Partner Survey, the function determined more research was needed using focus groups to research the cause of the decrease in satisfaction. The 2008 SPEC National Partner Customer Satisfaction Survey had one particularly notable finding. Overall satisfaction for partners who had not been surveyed in 2007 was split between 13 partners who were Very Satisfied (a rating of 5) and the remaining 6 partners who were Neutral (a rating of 3). This indicated that some new partners were at risk of feeling less than satisfied during the initial stage of their relationship with SPEC. In addition, partners who had worked with SPEC for more than 4 years were highly satisfied with SPEC products and services while partners who had worked with SPEC for between 2 and 4 years were less satisfied. This trend was present in 2007 as well. There was no additional data from the survey to shed light on the reasons why a new partner might be somewhat less than satisfied with their relationship with SPEC. Consequently, focus groups were used as the means of determining the decline in overall satisfaction among this group of customers.

Findings: Objectives of focus group data collection: The study called for two focus groups—one with experienced SPEC national partners and the other with inexperienced SPEC national partners. This study gathered the personal opinions and observations of national partners regarding the level of service provided them and their organizations by SPEC. Specific findings include:

The national partner experience

Service expectations of national partners

Identification of critical intervention/communication points for SPEC relationship managers

Changing expectations over time

Partner needs in developing a positive relationship with SPEC

Actions taken or lessons learned:

Developed a better understand the service expectations of national partners

Understand partner needs in developing a positive relationship with SPEC

Identified critical intervention/communication points for SPEC relationship managers

Seek partner ideas on how SPEC can improve the relationship management experience for partners

Control # and Name: SOI-328

Facilitated Self-Assistance Research

Participants: 6,659 (20,300 Requests)

Data Collection Began: 1/09 **Data Collection Ended:** 4/09 **Burden Hours:** 475

Cost: \$ 126,366 **Response Rate:** 50%

Purpose: Determine whether changing the Taxpayer Assistance Center (TAC) business model to more differentiated service delivery increases taxpayer and/or government value.

Findings: Of survey respondents, most (89 percent) felt their question was answered or their transaction was completed using facilitated self-assistance (FSA). Of FSA users who said their issue was resolved, nearly all said that conducting their business using IRS.gov was "Just About Right" to "Very Easy" (94 percent), and they were "Satisfied" to "Very Satisfied" with service received (96 percent). Taxpayers using FSA and those using traditional face-to-face TAC service experienced similar wait time for getting forms or publications. For assistance with return preparation, wait time was longer for taxpayers using traditional TAC service for return preparation and shorter for taxpayers who tried the new service option for Free File (on-line return preparation).

Actions Taken or Lessons Learned: Field Assistance (FA) needs to continue to "sell" FSA to employees before selling it to taxpayers. Project site operations were inconsistent regarding offering the

FSA service option. It is recommended that self-assistance remain facilitated with adequate staffing made available, to ensure that taxpayers are receiving needed assistance. Respondents appeared pleased with the service option when live help was available nearby. Before implementing FSA to additional TACs, it is recommended that the systems be thoroughly tested and all problems addressed. There were issues with missing data (23 percent of Intake) due to the dynamic nature of the IRS network coupled with how the applications were programmed to receive uploaded data.

Control # and Name: SOI-329

EITC Usability Study of IRS.gov

Participants: 18 (562 Requests)

Data Collection Began: 2/09 **Data Collection Ended:** 3/09 **Burden Hours:** 47

Cost: \$ 6,200 **Response Rate:** %

Purpose: The Internal Revenue Service (IRS) has made information about the Earned Income Tax Credit (EITC) available through their website (www.irs.gov), and intends for the website to be a most used and trusted source of information for 2 of its principal user groups: taxpayers and professional tax preparers (paid and volunteer). The IRS contracted with Westat under Task Order 11 to conduct a usability evaluation of the EITC informational pages on www.irs.gov across three phases. Phase 1 entailed a “heuristic review” of the website in which Westat’s usability experts compared the characteristics of the site (e.g. layout, formatting, and navigability) against recognized website usability principles. During Phase 2, “User Testing,” EITC eligible taxpayers and professional tax preparers looked for information about EITC that has been posted on irs.gov in Westat’s usability testing laboratory in Rockville, MD. During Phase 3, Westat’s web designers applied the lessons learned from Phases 1 & 2 to develop webpage prototypes that took into account the findings from Phases 1 and 2. Only Phase 2, User Testing, involved human subjects; therefore the outcomes reported here focus on that phase of the project. User testing of the EITC web pages posted on www.irs.gov was intended to: n Provide the IRS with information about how effectively irs.gov communicates information about EITC to taxpayers and tax professionals; n Inform site developers about what the experience of using irs.gov is like for taxpayers and tax professionals when they search for different kinds of information about EITC on the website; and, n Provide IRS with feedback from taxpayers and tax professionals about ways the site could be enhanced to most effectively meet their information needs and expectations. Westat staff conducted 18 individual interview sessions during Phase 2– 9 with professional tax preparers and 9 with EITC-eligible taxpayers – in Westat’s professional usability testing lab located on the corporate campus in Rockville, MD. Each session lasted about 90 minutes. Participants used a personal computer to search for EITC information that IRS has posted on irs.gov for taxpayers and tax professionals with a researcher seated nearby in the testing room. Because members from these two user groups were expected approach their searches for information about EITC a little differently, a separate testing protocol was created for each group. The organization and formatting of the protocols were identical; however, there Summary were differences in the kinds of EITC information that members of these user groups searched for. The wording of certain questions was also tailored for each user group.

Findings: Before they used the IRS web site to look for specific types of information about EITC during these interview sessions, tax preparers and taxpayers were asked how they would typically look for information about EITC on the Internet. Tax preparers reported a variety of strategies that included accessing links to tax information that are available through their professional tax software packages, searching Google, and going to www.irs.gov. Most taxpayers said they would go to Google and enter terms that they hoped would take them either to a relevant section on www.irs.gov or other online tax resources. One taxpayer said he would go directly to the IRS web site and enter the terms he was interested in into the IRS Search tool. Overall, professional tax preparers had mixed reviews when asked to describe what the experience was like for them using the IRS web site to find information about EITC. On one hand, they liked that they have the IRS web site as a resource for information about EITC and other tax issues. These professionals considered the IRS to have the most credible and current information available (“...it has a wealth of information”). However, most found the site content heavy and involving too many steps to reach targeted information. A few of these tax preparers mentioned that they have come

to expect having to spend some time in order to find what they are looking for on the IRS web site. Many said they typically would not search for any information on www.irs.gov with a client present because it would take too long. They wanted quick access to the information they needed, especially during tax season. EITC-eligible taxpayers also offered mixed reviews about what it was like for them to use the IRS web site to find information about EITC. One of the things they liked best about using the site was being able to link to EITC information directly from the IRS Home Page (via a scrolling box and a link in the lower, right-hand corner that were present during the months that testing was underway). All liked having the web site as a source of information about EITC, especially for information about eligibility. However, there were differences of opinion about whether or not it was worth spending the time needed to search around the site to find specific kinds of EITC information. All of these taxpayers would have preferred to have been able to find information about EITC more quickly on the website (“People want a quick fix...”; “It’s frustrating when you don’t find what you’re looking for, but you know it’s there somewhere.”). Many of these participants seemed resigned to thinking that a user should just expect to have to spend a bit of time looking for information on the IRS web site because it is so content-rich (“If I’m looking for something tax-related I wouldn’t go anywhere else”). A few taxpayers thought their time might be better spent looking for the information another way (e.g., calling IRS, searching Google).

Actions Taken/Lessons Learned: Westat offered the following recommendations to the IRS to give the agency some ideas about how www.irs.gov could be enhanced to support searches for EITC information by tax professionals and taxpayers. Because the EITC “Home Page” (see www.irs.gov/eitc) is intended to serve as a “gateway” to Summary of Findings: SOI-329 3 EITC information posted on www.irs.gov, many of these recommendations focus on how that particular webpage could be revised to facilitate users identifying and connecting to other EITC informational web pages.

1. **EITC “Home Page” should be recognizable.**
2. **Facilitate linking to the EITC Home Page.**
3. **General page structure should support quick identification of page content.**
4. **Clarify purpose of EITC Assistant.**
5. **Link to IRS Home Page should be more apparent.**
6. **Support relevant search outcomes.**

Control # and Name: SOI-330

Form 1040X Redesign

Participants: 79 (1798 Requests)

Data Collection Began: 1/09 **Data Collection Ended:** 2/09 **Burden Hours:** 349

Cost: \$ 99,191 **Response Rate:** 17%

Purpose: To redesign the Form 1040X – Amended US Individual Income Tax Return

Findings: The testing found several problems that taxpayers were having when they completed the form. For example, the majority did not complete the date field or the reason they were amending their return. Many did not know how to complete certain lines.

Actions taken or lessons learned: A redesigned Form 1040X was delivered from the contractor. The redesigned form will be tested to get the taxpayers’ reaction to the new form.

Control # and Name: SOI-331

Multi-City Customer Study

Participants: 1,000 (4,000 Requests)

Data Collection Began: 2/09 **Data Collection Ended:** 5/09 **Burden Hours:**

Cost: \$ 437,756 **Response Rate:** 33%

Purpose: The proposed research is designed to examine service usage and the relationship between service and compliance in a controlled environment. The current proposal is to expand upon a pilot study that was conducted in Atlanta, GA in July and August of 2006. The current study will be conducted in 4 different cities across the country to represent the taxpayer population and also to tap into populations of interest such as taxpayers over the age of 65 and taxpayers who claim EITC. For the current study, the service channels that will be tested are telephone, walk-in assistance, and IRS.gov web assistance. The proposed research will utilize an experimental design in which participants will complete a mock tax

return that is similar in content to their own tax situation. Participants will be randomly assigned to one of five groups 1) no assistance, 2) toll-free assistance, 3) walk-in assistance, 4) web-assistance, 5) toll-free, walk-in and web assistance. All participants will have access to publications applicable to their scenarios.

Findings: This survey will allow W&I R&A to meet the objective of obtaining accurate measurements regarding the relationship between service and compliance and behavioral data regarding individual service preference and service usage. The vendor provides the raw data and do all post-study analysis will be the responsibility of W&I R&A. Contractor will provide accurate data to W&I R&A in electronic format as a SPSS, SAS or Excel file. This will include all available data collected including performance on the tax form, background information obtained during screening, demographic information, time information, debrief responses, etc. This data will include data collected during recruitment as well as the data collected during the administration of the study.

Actions taken or lessons learned: During the study in St. Louis, Information Experts utilized a team of five resources to ensure successful administration of the study. During the study in St. Louis, Information Experts utilized a team of five resources to ensure successful administration of the study. The resources were required to greet, check-in, transport, check-out, and administer the participant's logistics of the study. The IE team made recommendations for additional resources for the upcoming city: Boston. During the study in Boston, IE utilized a team consisting of seven resources. These resources were used to accommodate multiple levels (2 levels) at the JFK High Rise Building in Boston. The extra resources were also needed to balance a per session increase of 33% participants (40 participants) throughout the sessions. The proper transportation of participants (both by the IRS and by IE) helped ensure participants were able to receive their assistance of choice.

Control # and Name: SOI-332

2009 Estate and Gift Tax Focus Groups

Participants: 11 (395 Requests)

Data Collection Began: 2/09 **Data Collection Ended:** 3/09 **Burden Hours:** 39

Cost: \$ 15,189 **Response Rate:** 2.8 %

Purpose: The primary goals of the focus groups were to 1) to revise the survey of Estate and Gift external customers to better track customer satisfaction progress over time nationwide, and 2) identify operational improvements with SB/SE. To accomplish these goals, interviews were conducted with Estate and Gift stakeholders and focus groups were conducted with Powers of Attorney (POAs) who had recently participated in an Estate or Gift examination.

Findings: From the four Estate and Gift stakeholder interviews, we learned: IRS staff work almost exclusively with POAs and rarely with executors, trustees, or donors. Estate tax examinations tend to be more complex than gift tax examinations. Timeliness was identified as the most important customer satisfaction issue. The quarterly *Estate & Gift Tax Examination Customer Satisfaction Survey-National Reports* our contractor, ICF/Macro, prepares are more often reviewed and used by Estate and Gift policy managers. Territory managers typically do not see the reports, but may receive a summary of the key points. Stakeholders offered suggestions about how the current customer satisfaction survey can be revised and improved. From the POAs focus groups, we learned: POAs learn about the examination when they receive a letter in the mail from the IRS. POAs complained about the amount of time it takes to complete the examination. When asked to identify issues of concern, most POAs said timeliness, although they acknowledged that this varies case by case. They thought the overall length has increased in the past few years. They attributed delays to a shortage of IRS staff. POAs reported that they prefer working with IRS estate/gift attorneys rather than "paralegal professionals." POAs had positive things to say about the IRS auditors they have worked with. They feel that they are very professional. Suggestions about the types of items that should be included on a customer satisfaction survey included timeliness, professionalism, knowledge of the auditor, and quality of customers' treatment.

Actions taken or lessons learned: Based on the results of the interviews and discussions with POAs, ICF/Macro submitted a revised customer satisfaction survey. These revisions will help respondents understand the questions and help the IRS understand the survey results and make improvements.

Control # and Name: SOI-333

Contact Center Discussion Guide Survey

Participants: 24 (283 Requests)

Data Collection Began: 3/09 **Data Collection Ended:** 3/09 **Burden Hours:** 137

Cost: \$ 87,500 **Response Rate:** %13%

Purpose: The Joint Operations Center (JOC), established within the Customer Account Services (CAS) Division, supports 25 contact center locations by providing customer support for these important capabilities as well as the technology infrastructure to support them. The IRS is looking to better understand the relationship between the systemic data related to call volumes, the management data related to support of resources to address call volumes, and the customer experience. Accordingly, the IRS is seeking to understand how it compares to commercial industry best practices associated with contact center metrics as well as how the components of system measures, business measures, and customer experience measures are captured, reported, and understood in relationship to one another. In order to understand these relationships, the IRS determined a need that it must assess customer satisfaction across its contact centers. The IRS contracted with Forrester Research (under subcontract to Lockheed Martin, MSD, Inc.) to execute a set of four, two-hour Focus Group Interviews (FGI) composed of eight to ten respondents per group who have called the IRS Customer Service line in the past three years. Two of the FGIs consisted of consumers, and two consisted of Tax Preparation Professionals. In these focus groups, Forrester Research explored the call center service experience – both directly with regard to the IRS as well as with other industries – from the customer point of view in order to identify best practices that are and/or could be applied to the IRS call center environment. Given the sometimes stressful nature of interactions with the IRS, the research sought to understand the impact of exogenous circumstances on perceptions of satisfaction, and identified compensatory measures intended to neutralize these effects.

Findings: These focus groups were conducted to test and refine five (5) hypotheses to determine what would be relevant to integrate into future quantitative research. These hypotheses included: 1. Customer expectations have increased in the past two years, 2. Customer expectations are set by experiences with various private and government customer services organizations. 3. Customers have a specific hierarchy of needs and different expectations for different types of problems, 4. Customer satisfaction is based on ALL contacts with the IRS and not merely the most recent contact, 5. Exposure to select metrics (i.e. average wait times, call accuracy) could encourage different customer behavior and influence their behavior. While the output of the focus groups refined each of the above hypotheses, they also delivered the following major outputs to influence the follow on quantitative design: 1. Process is important, but resolution overrides all other factors. This means the key drivers of satisfaction are combination of the client’s perception of their appropriate resolution, and the burden they experience in order to get this resolution. 2 The type of resolution needed by the customer affects satisfaction and expectations. This means that different types of IRS contacts have different taxpayer expectations in terms of burden and speed. 3. The IRS is perceived as a unique customer service entity. This means that private sector experiences and even experiences with other governmental agencies do not have as powerful a direct affect on taxpayers expectations and satisfaction with the IRS as might be otherwise expected, and that, more importantly, the things taxpayers and tax return preparers need from the IRS are idiomatic and therefore overall expectations, perceptions and performance evaluations do not map directly onto those of any other customer service entity.

Actions taken or lessons learned: The findings from the focus groups were extremely useful in aligning the team around the need to create, refine and track measures of “resolution” and “burden” *from the taxpayer’s perspective* as likely major drivers of their satisfaction with the IRS. This has had a significant effect on the design of the follow on quantitative research (currently in design). This is a subtle but fundamental change from previous ways the IRS has measured resolution and burden, which has been based upon the IRS’s internal perceptions and processes, as opposed to taxpayer’s perceptions of them. It also highlighted several other issues to explore quantitatively, including how different types of contacts, driven by different types of issues, may require different types of service levels and interactions in order to maximize taxpayer satisfaction.

Control # and Name: SOI-334

IRS.gov Focus Groups

Participants: 70 (218 Requests)

Data Collection Began: 2/09 **Data Collection Ended:** 3/09 **Burden Hours:** 195

Cost: \$ 101,147 **Response Rate:** 32 %

Purpose: The objective of the focus groups is to gather input from end users—taxpayers, software developers, and tax professionals—to determine their reaction to specific web content. The specific business questions to be explored by this project are to: Determine participants’ reactions to specific web pages on IRS.gov, Obtain information about the usability of content on the Forms and Publications pages of IRS.gov, Discover what content leads to misunderstanding and errors, Determine what content these specific populations find most useful, and Obtain suggestions for improvement to specific IRS.gov web pages.

Findings: Numerous changes were suggested for improving Tax Forms & Publications web page. Some of the suggestions are as follows: On the *Forms and Publications* landing page (www.irs.gov/formspubs/index.html)—Increase the spacing between the bullets to increase readability. Provide a link on the *Forms and Publications* landing page to the *Estimated Schedule for Posting Tax Products*. On the following pages: *Forms and Instructions Number (PDF)*, *Publication Number (PDF)*, *All Tax Products (PDF)*, and *Tax Products (XML/SGML)*: Make the “Instructions” and “Tips” sections at the top more prominent. Consider putting this information in a shaded box, using a different color font, or enlarging the font. Add a way for users to sort for English and Spanish products. To the extent possible, explore options for adding more search features on the *Forms and Publications* subpages. For example, on the *Topical Index* page, consider adding a “Find” option once the user clicks on a letter in the alphabet at the top of the page. In the “Important Changes” section—Make a clear distinction between changes that have already affected tax forms, publications, and other tax products and changes that will affect future versions. In *What’s Hot in Forms and Publications*: consider renaming *Highlights of Recent Tax Changes* to *Highlights of Future Tax Changes*. Revamp/reorganize *Changes to Our Current Tax Products*. Virtually all participants complained that this page was too text heavy and “hard-to-impossible” to search. Suggestions offered include—Organize it the way Highlights of Recent Tax Changes is organized (e.g., Businesses, Estates and Trusts, and Exempt Organizations). Add a search function. Consider ways to use “audience segmentation” to organize materials in the *Forms and Publications* section of IRS.gov. Grouping materials by target audience may improve usability. Individual Taxpayers, Businesses, Tax Professionals, and Tax Software Professionals could be used as audiences. If this option is provided, include links to the estimated schedule and draft tax forms on the appropriate target audience sections or pages. This approach may reinforce to users that they are “in the right place.” Audience segmentation might not be the primary categorization or navigational scheme, but could be presented as sublinks on the *Forms and Publications* landing page. Alternatively, removing unnecessary links and information should improve ease-of-use. Make sure that terminology is being used consistently throughout the pages. The distinction between form, publication, and product can be confusing to users. For example, the *Form and Instruction number (PDF)*, and *Publication Number (PDF)* links both take you to a page where the resources are listed by “Product Number.”

Actions taken or lessons learned: Currently we are working with MITS to improve our web pages. Several suggestions from the focus groups were submitted to MITS to improve our web pages. We are also in the process of restructuring the “What’s Hot” page.

Control # and Name: SOI-335

Advancing E-file Focus Groups

Participants: 40 (998)

Data Collection Began: 3/09 **Data Collection Ended:** 3/09 **Burden Hours:** 93

Cost: \$ 628,958 **Response Rate:** 77 %

Purpose: The IRS sought assistance in conjoint market research and modeling of market response to a range of alternative strategies to help reach the 80% goal of taxpayers filing their federal return electronically. The primary objective of the focus groups was to test the clarity and understanding of the attributes, filing method choices, and conjoint task to be administered in the Advancing E-File quantitative conjoint survey

Findings: Taxpayers were asked to comment on their understanding of the key attributes, the filing choices, and to test the conjoint task that would be implemented in the quantitative survey. Key

Attributes: The five attributes for which definitions were tested included: Filing Cost, Filing and Payment Deadline, Acknowledgment of Filed Return, Time to be Notified of a Simple Error, Provider of Preparation Tool, and Method of E-filing. All definitions were clear except for Provider of Preparation Tool and Method of E-Filing. Other definitions for these attributes were tested to clarify the phrases.

Filing Choices: Participants commented on the following eight filing methods: Prepare yourself and mail in your paper return, Prepare yourself using commercial tax preparation software and e-file, Prepare yourself using IRS-provided tax preparation software and e-file, Prepare yourself using an online fillable form and e-file, Prepare your own return using free IRS-provided online forms and e-file, Prepare yourself using the phone with the keypad or your voice and e-file, Hire a preparer and mail in your paper return, Hire a preparer and e-file your return. Alternative definitions were tested to clarify areas of ambiguity.

Perform Conjoint Task: Participants were asked to perform a small conjoint task to determine how clear the task is and to make modifications for the online survey. The task itself was understandable to most participants – they knew to select one of the four filing methods by evaluating the different attributes of each method. There was some confusion about the definition phrases, and people didn't necessarily relate these back to the definitions discussed earlier. For example, people continued to include preparation cost when discussing filing cost. Also, some options didn't meet face validity to participants. For example, Hire a Preparer, File by Mail choice has the highest cost among the choices of \$15, yet the longest time to be notified of a simple error (6 weeks).

Control # and Name: SOI-336

EITC Post Filing Season Focus Groups

Participants: 79 (135 Requests)

Data Collection Began: 4/09 **Data Collection Ended:** 6/09 **Burden Hours:** 244

Cost: \$ 45,519 **Response Rate:** %

Purpose: The Internal Revenue Service (IRS) contracted with Westat under Task Order 13 to plan, conduct, analyze, and report on 11 focus groups with English-speaking and Spanish-speaking taxpayers across the continental US. All participants had been determined to be eligible to claim the Earned Income Tax Credit (EITC) on their taxes per IRS records. Five discussion groups were conducted to obtain feedback about English radio and television ads ["English Approved Ads"] that were publicized in early 2009 for the TY 2008 tax filing season. Three focus groups functioned as means to collect taxpayers' feedback about English "Concept Ads", which represented television storyboards that have not yet been publicized, but that IRS is considering using in the future. Two focus groups were conducted to collect feedback about Spanish radio, television and poster ads ["Spanish Approved Ads"] that were publicized for the TY 2008 tax filing season. Participants in one discussion location were presented with both the English Approved Ads and the English Concept Ads. The objectives of the focus groups were to: [1] supply IRS with insights into eligible taxpayers' awareness of EITC in different geographic locations; and, [2] learn how effectively the EITC marketing ads that were publicized in early 2009 and the ads that remain in the "conceptual" phase [not yet publicized] inform taxpayers about EITC and motivate them to learn more about and possibly file for the tax credit.

Findings: Nearly all participants in the 9 English-language focus groups had heard about EITC previously. The opposite was true for the 2 Spanish-language groups, where none of the participants had ever heard about EITC before these discussions. The ways that participants in the English-language discussions had heard about EITC varied and included information sources such as professional tax preparers (paid and volunteer), the IRS 1040 form, tax software (e.g. Turbo Tax), radio/TV commercials, family, friends and coworkers. Taxpayers' opinions varied by location with regard to what made the most effective EITC marketing ad across the 5 discussion groups that were conducted to obtain feedback about English radio and television ads ["English Approved Ads"] that IRS had released for broadcast during the 2008 tax season. Taxpayers in 3 locations chose the 30-second, paid radio spot entitled "Catch up" as their favorite because they liked the narrator's voice and thought the ad did the best job of getting their attention right from the start. Discussants in two other locations chose a 30-second radio Public Service Announcement (PSA) entitled "Groceries" as their favorite because they thought the ad was the most informative and direct in providing information about EITC. Discussants in one location chose the TV

PSA entitled “Groceries” as their favorite ad because they thought it was upbeat, got right-to-the-point and was informative. Taxpayers participating in the focus groups that served to collect feedback about four unpublicized, EITC conceptual television storyboards (“English Concept Ads”) were a bit more uniform in their selection of a favorite EITC marketing ad. Respondents in three locations unanimously chose the storyboard entitled “Checkman” as their favorite of the TV Concept Ads, because they liked the humorous approach, and that the ad depicted the IRS trying to reach people to give them money back. They also felt this ad would get most people’s attention quickly, that it was memorable, and that it provided more information about EITC than the other three concept ads. Taxpayers in one location liked the “Checkman” storyboard, but chose the storyboard entitled “Life’s a little easier” as their favorite because it showed examples of how they could use the refund money they got back after claiming EITC. There was great variability within and between discussion groups in the selection of a favorite ad in the two locations where taxpayers were presented with Spanish EITC radio, television and poster ads [“Spanish Approved Ads”] that were publicized for the TY 2008 tax filing season. Overall, participants tended to favor the ads that told them how claiming EITC could help them get back money that would them pay for things they need. A few participants chose the 30-second radio PSA “Tu dinero te espera/Your money is waiting for you” because they could relate to the storyline about having little extra money to help buy clothing for their children. Others chose the TV ad “Un dinerito extra/A little extra money” because it showed a mother using money she got back from claiming EITC on her tax return to buy groceries and other needed household items.

Actions Taken and Lessons Learned: Westat offered IRS the following recommendations considering the outcomes from discussions with EITC-eligible taxpayers about the English language, IRS-approved radio and TV ads that had been released to the public for the 2008 tax filing season: 1. Mention EITC and IRS early in the ad to catch and keep their attention. Participants across these groups consistently spoke of a need for any ad about EITC to mention the tax credit and sponsorship by IRS at the very beginning of the ad. Otherwise, most listeners/viewers will likely assume the ad is another typical commercial, and will tune it out. 2. Include details about what EITC is: Many of these participants said they would like to hear/see a definition about what “EITC” stands for (Earned Income Tax Credit) included in these ads so they can become familiar with the abbreviation. Before these discussion groups, many were more familiar with the abbreviation “EIC” that they have seen on the 1040 tax form, and weren’t certain that EITC was the same thing. 3. Make it clear that children are not required: Many of the “English Approved” ads applied a family oriented theme that left the impression that one must have children to qualify for EITC. The ads should mention that those with and without children are eligible. 4. Clarify refund of “up to” \$4,800: While many participants understood from these ads that a person could receive up to \$4,800 back on their taxes by claiming EITC, there were some that initially thought upon hearing/seeing these ads that they were entitled to the full \$4,800. The ads should include wording that clearly informs taxpayers that \$4,800 is the maximum credit amount. 5. Repeat IRS contact information: Many requested that the IRS phone number and web address be repeated/displayed often or long enough in these ads so that they have enough time to remember it or write it down. Recommendations 1 through 5 above mirror the feedback that was shared by the EITC-eligible taxpayers who were presented with the 4 television storyboard concepts (“English Concept Ads”). Additionally, members of the English Concept Ad discussion groups suggested that the TV ads portrayed by the storyboards should feature the US Treasury check that appears at the end of each much more prominently. It was expected that this check would be recognized by most taxpayers, and that seeing it early on would keep viewers tuned in to the EITC ads because it represented getting money back from the government. The following recommendations were offered to the IRS based on outcomes from the Spanish-language discussions about the IRS-approved EITC radio, TV and poster ads: 1. Consider the benefit of “word-of-mouth” marketing: Spanish-speaking participants described the concerns and fears that members of their communities have about approaching a government office (such as IRS) with any questions. With this in mind, they suggested that their communities could effectively be informed about EITC by “word-of-mouth” from trusted community leaders and local community organizations, such as Lulac (San Antonio) and United Way. 2. Describe the credit and its benefits in dollar amounts: These respondents would like

to these ads include more specific dollar amounts, and requirements for qualifying for EITC. If the ads are visual, then images of money, or dollar amounts should be prominent. 3. Ads should convey relatable situations: These participants responded most favorably to the ads that conveyed situations that they could personally relate to. This was especially true for the “visual” ad media (TV and poster), where images of family and struggling to meet the families’ needs struck a chord with many. Since taxpayers without families or children are still eligible, the ads also need to convey that EITC is not exclusively for families with children.

Control # and Name: SOI-337

Field Exam Telephone Focus Group

Participants: 40 (1,172 Requests)

Data Collection Began: 4/09 **Data Collection Ended:** 5/09 **Burden Hours:** 122

Cost: \$ 44,451 **Response Rate:** 3 %

Purpose: The primary goals of the telephone focus groups were to: 1) revise the survey of Field Examination external customers to better track customer satisfaction progress over time nationwide, and 2) identify operational improvements with SB/SE. To accomplish these goals, focus groups were conducted with taxpayers and power of attorneys (POAs) who had recently participated in a field examination.

Findings: Taxpayers were less satisfied than POAs with their audit experience. Taxpayers often found the process complex and confusing, while POAs were familiar with the process and knew what to expect. Taxpayers and POAs had mixed experiences with auditors. Taxpayers were more likely to feel intimidated and bullied by the auditor. Some POAs were frustrated with their auditor’s inability to complete the audit in an efficient and effective manner due to a heavy caseload.

When asked about the types of questions they would like to see on a customer satisfaction survey, taxpayers suggested including questions about the auditor, how well the auditor communicated, and the timeliness of that communication. POAs suggested that survey items focus on the audit process in general, including timeliness and streamlining the process to make it simpler. Taxpayers thought the survey should take no more than 15 minutes, while POAs believe up to 30 minutes would be sufficient.

Actions taken or lessons learned: Based on the results of the interviews and discussions with POAs, ICF/Macro submitted a revised customer satisfaction survey. These revisions will help respondents understand the questions and help the IRS understand the survey results and make improvements.

Control # and Name: SOI-338

Schedule M Focus Groups

Participants: 70 (968 Requests)

Data Collection Began: 4/09 **Data Collection Ended:** 4/09 **Burden Hours:** 251

Cost: \$ 31,594 **Response Rate:** 7 %

Purpose: The objective of these focus groups is to gather input from taxpayers about the two versions of Schedule M, Making Work Pay Credit, being developed and to determine what version taxpayers prefer.

Findings: Participants liked that both versions of the Schedule M used a format consistent with other forms utilized by the IRS. Participants preferred using Version B, and performed more accurately when using Version B.

From a computational perspective, overall, participants performed more accurately when using Version B of the Schedule M testing form. These differences in performance, however, were modest and could be attributed to chance findings. From a more qualitative perspective, participants showed a preference for Version B of the Schedule M, and liked that this version was easier to use and required less dependence on the instructions. Although participants favored the addition of instructional graphics, participants cited Line 12 as the aspect of Version B that they liked the most.

Actions taken or lessons learned: Schedule M was designed using the input from the focus groups. The final version of the schedule was a combination of versions, incorporating what the participants liked best as well as changing some of the wording so that it was more understandable.

Control # and Name: SOI-339

Practitioner Priority Service (PPS)

Participants: 127 (360 Requests)

Data Collection Began: 7/09 **Data Collection Ended:** 9/09 **Burden Hours:** 159

Cost: \$ 22,000 **Response Rate:** 35 %

Purpose: To gather information from the tax professionals regarding the level of customer satisfaction and to identify work processes that need improvements. The main themes will explore: What is the level of service received when calling the PPS? What is needed to improve this service?

Findings: The findings show that the primary reason for practitioners using this service is that it is easier to speak to a representative than on the 1040 toll-free lines, ACS, etc. They are getting faster resolution to multiple issues. The reasons prompting the calls to PPS include; getting updates on the status of their clients account, missing documents, transcripts and getting help with multiple issues. They can get assistance or clarification on the various notices that their clients receive. All these factors contribute to the overall satisfaction with the service. They are satisfied with the professionalism of the representatives and willingness to help with the issues. In most situations, practitioner stated their issues are being resolved completely. If the assistor is unable to help, they are transferred to the appropriate area for service. According to the information gathered from the twelve focus groups, there were several areas the tax practitioners indicate could be improved upon. These include; more training with complicated issues like civil penalties, foreign income, Identity theft, W-4's ITIN and Form 1041 trust issues. Many felt the assistors should be able to discuss the issues on the same level as the practitioner, not like they're talking to the taxpayer who made not understand the complete issue. They would like to see more consistency among the different sites as far as professionalism and knowledge base. The practitioners felt that the assistors were limited in the level of authority and the decision making process. In many cases they are unable to take any actions because the case is being worked in another area. They are unable to assist with Collection liens and levy issues, large dollar cases or Exam issues. They also think that there is language barrier in getting issues resolved with non-English speaking taxpayers. Many stated that there are not enough Spanish assistors available. In some instances there maybe a hold time of 20 minutes or more waiting for someone to translate the call. They have encountered issues with the assistors not accepting oral authority when using an interpreter. Overwhelmingly, all practitioners expressed concern about client accounts' not being timely updated to show that Form 2848, Power of Attorney and Declaration of Representative (POA) had been received. Most agreed that they had to re-fax the form at least one time after submitting to the IRS. One recommendation was that practitioners have the ability to email the POA instead of faxing.

Actions taken or lessons learned: This information will be shared with the business/policy owner of the PPS toll-free service product in hopes to explore some of the suggestions and recommendations. The most important finding from the sessions is that overall the tax professionals have a favorable opinion of this service offered by the IRS. They would like to see a few steps taken to enhance the overall service such as expanding the service and training of the assistors to include more of the complex issues. The practitioners would like to see a more streamline process in dealing with disclosure authentication when being transferred and improving or changing the method of processing the Form 2848 Power of Attorney and Declaration of Representative. They were really interested in having more marketing of the benefits and limitations of the toll-free service on IRS.gov and having the option to participate in "live chats" online to better support the tax professional with addressing their client's needs.

Control # and Name: SOI-340

Tax Exempt Bonds Examination

Participants: 12 (300 Requests)

Data Collection Began: 3/09 **Data Collection Ended:** 3/09 **Burden Hours:** 24

Cost: \$ 3,400 **Response Rate:** %

Purpose: In fiscal year 2008, TE/GE designed and implemented three new surveys of their Federal, State, and Local Government examination customers, Tax-Exempt Bonds examination customers, and Indian Tribal Government examination customers. Although the results of the three new surveys were very useful and actionable to each of the functions, TE/GE decided to discontinue the Tax-Exempts Bonds and Indian Tribal Government surveys due to the administrative cost per surveyed customer. In

place, TE/GE conducted a focus group with customers of the Tax-Exempt Bond examination program in fiscal year 2009. The National Association of Bond Lawyers (NABL) held their annual conference in March 2009 in Orlando, Florida. A majority of customers who participated in the Tax-Exempt Bonds examination process attend this conference each year. The conference provided an excellent opportunity to collect customer feedback and ideas via focus group for improving the Tax-Exempt Bonds examination program.

Findings: The final report was reviewed in detail with TEB managers during a monthly conference call. The feedback from the practitioners regarding the length of the exam process, the need for issues to be discussed prior to putting positions in writing and the need for active resolution discussions following the issuance of Form 5701 were emphasized. Without sharing the report with their agents, managers were asked to have similar discussions with their agents.

Actions taken or lessons learned: In the Fall of 2008, just prior to the focus group, TEB published a revised IRM which addressed procedures for agents to follow once they identify an issue. The IRM emphasizes the responsibility of agents to engage in dialogue with representatives and issuers as soon as they identify an issue in an attempt to resolve it at that point in the exam process. This revised IRM also requires managerial approval prior to the agent issuing Form 5701, which outlines the issue in writing. It is unlikely that at the time of the Focus Group meeting representatives had experienced the impact of this change to the IRM. In December 2009 or January 2010, another revision to the TEB IRM is expected to be published. This portion of the IRM includes procedures for agents to follow in managing their cases. It details the need for agents to work their cases efficiently, with timely follow-ups and notification to representatives and issuers of any delays.

Control # and Name: SOI-341

Participants:

Data Collection Began: **Data Collection Ended:** **Burden Hours:**

Cost: \$ **Response Rate:** %

Purpose:

Findings:

Actions Taken/Lessons Learned:

Control # and Name: SOI-342

AUR Customer Experience Improvement

Participants: 36 (515 Requests)

Data Collection Began: 5/09 **Data Collection Ended:** 6/09 **Burden Hours:** 55

Cost: \$ 26,000 **Response Rate:** 7 %

Purpose: This research was conducted as part of the IRS agency-wide initiative to monitor taxpayer satisfaction with the service provided. These focus groups provided customer input for the Automated Underreporter Improvement Project to help the AUR Team create an improvement plan that addresses customer satisfaction. These focus groups allowed ‘drill down’ on taxpayer issues with the taxpayer experience on the telephones and through the mail as part of the AUR process. The focus groups also provided an opportunity to test potential solutions to taxpayer AUR process satisfaction issues.

Findings: The comments made by participants in the focus groups confirmed the high-leverage items for improving taxpayer satisfaction that were identified in transaction surveys: taxpayer dissatisfaction with the AUR telephone service (especially phone prompts), taxpayer dissatisfaction with the timing, form, and substance of AUR written communications, taxpayer frustration with overall communication with the IRS regarding the AUR process, and the taxpayer satisfaction with IRS AUR people (primarily tax examiners) once contact is made.

Actions Taken or Lessons Learned: The focus groups, together with input from the IRS, helped to refine solutions being developed to propose to IRS senior management for pilot testing. The focus group results have aided sub-teams currently focusing on the areas of: Interim Letters, One Call Resolution, and Fast Track Calls.

Control # and Name: SOI-343 **Cancelled** **Efforts to Assist Economically Distressed Taxpayers**

Participants: NA

Data Collection Began: NA **Data Collection Ended:** NA **Burden Hours:** NA

Cost: \$ NA **Response Rate:** NA %

Purpose: The purpose of TIGTA's study was to obtain input from practitioners on their ideas and concerns about successes, problems and/or barriers they experienced with the communication and application of the IRS initiatives to Assist Economically Distressed Taxpayers. The initiatives included aspects of the offers-in-compromise program, expedited lien and levy release, and installment agreements.

Findings: None. This study was **cancelled**. Subsequent to our submission of our proposal for study, TIGTA learned that the IRS planned to conduct three studies (focus groups) covering the same or similar topics at the IRS Tax Forums. The planned IRS studies include: "*Effects of Federal Tax Liens during Foreclosures, Sales, or Refinancing*"; "*Helping Your Clients through the OIC Process*"; and "*Your Clients and the Economy - How can the IRS help?*". To eliminate duplication of effort, and minimize taxpayer burden, TIGTA cancelled its plans for the study, and will instead, observe the focus group studies conducted by the IRS, and obtain IRS summary reports of the results of their studies.

Actions taken or lessons learned: None. See Findings above.

Control # and Name: SOI-344

Participants: 27 (1,245 Requests)

Data Collection Began: 5/09 **Data Collection Ended:** 5/09 **Burden Hours:** 172

Cost: \$ 235,000 **Response Rate:** 2%

Purpose: Test the prototype Form 1040X with taxpayers to determine (1) the level of improvement of the form after redesign, and (2) its success in addressing the issues taxpayers identified with the current form.

Findings: Round 2 testing with the prototype 1040X confirmed that overall participant performance improved significantly compared with results from Round 1 testing using the current Form 1040X. Specifically, we can report the following major findings: Participants correctly completed twice the number of required lines on Form 1040X in Round 2. Participants made fewer errors, especially in those problem areas on the form identified in Round 1. Completion rates and accuracy improved dramatically for calendar year and "explanation of changes" lines. Performance on other problem lines, such as Line 6 and the "Refund or Amount You Owe" section, also increased. Participants completed more required sections of the form than in Round 1.

Actions taken or lessons learned: Form 1040X will be redesigned and available for TY2009.

Control # and Name: SOI-344

Participants:

Data Collection Began: **Data Collection Ended:** **Burden Hours:**

Cost: \$ **Response Rate:** %

Purpose:

Findings:

Actions Taken/Lessons Learned:

Control # and Name: SOI-345

Electronic Payment Options Small Business

Participants: 53 (94 Requests)

Data Collection Began: 7/09 **Data Collection Ended:** 9/09 **Burden Hours:** 67

Cost: \$ 35,670 **Response Rate:** 56%

Purpose: The objectives of this focus group are to gauge interest among tax professionals to tell their clients about electronic payment and quantify/rank reasons why or why not; learn whether the shrinking number of financial institutions (FIs) that accept coupons is affecting tax professionals' behavior; and

learn whether marketplace changes are resulting in tax professionals becoming more open to paying Federal taxes on their clients' behalf.

Findings: Resulting from the research were six key themes: Technology for themselves and their clients - Tax professionals need reassurance of security features from the websites and programs that they use, especially for those they use for preparing and paying clients' taxes. Positions of tax professionals towards eftps - The opinion of tax professionals regarding EFTPS directly impacts the advice that they give to their clients around using it – that doesn't necessarily translate to (non) usage however. Tax professionals as client advocates - The needs and concerns of the Hispanic community will be a growing issue for transitioning to electronic payment, while the older community will be a shrinking one. EFTPS as a business opportunity - Business building opportunities resonate with tax professionals. Payment options in constant flux - It's difficult for tax professionals to keep up with the various payment options and rules around them, which in turn makes it difficult for them to communicate this to their clients. EFTPS helps them get their job done - Tax professionals are highly receptive to the benefits of EFTPS that contribute to their professional success.

Actions taken or lessons learned: The following recommendations were made from the results of the focus group for marketing and communicating with tax professionals about electronic payment options: Call out the specific security features of EFTPS on the tax professionals section of the site to reassure them. Update the tax professionals section of the EFTPS site with specific tips and materials for tax professionals to utilize when discussing EFTPS with their clients. Create a special section within the EFTPS site for Hispanic small employers, as well as tips and materials for tax professionals working within this community. There are opportunities for EFTPS to increase the business of tax professionals, but they need the support of the IRS in educating their clients. Keep communications and messaging around payment options and regulations clear, simple, and to the point. Also, consider providing tips and materials for tax professionals to aid them in communicating this to their clients. Focus on control, efficiency, and traceability in EFTPS materials targeted towards tax professionals.

Control # and Name: SOI-346 **Cancelled**

Practitioner Hold Music Interviews

Participants:

Data Collection Began: **Data Collection Ended:** **Burden Hours:**

Cost: \$ **Response Rate:** %

Purpose: For the past 10 years, we have had formal Congressional complaints regarding the music on hold on the telephones as well as informal complaints from customers and practitioners when conducting focus groups and forums. This was the chief complaint when asked to list their top 5 complaints with the IRS telephone service. This rated higher than wait times. In order to meet the needs of the customer, we need to know what the customer preferences are. This will provide insight into the type of music that the public finds acceptable.

The main purpose is to improve the telephone system.

Findings: The survey was cancelled.

Actions taken or lessons learned: The survey was cancelled.

Control # and Name: SOI-357

Practitioner First Contact Resolution Study

Participants: 79 (581 Requests)

Data Collection Began: 6/09 **Data Collection Ended:** 6/09 **Burden Hours:** 222

Cost: \$ 244,903 **Response Rate:** 18.2%

Purpose: Wage and Investment Research and Analysis (WIRA) studied the work processes of tax professionals to gain a better understanding of how their work processes affect channel selection and the importance of specific services and products. The main objective of this project was to develop a better understanding of practitioner work processes. Using this knowledge as a base, WIRA examined the incentives and disincentives for the phone and electronic channels and created a structured process for the Electronic Tax Administration and Refundable Credits (ETARC) and Electronic Products and Services Support (EPSS) to identify and evaluate the value of potential e-Services applications.

Findings: Tax professionals generally completed tasks in the order they receive them without grouping any tasks together. The top two reasons participants said they seek assistance from a service channel are 'not being familiar with a tax topic' (81.9%) and 'receiving a notice or other correspondence from the IRS' (41.7%). Top factors influencing the use of a particular assistance channel to complete a task were 'time to complete,' 'trust to get the correct answer,' and 'the IRS is the sole source.'

Participants typically chose non-IRS assistance for tax law questions, with 93.1% using a non-IRS method for this task. Participants used assistance directly from the IRS primarily for client account-related issues. The top factor that impacted the participants' decision to call the IRS for a task was that they 'feel the task cannot be completed otherwise' or 'the IRS is the sole source of information.'

Participants' decisions to use a particular service channel varied by all demographic categories analyzed. Employer type potentially has the greatest influence on participants' decision to use a particular method.

Actions taken or lessons learned: WIRA developed a tool for ETARC and EPSS to use as a first filter when evaluating electronic application ideas for tax professionals. The results of this study were used to develop the questions and scoring mechanism for the tax professional value worksheet.

Control # and Name: SOI-348

Participatory Design IRS.gov Website

Participants: 48 (70 Requests)

Data Collection Began: 7/10 **Data Collection Ended:** 9/10 **Burden Hours:** 72

Cost: \$ 14,800 **Response Rate:** %

Purpose: The information model will establish standard IRS.gov content types with a consistent terminology, structure and approach to tagging and metadata. IRS.gov content managers will be able to reuse content and avoid redundancy. The model will capture necessary metadata to ensure proper storage and maintenance of content. The EO Information Modeling team is using a user-centered design approach to develop the information model. This approach emphasizes involving the users (stakeholders, internal, and external customers) throughout the design process. *EO, a major stakeholder, has a large volume of data on the IRS.gov website.* The U.S. tax-exempt sector consists of over 1.6 million organizations (not including most churches). These organizations are diverse in size, ranging from small volunteer-run charities to large hospitals and universities. There are numerous tax laws and filing requirements applicable to obtaining and maintaining an organization's exempt status.

Findings: During the participatory design sessions we learned that the TE/GE community needed a new look to the information that is currently on the site. While showing them various mock-ups and asking them to complete various exercises we learned that they would rather have more graphical features and have the content organized in a way that they think about it, rather than how it is currently organized. We also learned that much of the content needs to be re-written in order for everyone to be able to understand it. The lifecycle portion of the site needs to be completely re-vamped. Professionals are not sure how to navigate through it. When we showed the more graphical representation of the information they seemed to understand it more, but wanted easier to understand content to go along with it.

Actions taken or lessons learned: The information that we gathered from the sessions will be used when redesigning the IRS.gov web site scheduled to be completed by 2012. This information has also helped us to begin our content inventory and specify what content needs to be re-written and what content needs to be fixed. We are currently evaluating all of the content on the site and big changes will be seen when the new site launches (scheduled for 2012).

Control # and Name: SOI-349

Participatory Design IRS.gov Website

Participants: 48 (70 Requests)

Data Collection Began: 7/09 **Data Collection Ended:** 9/09 **Burden Hours:** 72

Cost: \$ 14,800 **Response Rate:** %

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Actions taken or lessons learned: The information that we gathered from the sessions will be used when redesigning the IRS.gov web site scheduled to be completed by 2012. This information has also helped us to begin our content inventory and specify what content needs to be re-written and what content needs to be fixed. We are currently evaluating all of the content on the site and big changes will be seen when the new site launches (scheduled for 2012).

Control # and Name: SOI-350 CLD

Tax Forum Survey

Participants: 240

Data Collection Began: 7/09 **Data Collection Ended:** 9/25 **Burden Hours:** 529

Cost: \$ 33,343 **Response Rate:** %

Purpose: To solicit the opinions, experiences, and ideas of tax practitioners about important issues for taxpayers and for the IRS. CLD identified four topics in SB/SE that would benefit from practitioner input. They were: Surviving an IRS Audit (AUDIT), Effects of Federal Tax Liens during Foreclosures, Sales, or Refinancing (LIENS), Improving Customer Satisfaction in the Offer in Compromise Program (OIC), Your Clients and the Economy – How Can the IRS Help? (ECON)

Findings: AUDIT The focus group participants stated their experiences with the face-to-face audit process vary depending on the agent conducting the audit. Experience level, attitude, and the responsiveness of the auditor are the key factors that influence the experience. Participants also feel there has been a shift in philosophy over the last few years. Their perception is that auditors are: spending too much time on minor things; lack flexibility, and are under extreme pressure to collect money. The biggest barriers to the audit process for the taxpayer are: the initial audit letter the taxpayer receives; the cost for taxpayers to hire a practitioner to represent them; the burden involved in gathering the books and records; and the length of time it takes to get the audit resolved. Practitioners suggested the following ways to assist the taxpayer in the audit process: Educate the taxpayers on the reasons for audits (NRP audits are random, information mismatch), Use electronic media (PSA) to send out a positive message that the IRS is not out to get them, Revise the initial contact letter – tone down language, shorten, use bold, headers, bullets so information stands out. The majority of participants do not think a DVD is a good way to educate taxpayers about the audit process. All groups feel a series of short online videos educating taxpayers up front about the tax obligations and responsibilities of owning a small business would be more effective. LIENS Problems with the Lien Process: Computer and Employee Problems, Lien holder is difficult to track down need one place to find all lien information, Taxpayers do not read IRS notices, Taxpayers are only concerned when the Lien affects their ability to use credit, Practitioners often tell clients to wait out a lien (10 year statue) if it doesn't affect them, Practitioners do not have experience with Subordinations, Discharges, or Foreclosures with a Lien. Marketing and Education: Explain Liens to taxpayers in simple terms Practitioners want information about liens on IRS.gov. OIC Overall, the focus group participants conveyed that they were aware of the changes made to the OIC program. The participants stated that the program was not meeting their needs mainly when it involved an IRS

representative (i.e. some were impolite and lack knowledge of the OIC process). In addition, the timeframe of the process was too long, the organization of the program at times does not work, and the amount of information required for an offer was voluminous. They are interested in the IRS increasing representatives' expertise of the OIC process, making taxpayers' deadlines to respond more reasonable, reviewing how the OIC program is organized, and reducing the amount of documentation required for an OIC. ECON Participants agree the predominant effect of the current economic environment on small business taxpayers is the lack of cash flow. Because there is no money to pay expenses and meet obligations, small business taxpayers are experiencing a number of secondary effects which include: falling behind on payments; not filing on time (or at all); going 'underground' or 'off the books'; and burying their heads in the sand. Many small businesses are simply closing their doors because they cannot meet their obligations, while others, struggling to hang on, are cutting expenses and looking for alternate sources of money to stay afloat. Small business owners are cutting expenses by laying off employees; shifting employees to independent contractors; going "off the books"; and using illegal immigrants to conduct business. Banks are not loaning money; therefore some owners are refinancing their homes to pull money out while others are cashing in their retirement accounts to stay afloat. Participants feel that the IRS needs to react faster in the current economic environment. Participants indicated the main reason small business taxpayers do not pay their payroll taxes is because they do not see immediate consequences of noncompliance. Participants stated the main problem is that many taxpayers are buried too deep by time the IRS gets involved. Participants recommend a two-pronged approach to assist small business taxpayers in meeting their tax obligations: educate before the taxpayer gets into trouble and be humanistic when a taxpayer gets into trouble. Participants identified the key components of the approach to be: education; leniency and flexibility; relief, incentives; and legislation to establish requirements and regulations. Participants agree the IRS is not communicating any positive key messages to small business taxpayers. Participants feel strongly the IRS is not communicating forgiveness in the current economic environment. Participants think a 'do the right thing' approach would be more effective. The IRS's communication strategy needs to incorporate multiple methods of communication to reach different types of taxpayers. Participants are in agreement that seminars and workshops are the best way for the IRS to expand its reach to small business taxpayers. **Actions Taken or Lessons Learned:** TBD (Final reports will go through our quality review process and be delivered to the customer. A 'You Asked, We Listened' sheet containing a summary of the results and what the IRS has done in response to the results is prepared by SB/SE CLD. It is distributed to practitioners at the following year's Tax Forums.

Control # and Name: SOI-351

Form 8863

Participants: 70 (1162 Requests)

Data Collection Began: 7/09 **Data Collection Ended:** 7/9 **Burden Hours:** 273

Cost: \$ 35,020 **Response Rate:** %

Purpose: The objective of these focus groups was to gather input from taxpayers about the revised version of Form 8863, Education Credits. The revised Form 8863 covers three education tax credits: the American opportunity credit, the Hope credit, and the Lifetime learning credit.

Findings: Overall participants liked that Form 8863 was similar with other forms utilized by the IRS. Where the layout was different (such as stacking the names) they did not like the change. Some like the horizontal layout (line 1a-f and 3 a-f), but others preferred a vertical layout. Participants performed more accurately when they only had one credit to compute and were told specifically which credit they were to compute. Participants suggested some layout and formatting changes, including: Increase font size, Bold font, Improve the visibility of the caution statement through the use of color, inverted text, and a caution icon. They expressed that lengthy line instructions (more than one sentence) on the Form 8863 were confusing and difficult to follow. They suggested simplifying by breaking the instructions down into separate steps (specific lines mentioned included 8c, 14, 16, 23). Additionally, the wording used in the instructions and the form needs to be consistent. The instructions for line 15, both

within the form and the separate instructions, require re-writing. Participants could not understand the instructions as currently written.

Actions taken or lessons learned: The results of the focus group will be analyzed and changes to improve the accuracy and understanding of the form and instructions.

Control # and Name: SOI-352

Participants: 370 (222 Requests)

Data Collection Began: 7/09 **Data Collection Ended:** 9/09 **Burden Hours:** 356

Cost: \$27,618 **Response Rate:** 60 %

Purpose: The purpose of the Offer In Compromise (OIC) focus group was to understand practitioner experiences with the OIC program and solicit suggestions for improving the process. The purpose of Automated Underreporter Program (AUR) focus group was to solicit practitioner feedback regarding their experiences in dealing with AUR notices and resolving AUR issues. The purpose of the Taxpayer Advocate Mission Statement (standard language) focus group was to solicit practitioner feedback regarding the wording used in the TAS mission statement and customer outreach material. The purpose of the Taxpayer Advocate Letters and Notices focus group was to solicit practitioner feedback regarding the wording used in the letters and notices TAS sends to their clients.

Findings: The Overall OIC Process-Participants from all locations indicated that as a collection tool, the OIC program is a viable program and they are glad that this tool is available for them to help their clients resolve tax debts. Conversely, participants almost unanimously agreed that the program has many flaws that need to be dealt with in order for more taxpayers to be able to take advantage of this tool. One comment that was common to all locations was that tax professionals have real problems with the television ads claiming that certain companies can settle IRS debts for pennies on the dollar. They said that these ads are misleading and unrealistic, and they add pressure from their clients for them to get the same deals when they try to work with their clients to prepare and submit viable OICs. The OIC Application Process-One recurring thought was that, as tax professionals, the form itself was clear and easy to understand, but it is long and cumbersome. It was mentioned that the application process is so long that some tax professionals encourage their clients to complete the form themselves because of the cost to pay the professionals' fees. Several said that they spend time with their clients to review their financial records and get the paperwork in order and this leads to greater success in presenting viable offers. The primary concern expressed by participants was the lack of guidance in deciding what constitutes a viable offer from the IRS perspective. They were not aware of any "formula" to help determine what amount to offer, or what they could do to develop an acceptable offer package. The Automated Underreporter Program (AUR)-Many participants agreed that the AUR program is a good program, but it has some problems. The automated nature of the program does not allow for much judgment in determining what income has and has not been included on the return. Many said that the majority of the AUR notices they see are incorrect and many of the discrepancies could be cleared up with one phone call. Common to all sites, participants indicated that all forms of communication with AUR had problems. Many said that their success in dealing with AUR issues over the phone was dependent on the knowledge and skill level of the AUR assistor. Taxpayer Advocate Service Mission Statement-Many participants agreed that the standard language presents a good message, but the use of some words have different meanings to different clientele. The general consensus was that a lot of the messages would need to be tweaked, depending on the target audience. It would be difficult to choose one standard message that would reach all. All the participants, except one, were familiar with TAS. The following summarizes participant feedback regarding one message. *As an independent organization within the IRS, the Taxpayer Advocate Service helps taxpayers resolve problems with the IRS and recommends changes that will prevent the problems from happening in the first place.* The participants reactions to the statement ranged from positive, "I feel the language empowers the taxpayers", to the statement is too complex and hard to explain. The majority of the participants did not like the statement "prevent problems" because they feel it is pointing the finger at the taxpayer. TAS Letters and Notices-

Many participants agreed that letters received from TAS are friendlier, clearer, and give the impression that TAS is here to help their clients. They often stated that the tone and clarity of the letter are equally important, and TAS does a good job in that area. If the client did not initiate contact with TAS, they usually did not distinguish the difference between IRS and TAS letters. When they see the acronym IRS anywhere, they panic. Preparers stated that the majority of clients bring the letters, both opened and unopened to them for assistance. The majority of preparers still prefer contacts by phone, with a letter as a follow up if necessary.

Actions Taken/Lessons Learned: It was realized early on that running these focus groups for a full two hours was not effective and cut into educational session for which attendees could receive CPE credit. By cutting the time to 90 minutes and using that time effectively, we were able to capture the requested information, without creating a hardship for participants. The TAS Standard Language Focus Group was scheduled to be conducted from 1:30pm-3:30pm on the second day of the tax forums. This time slot interfered with at least two educational sessions which qualified for CPE credit, creating a hardship for recruiters and participants alike. In all but two locations, we were able to reschedule this focus group to be conducted beginning at 11:30am and running through the lunch break. As we have seen, scheduling focus groups around the lunch break enhances recruitment potential and allow participants the opportunity to earn CPE credits by attending educational sessions. Again, limiting the timeframe of TAS focus groups to 90 minutes and designing the moderator guide to fit this timeframe results in minimal interruption of educational sessions for participants. This also enhances recruitment efforts. A list describing all of the TAS focus groups should be created and made available to all recruiters in the focus group recruiting booth, so that everyone was aware of the purpose of all of the focus groups and can assist in recruiting, if necessary. The recruitment tally sheets should include a space for the number of people approached in recruitment efforts.

Control # and Name: SOI-353

ETA Marketing Materials

Participants: 50

Data Collection Began: 9/09 **Data Collection Ended:** 9/09 **Burden Hours:** 104

Cost: \$ 66,337 **Response Rate:** 55 %

Purpose: Research is an integral part of the IRS e-file marketing cycle and monitoring of e-product development. Research is performed at the beginning of the cycle for the purpose of identifying the customers and their likes and dislikes prior to developing a product. In addition, it is performed once the product is offered in order to determine its acceptance and how to improve it. Results from the research provide ETA and the other Business Operating Divisions (BODS) with usage volume, penetration rates, and taxpayer profiles as to who does and does not use each product. Research also provides BODS with detailed information to guide the next season's marketing campaign and/or and how to direct outreach and marketing efforts. Finally, it provides the feedback necessary to determine if the funding was spent wisely and achieved the expected results. Following is a Statement Of Work for qualitative marketing research around the e-file engagement program for Preparer holdouts from e-file participation. The e-file engagement program seeks to increase use of e-file by helping holdout Preparers make the conversion to e-file. This program includes communications activities (e.g., direct mail to the 130,000 Preparers filing 100+ returns, targeting online advertising at tax professional online sites, etc.), solutions panels (third-party presentations) at national/state tax professional association meetings, and robust partnerships with FTA, national and state/regional level tax professional associations. The IRS needs to test and refine the e-file engagement program for e-file Preparer holdouts as well as its approach to marketing the program among Preparers. The specific Preparer target here are tax professional holdouts who v-code at least 100 1040 returns.

Findings: While the four segments of Tax Professionals differed compositionally and in terms of which Ads/Messages and other stimuli they were exposed to, their reactions to the "Numbers" campaign were so similar that there was no real differentiation between segments. overall, they had difficulty with the information in the headlines of ALL of the Ads/Messages of the "Numbers" campaign and most did not feel that these stimuli offered anything compelling to impact their e-filing (either for their benefit or that

of clients). What they seemed to struggle with most about the Ads/Messages were the numbers and statistics in the headlines – mainly because they felt the numbers and statistics had too little context around them to be seen as credible. In the case of some of the Ads/Messages – e.g., those dealing with error rates and demand for e-file, the numbers and statistics in the headers did not fit with what these Tax Professionals have observed in their practices (which added to the credibility issue). The Ad/Message with the “20% or 1%” headline generated the most discussion among those exposed to it, but with reaction to it cutting both ways – with some participants believing that this headline supported one of their main reasons for e-file while others believed it highlighted problems with the IRS. The Web Pages and Letter tended to be much better received by the target Tax Professionals than the Ads/Messages – primarily because these elements included more of the specific information the Tax Pros want. The Partnership Resource Guide generated interest among most participants because it provided specific details and new information. Participants were drawn to the bulleted information in the Guide that allowed them to scan the page quickly and spend more time on areas that held specific relevance for them. The Guide topics that most interested the groups were *More Explicit Error Conditions* and *Amended and Prior Year Returns*. Although seen as too long by a number of participants, the Letter drew a largely positive reaction – again, mainly because of its detail (especially that related to Congressional Goals and Timeline For e-file). However, the Landing Page (across its various versions) was less compelling to most Tax Professionals and was seen as lacking the detailed information they would want – although some were intrigued by the calculator feature. In other learning from the Tax Professionals in this study: These Tax Pros were very focused on serving their clients (making clients happy with fast, painless filing) and on establishing/maintaining themselves as tax experts. They want to be as efficient as possible in their work and have developed processes that they are familiar with, that they feel are efficient, and that work for them. Getting them out of this “groove” will be difficult and, in the case of those with low levels of e-filing, will likely require either a push from clients or a change in tax law. (Note: tax software is an important part of their “groove” and they look for packages that can accommodate the type of returns they do most often – with cost being their main software concern.) Their perceptions of e-file typically mirrored their level of involvement in the e-file program and were very similar to perceptions we have all noted before in both qualitative and quantitative ETA research... Those with highest use of e-file (i.e., those in the upper ranges of the 1% to 49.9%/64.9% screening criteria here) see important benefits in it (e.g., speed, accuracy, paper/storage savings, meeting client demand/needs, etc.)... While those with low use of e-filing find reasons not to e-file more as they see no compelling reasons (e.g., they say there’s a lack of client demand, requires changes in business model, adds to cost, means more work, “makes us do the IRS’s job”, etc.). In addition, virtually all say they have clients who “would never e-file” (because of lack of trust, preferring mail, too complex a return, etc.) and many seem to feel they are not suffering by *not* embracing e-file more.

Actions taken or lessons learned:

An important finding from the focus groups was that tax professionals want to hear from other tax professionals about how e-file has worked for them. They have more confidence in what their peers say about the conversion from paper to e-file than in what they hear from the IRS or even their tax professional associations. As a result we designed a key element of our campaign, webinars with tax professionals, using practitioners as our panelists. The webinars were very well received. There was enthusiastic audience participation and participants submitted many follow up questions for the practitioner panelists. This is definitely a strategy we intend to use again in the future. During the groups we showed participants a draft direct mail letter from the IRS Commissioner or some other IRS executive. Participants reacted positively to the letter and we intend to design a direct mail test using a similar letter in future marketing efforts. We also used the findings related to advertisements. We pulled some of the ads with which practitioners were less comfortable.

Control # and Name: SOI-354
Participants: 69 (848 Requests)

Schedule L Focus Group

Data Collection Began: 8/09 **Data Collection Ended:** 9/09 **Burden Hours:** 244

Cost: \$ 37,103.90 **Response Rate:** 8 %

Purpose: The objective of these focus groups is to gather input from taxpayers about the new Schedule L, Education Credits (Standard Deduction for Certain Filers) to determine how taxpayers react to the new Schedule. Specific the focus groups will help us determine participants' overall perception of Schedule L and its accompanying instructions, common errors participants make when completing Schedule L, parts of the instructions and schedule that participants find most helpful and specific suggestions participants have for improving Schedule L and its instructions.

Findings: Through the focus groups we discovered that common errors were made by participants completing the Schedule L on lines 3, 7, 10, 12 and 17. Some of the suggestions the participants made for improving the schedule were: Improve the Schedule L title to identify who would use the form. The current title is vague and ambiguous, specifically 'certain filers.' Caution Icon (located above line 1) – Use color in the icon to improve the visibility of the caution statement. Change the icon symbol. Increase the size of the icon. Caution Statement (located above line 1) – Incorporate into title or move up directly under title. Improve font attributes, such as bold and/or italic, to important text. Improve the layout – for example, instead of leader dots use a solid line with an arrow at the end to point where the entry is to be made or center the leader dots on the line (instead of at the bottom). Additionally, the participants had specific recommendations to improve the usability of the instructions. Participants found it confusing when important line information was missing from the specific line reference. It did not make sense to them that the information needed for specific line items was located in different parts of the instructions (General instructions and Specific instructions). If the instructions were not read in their entirety, the information was missed. Implementation of some of their suggestions should enhance the user's understanding and subsequent accuracy in preparation of the Schedule L.

Actions taken or lessons learned: Several changes were made to the form and instructions based on the recommendations received from the focus groups.

Control # and Name: SOI-355

Participants:

Data Collection Began: **Data Collection Ended:** **Burden Hours:**

Cost: \$ **Response Rate:** %

Purpose:

Findings:

Actions Taken/Lessons Learned:

Control # and Name: SOI-356

FOIA Card Sort

Participants: 65 (180 Requests)

Data Collection Began: 9/09 **Data Collection Ended:** 9/09 **Burden Hours:** 74

Cost: \$ 2,800 **Response Rate:** 36 %

Purpose: Determine appropriate taxonomies and organizational structure for the FOIA web pages and Electronic Reading Room.

Findings: The card sort provided us with the appropriate taxonomy for information on the website and provided us with a comprehensive and intuitive organizational structure. SB/SE Research was able to learn how people from outside the IRS interpret and classify tax related information available on the FOIA web pages and the Electronic Reading Room. The participants identified category headings they associated with the topic cards they were asked to organize. SB/SE Research adopted the themes identified in the open card sort and observed how participants associated topic cards to each theme. We validated the appropriateness of the category headings and developed groups of associated topics.

Actions taken or lessons learned: CLD's will use the information to redesign their web pages to better serve the needs of their customers.

Control # and Name: SOI-357

Health Coverage Tax Credit (HCTC)

Participants: 74 (153 Requests)

Data Collection Began: 8/09 **Data Collection Ended:** 9/09 **Burden Hours:** 330

Cost: \$ 31,420 **Response Rate:** 48 %

Purpose: The Health Coverage Tax Credit (HCTC), a federal tax credit established by the Trade Act of 2002, is designed to help eligible Americans and their families pay for health coverage they might otherwise not be able to afford, by paying 80% of an eligible individual's health plan premiums. In 2003 and 2004, research was conducted with program participants and potentially eligibles to understand their perceptions of the program.

As part of understanding how underlying needs, motivations and program usage/satisfaction may have changed since the program's infancy, we conducted focus groups across multiple regions and population types.

Findings: There are many barriers to awareness of the program. Typically, when eligible individuals are not aware it is because they were not told, didn't understand the program, the timing wasn't right, they were optimistic for re-employment or they were too overwhelmed to process the information. Interest in seeking more information/attempting to enroll is not a problem, but having the right information and support at the right time for activation is a challenge. Once enrolled in the program, the vast majority are very satisfied with the nearly all aspects of the HCTC. One area of concern is 'late-payments'-- participants strongly desire a way to verify payment receipt and are interested in interacting with the program via self-service options.

Actions taken or lessons learned: Results around awareness and interest were used to re-design communications materials and outreach strategies to the potentially eligible HCTC population. Interest in self-service options were used as input to 'Sub-task14'—an effort within HCTC to explore various self-service options and create business cases for level of effort required/return expected from pursuing these options. Additionally, results of this effort were used to design "Survey 4"—a congressionally mandated survey with the Post-ARRA population.

Control # and Name: SOI-358

Notice Improvement Focus Groups

Participants: 28 (404 Requests)

Data Collection Began: 8/09 **Data Collection Ended:** 9/09 **Burden Hours:** 59

Cost: \$ 10,048.95 **Response Rate:** 7 %

Purpose: The overall purpose of this research project was to collect and provide qualitative data to the W&I Notice Improvement Office with regard to tax practitioners' insights and feedback on the following notices as well as two versions of a paragraph describing how to receive help from the Taxpayer Advocate Service (TAS): Notice 746 – Information About Your Notice, Penalty and Interest CP 39 – We Applied an Overpayment to Your Balance Due CP 09 – You May Be Eligible for a Refund If You Qualify for the Earned Income Credit (with dependent children) CP 27 – You May Be Eligible for a Refund If You Qualify for the Earned Income Credit (without dependent children) CP 05 and CP 05A – Information Regarding Your Refund (TAS language paragraphs) Specifically, the W&I Notice Improvement Office was interested in the tax practitioners general reaction to the notices as well as any suggestions for improvement to layout, structure, and/or content.

Findings: As a result of the focus groups, four common themes were identified from the observations and conclusions of the moderator. The tax practitioners showed no preference for one theme over another so the following themes are presented in no particular order: Simplify and streamline notices by removing unnecessary/irrelevant information and ambiguous language/phrases that could confuse or overwhelm the taxpayer. Tailor/customize notices to the individual taxpayer receiving the notice. Making a notice more personal will lead the taxpayer to more carefully read the notice and take the appropriate action. Include and highlight at the beginning or top of notices how taxpayers can get more information or contact the Internal Revenue Service (IRS). Make IRS contact information, such as customer service telephone

numbers, more visible and more prominent. The use of sentences and paragraphs in notices is more personal and preferred by focus participants over generic bulleted lists.

Actions Taken or Lessons Learned: The practitioner feedback from the focus groups can be used as a resource to drive future efforts to improve the quality and effectiveness of IRS notices. The insights gained from the focus groups will provide the W&I Notice Improvement Office with information to enhance the written correspondences it uses to communicate with taxpayers and tax practitioners. The common themes identified in this report can be used as starting points in identifying and determining where to concentrate improvement efforts. The findings or summary observations from this research project will also be shared with the IRS Commissioner chartered Taxpayer Communications Taskgroup (TACT) which is currently seeking to study and improve the clarity, accuracy, and effectiveness of the IRS's written communication with taxpayers.

Control # and Name: SOI-359

TAS Underserved Audiences

Participants: 50 (500 Requests)

Data Collection Began: 9/09 **Data Collection Ended:** 9/09 **Burden Hours:** 107

Cost: \$ 70,100 **Response Rate:** 10 %

Purpose: The Taxpayer Advocate Service evaluated different outreach strategies to better connect with taxpayers. The aim was to increase the likelihood those who most need TAS services would come to TAS for tax assistance.

Findings: Message testing revealed that there is definite need to augment the language that TAS uses to communicate to its underserved audiences. Current TAS messaging garnered negative reactions and created confusion among the discussion participants. This confusion was largely shared across audiences; however, education and money management were important factors in determining reactions to TAS language. In other words, respondents with higher education levels and/or considered themselves to be savvy money managers exhibited less confusion than their counterparts. Income is less of a driving factor in determining reactions to the messaging. Participants indicated a strong negative reaction to the IRS, and some skepticism of TAS as a result of its affiliation with the IRS and the government in general. This skepticism represents an important barrier for TAS to overcome. Over the course of group discussions, some participants became more familiar with TAS and its offerings and thus became more trusting of the organization despite initial hesitations. Others were not completely convinced TAS would aid taxpayers who have problems with the IRS, but said they were open to doing further research about the organization should they fall into a dire situation and knew the service is free. A few participants, however, were not interested in learning more about TAS or telling others about the organization even after the full discussion of TAS benefits.

Actions taken or lessons learned: The findings suggest that TAS could convince some potential customers that it is an independent and trustworthy entity separate from the IRS, but some taxpayers exhibited such staunch resistance to the government and being government-affiliated that they will never use TAS. TAS caseworker efforts to recruit these customers may not be a worthwhile investment given limited resources and an already high demand. TAS messaging should be leveraged to create a distinction between the organization and the IRS. To do so, TAS messages need to strive for a balance between not sounding like a tax form (i.e., language that "sounds like the IRS"), but also not sounding *too* "touchy-feely" as to jeopardize TAS credibility. The proper blend of emotive hooks and informative language about TAS benefits will help taxpayers begin to recognize the difference between TAS and the IRS and instead focus on the benefits of working with the organization.

Control # and Name: SOI-360

OIC Forms Simplification

Participants: 38 (48 requests)

Data Collection Began: 10/09 **Data Collection Ended:** 10/09 **Burden Hours:** 182

Cost: \$ 14,400 **Response Rate:** 79 %

Purpose: The primary objective of this research is to understand respondent perception and comprehension of existing OIC forms and instructions for business and wage earner (specifically Forms

433A, 656, and the Worksheet) compared to their redesigned versions. A secondary objective is to identify areas to refine and gain insights into any communications issues. The research data and findings will be used to validate the improvement of IRS forms.

Findings: The revised business form was an improvement over the original version:

Greatly reduced the amount of time spent completing the form (3.5 hours and 1.5 hours respectively), The revised form was perceived as being less difficult, The majority of respondents grasped the concept of how to calculate an offer, The majority of the respondents preferred the linear flow, The offer amounts were skewed due to making logical assumptions, or not following directions. The revised wage earner form offered some improvements over the original version: Took slightly less time to complete (3.0 revised and 3.1 original), The perceived difficulty of the form was decreased. Most respondents felt that the revised version provided a clearer explanation on what they need to. Neither group arrived at the “correct” offer.

Actions taken or lessons learned: Changes to improve the business and wage earner forms. Clearer worksheet instructions: Preview the document, outlining what’s ahead in filling out the packet, Include worksheet information at a point of need to minimize the transfer of numbers between forms. Specifically the worksheet will be moved before the offer sheet. Additionally, line numbers will be added to make it easier to transfer numbers between the worksheet and form,

Emphasize that negative amounts should be indicated with a zero entry, Clearer explanations:

Add more detail and emphasis to the minimum offer amount, Remove the notion about borrowing money from friends to pay off the debt, Re-evaluate the design of the worksheet, Increase the font size, and carry the offer amount worksheet over multiple pages instead of all on one page

Control # and Name: SOI-361

Deaf and Hard of Hearing Services

Participants: 17 (34 Requests)

Data Collection Began: 10/09 **Data Collection Ended:** 12/09 **Burden Hours:** 46

Cost: \$53,254 **Response Rate:** 50 %

Purpose: The objectives of this focus group study are: To determine the behaviors, preferences, and service needs of deaf and hard of hearing taxpayers, and To determine if planning, upgrading, and improving different tax assistance service channels and products to deaf and hard of hearing taxpayers are desired.

Findings: Deaf participants told us that the best communication method is through American Sign Language (ASL), because it is their first language. In whatever communication channel used (walk-in, phone, web, etc.), participants would like to receive IRS service from deaf employees who can sign to them. Regarding IRS Toll-Free Telephone assistance, participants indicated a strong preference for communicating by video phone over text phone. The video phone allows them to communicate by ASL and is especially helpful to those who are not fluent in English. The IRS Website is satisfactory for some high functioning deaf participants. The deaf participants reported a lack of sensitivity among IRS representatives and suggested deaf awareness sensitivity training. Hard of hearing participants reported difficulty hearing/understanding the conversation in IRS's Taxpayer Assistance Centers (TACs) because of their hearing loss and the background environmental noise. Also they find it was difficult to hear/understand the phone menu options and spoken words of both Toll-Free Telephone automated and human assistance channels. The IRS Website channel is satisfactory; but the chat mode option which is a viable visual text communication tool for them is not easily visible on the web page.

Actions taken or lessons learned: There are communication barriers unique to deaf and hard of hearing taxpayers across all the IRS tax assistance service channels except the IRS website. The TAC and Toll-Free Telephone automated and human assistance channels do not adequately serve deaf and hard of hearing taxpayers. Frontline IRS employees are not aware of these market segments’ special needs. In addition, SPEC’s outreach activities as currently implemented do not sufficiently inform their partners in volunteer service programs of both groups’ special issues and needs. We still need to do further research to corroborate and add to these preliminary findings. Wage & Investment Research and Analysis recommends that the next steps also include engage in more quantitative research techniques (such as

survey) to measure the magnitude of communication problems encountered by deaf and hard of hearing taxpayers seeking federal tax assistance.

Control # and Name: SOI-362

COLDS Usability

Participants: 14 (50 Requests)

Data Collection Began: 12/09 **Data Collection Ended:** 12/09

Burden Hours: 34

Cost: \$ 14,200 **Response Rate:** %

Purpose: Customer On-Line Decision Support (COLDS) Release 2 will replace the Wage and Investment's (W&I) Tax Law Categories (TLCs) content found in Tax Trails currently available on the IRS.gov web site. COLDS R2 will modify the existing Content Management Application (CMA), Search Engine, and WebTrends components to improve TLCs questions and responses. The Interactive Tax Assistant (ITA) tool is the solution that will enable taxpayers to conduct interactive probes on Tax Law topics and receive specific tax law guidance based on the responses. Taxpayers will have the opportunity to provide feedback on the usefulness of the content, thereby enabling TLC content authors to improve content effectiveness. COLDS R2 will also provide TLC content authors the capability to easily update the TLC content to the web site.

Findings: Overall users felt that this would be a useful tool. The main findings can be grouped into three categories; content, intuitive navigation, and look and feel. Users wanted more information about why they weren't eligible for certain things. In addition, more help text is needed to define tax terms that users didn't understand. The content on the ITA landing page needs to address the issue that many users didn't realize that the application was an interview based system and that they would have to answer question in order to get their answers. Placement of the print button and the continue button was not intuitive for users. The summary screen and the add instance screen need to be redesigned because many users had a great deal of problems understanding these screens.

Actions taken or lessons learned: A matrix of issues was created and prioritized once testing was completed. All findings were added to the matrix and all issues identified were fixed. The high level issues explained above were fixed with a content review by the project team of every screen in the application. In addition, the continue button and the print button were moved to where user expected to see them. The add instance screen was modified to help the user understand what to do for the short term. Long term we are working on a redesigned page that will work more like a shopping cart (added functionality) which is what users want. In addition, the summary screen was reorganized to be more intuitive. All fixes were tested by the project team prior to and during UAT.

Control # and Name: SOI-363

Participants: 65

Data Collection Began: 11/09 **Data Collection Ended:** 11/09 **Burden Hours:**

Cost: \$65,410 **Response Rate:** 57 %

Purpose: Research is an integral part of the IRS e-file marketing cycle and monitoring e-product development. Research is performed at the beginning of the cycle for the purpose of identifying the customers and their likes and dislikes prior to developing a product. In addition, it is performed once the product is offered in order to determine its acceptance and how to improve it. Results from the research provide ETA and the other Business Operating Divisions (BODS) with usage volume, penetration rates, and taxpayer profiles as to who does and does not use each product. Research also provides BODS with detailed information to guide the next season's marketing campaign and/or how to direct outreach and marketing efforts. Finally, it provides the feedback necessary to determine if funding was spent wisely and achieved expected results. Following is an OMB Statement for qualitative market research around a new e-file marketing campaign directed at Taxpayers. The new e-file marketing campaign will seek to increase the use of e-file by encouraging and helping e-file Non-Users to e-file their returns. This marketing campaign will potentially include new communications messages, online banner ads, and new media (including online and mobile media) ads. The IRS needs to test and refine these messages and

materials prior to the launch of the campaign in mid-November, 2009 and requests OMB approval as soon as possible.

Findings: All of the participating Taxpayers had heard of e-file, but were using other methods to file that they were more familiar with and more comfortable using. Some participants had tried e-file in the past, but most were not able to complete it or found it difficult to complete. Most had made the determination at some point that e-file was not appropriate for their specific filing needs and had not considered it again. When presented with reasons to e-file, Taxpayers' willingness to consider e-filing appeared to be linked to how much behavior change it required of them. Self Filers tended to be more reluctant to e-filing because they saw it as requiring significant change in their behavior with no clear benefit. Self Paper Filers were particularly hesitant because e-filing required them to fundamentally change how they file their taxes. Some of the Paid Filers seemed very open to considering using e-file because it required little change in what they were currently doing, if their preparer would support the change. Other Paid Filers saw no personal benefit in making the change and were reluctant to change to "help out the IRS" because they viewed the IRS as an adversary.

Actions taken or lessons learned: An important finding from the focus groups was that taxpayers want to hear and understand more about the e-file program. Some still have fear of sending their return off via the internet. They also reacted to paying a fee when the cost of a stamp is less. They prefer a hard copy so they can actually "see" and have in their hand what was sent to the IRS. They have more confidence in what their peers say about the conversion from paper to e-file than in what they hear from the IRS or even their tax professional associations. Several pieces of draft media were shown to the group of participants. There was enthusiastic audience participation and participants submitted many follow up questions and offered both negative and positive feedback to the items shown. This is definitely a strategy we intend to use again in the future. We also used the findings related to the focus groups held among the tax preparers in conjunction with these groups and modified our advertisements. We pulled some of the ads with which payers and practitioners were less comfortable.

Control # and Name: SOI-364

Injured Spouse Focus Groups

Participants: 15 (220 Requests)

Data Collection Began: 10/09 **Data Collection Ended:** 10/09 **Burden Hours:** 27

Cost: \$ 11,112 **Response Rate:** 7%

Purpose: W&I requires feedback from customers to continually improve the Injured Spouse Allocation Process. The objective of these focus groups is to assist in the administration the Injured Spouse Allocation customer satisfaction research process for 2008-2009. This overall project has three primary goals: 1) to survey and track customer satisfaction at all W&I Injured Spouse (Adjustments) sites; 2) to investigate actions IRS can take to improve customer satisfaction with the W&I Injured Spouse (Adjustments) service; and 3) to gauge the effectiveness of changes to the W&I Injured Spouse (Adjustments) service.

Findings: The focus groups are used to obtain taxpayer feedback for refining the customer satisfaction questionnaire by identifying attributes that drive overall satisfaction with the Injured Spouse process, and provide suggestions for improvement. The following points of information were gained from the focus groups: Broaden awareness – only those who receive letter that there is a problem or have prior experience are aware. There are concerns that a lot of people entitled to the claim are left out. Consider publicizing tax obligation for married filing jointly during marriage license process or with 1099 or W2 forms. Modify claim form – shorten to only require necessary information; consider embedding with core 1040 form. Shorten length of process – 14 weeks on average if file separate claim Shorter if claim made at time of filing federal return Improve phone service. Shorten wait time – several taxpayers reported being on hold for between 1-2 hours Increase rep knowledge – more training of injured spouse issues, more knowledge of each individual's case (case recordkeeping/status updates), specialized team of people focusing on injured spouse calls, provide more complete information Improve rep willingness to help - Each rep should give dedicated and immediate response. Improve consistency of information – different responses from different reps Improve coordination service wide – minimize runaround Provide explanation of process – explain what the IRS is doing and why it takes so long

