

# Findings From Practitioner Business Impact Research

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PBI-2 and PBI-3

**Presented To:**



**Internal Revenue Service**

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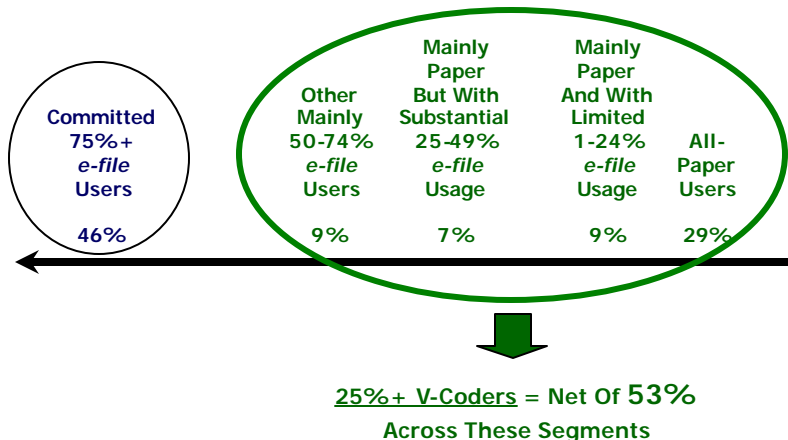
**Presented By:**

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RESEARCH

# Background, Purpose, Method, Scope & Timing

- Recognizing the importance of Practitioners in expanding use of *e-file*, IRS began to focus on them in 2004 in both communications and research.
- The key target in 2004 were Practitioners V-Coding 75%+ of their Individual Returns – but this target has since been broadened to 25%+ V-Coders.
- The 25%+ V-Coder group was profiled in the recent Practitioner Communications Tracking Study – which looked at the impact of communications on this group and which sized this new target at 53% of all Practitioners.

- In addition, the IRS has conducted Practitioner Business Impact (PBI) research to examine how *e-file* impacts the Practitioner business model – the goal being to apply this learning to future marketing to V-Coders. There have been 3 PBI studies:
  - PBI-1** in July '04 looked at *e-file*'s impact on 502 Committed *e-file* Users and on 500 of the former target, Committed (75%+) V-Coders. Results of that study were reported last year.
  - PBI-2** in June '05 looked at the same issues as they relate to the new 25%+ V-Coder target (n=501). Results are reported here, where we examine the new target and compare them to the Committed *e-file* Users we talked to in PBI-1.
  - Finally, in **PBI-3**, we went back to a sample of 203 of the 500 hardcore, Committed (75%+) V-Coders interviewed in PBI-1 and interviewed them again a year later in June '05 to see what changes if any had occurred to them and to their commitment to V-Coding. Results are also reported here.
  - Each PBI study was conducted by telephone among 100+ Return Practitioners drawn from IRS lists or, in the case of PBI-3, from lists of respondents in PBI-1.



## Findings From PBI-2

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### The 2005 Study Of The 25%+ V-Coder Target

#### Statistical Notation Used In Detailed Findings

- Indicates a significant difference between segments or between year-to-year results (at the 95% confidence level or higher).

Note: other graphics – lines, arrows, boxes, etc. – are also used to draw attention to notable differences or patterns in data.

# First, How Do Practitioners Talk To Each Other About e-file?

- In thinking about how Practitioners talk about *e-file*, we looked back at the Committed *e-file* Users from PBI-1 (2004) and what they told us when we asked them what advice they would give to a Practitioner who was about to implement *e-file*.
- They said they would talk about both the practical steps a new user should take and about the benefits of *e-file*.

## What Committed Users Would Tell Non-Users About e-file

BASE: Total Committed *e-file* Users From PBI -1, 2004 502 %

### User Advice To Non-Users Would Include...

#### ...Talking About Practical Steps That Are Necessary:

Would suggest a good/user-friendly software package	26
Would tell them you need an organized approach	15
Would tell them they need to be accurate w/complete information	8
Would tell them to attend IRS seminars/classes	7
Would tell them to read everything thoroughly/follow all directions	6

#### ...Talking About The Benefits Of e-file:

Would tell them <i>e-file</i> is an easier way to prepare returns	21
Would tell them <i>e-file</i> is faster for them	11
Would tell them to just start using <i>e-file</i> /Just do it	11
Would tell them <i>e-file</i> is cheaper	4

- Looking at this from the V-Coder perspective, we found that 62% of the 25%+ V-Coders here in PBI-2 have discussed *e-file* with Practitioners who have already implemented *e-file*.
- And what they have heard has been overwhelmingly positive – though it tends to be focused on the ease and speed benefits and not on the benefits of *e-file* to the Practitioner's business.

## What The New V-Coder Target Is Hearing About e-file From Other Practitioners

BASE: Total 25%+ V-Coders From PBI -2, 2005 501 %

% Of 25%+ V-Coders Who Have Talked To Users About What It Is Like For Them To Use e-file: 62

### Heard That The Main Advantages Of e-file Are That:

<u>It's Simpler/Easier</u> (Net)	46
It means less paper/less paperwork	27
It's simpler/easier (n.s.)	10

<u>It's Faster</u> (Net)	40
It leads to faster refunds for clients	19
It's quick/quicker/fast (n.s.)	12

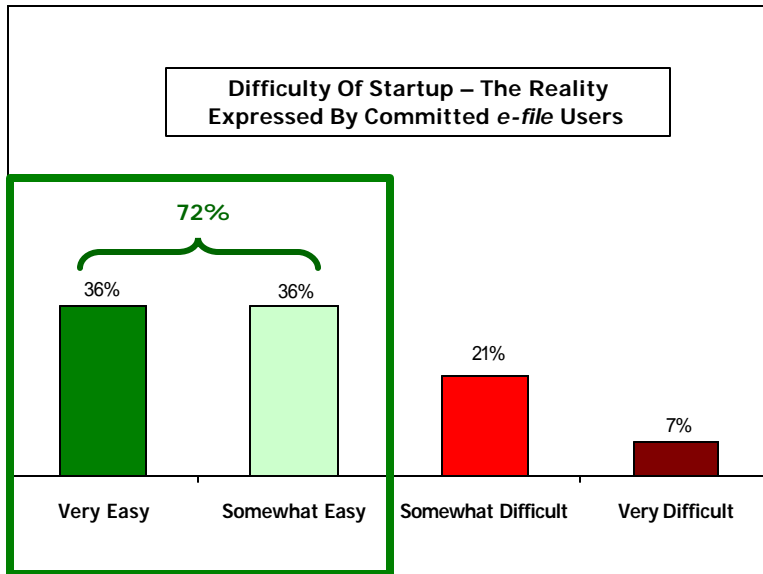
Total mentions of benefits for the Practitioner's business 15

### Heard That The Main Disadvantages Are:

<i>e-file</i> requires more accuracy	10
<i>e-file</i> takes more time	6
The price/cost of <i>e-filing</i>	6

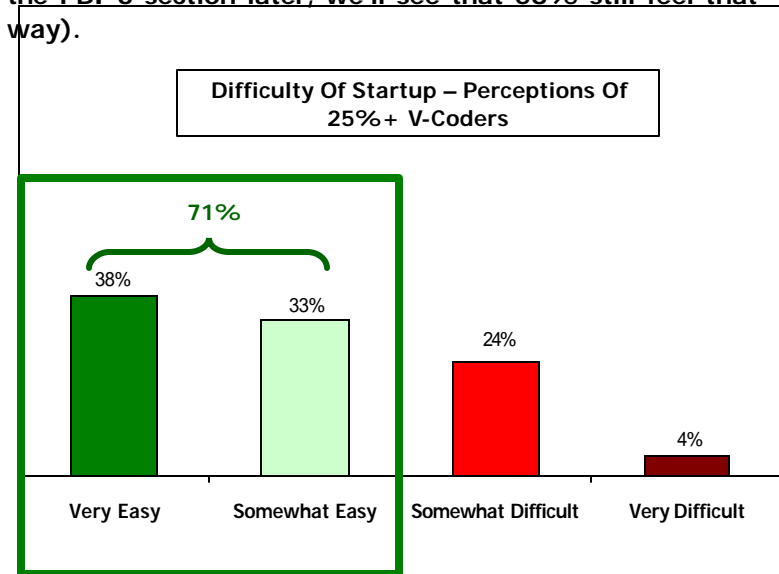
# Implementing e-file – Perceptions Of Its Ease/Difficulty

- We asked both the Committed Users in the 2004 study and the 25%+ V-Coders of 2005 to assess the ease/difficulty of implementing e-file.
- In 2004, 72% of Committed Users rated e-file implementation as very or somewhat easy.



Committed e-file Users From PBI-1, 2004 (n=502)

- And here in 2005, the 25%+ V-Coder target has about the same expectation of the ease/difficulty of implementation as Committed Users.
  - Note: the more hardcore, Committed 75%+ V-Coder target in 2004 were more wary of e-file implementation, with only 57% thinking it would be very/somewhat easy (and in the PBI-3 section later, we'll see that 58% still feel that way).



25%+ V-Coders From PBI-2, 2005 (n=501)

Chart excludes 1% "Don't Know"

# Implementing e-file – Top Difficulties & How To Overcome Them

- We asked what’s difficult about implementation and probed on how to overcome it. The Committed Users in 2004 told us that their main difficulties had been not having the right equipment (and having to acquire it) and not realizing that e-file required such precision (and they had to adapt to that).

## Users’ Difficulties & How They Were Overcome

BASE: Total Committed Users From 2004	319
Who Said Implementation Was Less Than “Very Easy”	%
<b><u>I didn’t have the right hardware or software</u></b>	<b>26</b>
Bought the software/hardware I needed	56
Worked with software provider to get the right software	11
<b><u>Saw there was less room for error with e-file</u></b>	<b>16</b>
Did more checking of input/had clients check carefully	29
Learned the process and became more educated about it	24
Got help from my software company	14
<b><u>I thought it would be too confusing/hard to understand</u></b>	<b>14</b>
Learned about it/taught myself about it	44
Got help from my software company	26
Practiced/went through trial-and-error	17
Went to an IRS seminar/forum and learned about it	11
<b><u>No demand for it from clients</u></b>	<b>10</b>
Clients began to ask about it/began to trust it	50
Convinced my clients to use it	44
Clients learned it’s a faster way to get refunds and file	16

- For the 25%+ V-Coder target in 2005, the top stated difficulty, by far, was lack of client demand – which (as we noted for the Committed V-Coders in 2004) may be part-reality, part-excuse since only about 1/3<sup>rd</sup>+ say they’ll have to convince clients; the others may have to convince themselves first.

## V-Coders’ Perceived Difficulties & How They Would Be Overcome

BASE: Total 25%+ V-Coders In 2005	302
Who Expect Implementation To Be Less Than “Very Easy”	%
<b><u>My clients are not interested in it/do not want it</u></b>	<b>30</b>
Would have to convince clients to use it	41
<b><u>The software and added cost to e-file is too expensive</u></b>	<b>12</b>
Would have to charge clients for it	35
Cost of software would have to decrease	19
<b><u>e-file leaves no room for error</u></b>	<b>9</b>
Would have to be more careful with client data entry	33
Would have to learn more about it	15
Would have to be more accurate	7
<b><u>I think it would be too time consuming</u></b>	<b>6</b>
IRS would have to make it easier/eliminate sig. requirement	28
IRS would have to make it less time-consuming	17
Would have to hire more employees	17
Would have to train my staff	11
<b><u>I don’t have the right hardware or software</u></b>	<b>4</b>
Would have to buy/get the right hardware/software	46

# Implementing e-file – Suggestions For Making It Easier

- Both Committed Users and 25%+ V-Coders told us that IRS can make e-file implementation easier by providing more training/information/promotion, by making changes to the e-file program, and by providing incentives/easing the cost burden.

## How To Make It Easier To Start Using e-file

BASE: Total Users in 2004 & Total 25%+ V-Coders In 2005	Committed	25%+
	e-file Users	V-Coders
	502	501
	%	%
<b><u>Provide More Training/Information/Promotion</u></b>		
The IRS should offer non-users special seminars/workshops/training	9	5
Educate non-users about the benefits	9	2
Provide more easy-to-understand information about e-file	5	0
Let non-users know it's easier to use	4	1
Talk directly to non-users and convince them to use e-file	4	0
Advertise/market it more	3	1
Warn non-users that they will have to be more accurate	2	1
<b><u>Make Changes To The Program Itself</u></b>		
Make e-file mandatory/don't give Preparers a choice	10	3
Have more forms available to e-file	3	3
Non-Users have to overcome their fears about e-file	3	0
Streamline the application process	2	1
Eliminate signature forms	1	2
Explain errors/give information on rejects	1	1
Decrease the amount of information input/data entry	1	2
<b><u>Provide Incentives To Use/Ease The Cost Burden</u></b>		
Give some sort of incentive/compensation for using e-file	11	6
Make it free/eliminate cost/make it cheaper	3	3
IRS should buy the software for Preparers	2	2

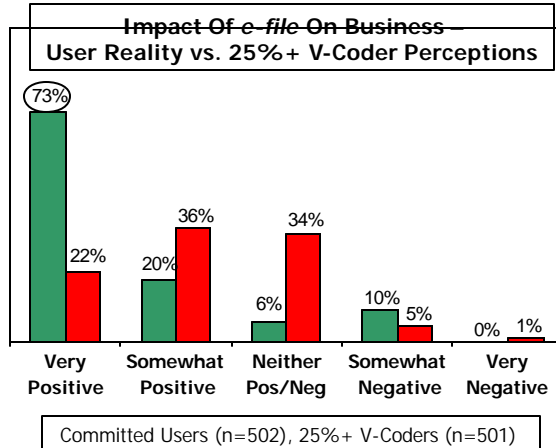
- We took some of the Committed Users' top suggestions from 2004 and formed a pre-list of suggestions, which we asked the 25%+ V-Coders in 2005 to rank in terms of which they thought were more important.
- Their top suggestions are highlighted below.

## 25%+ V-Coders' Top Suggestions For Making Implementation Easier

BASE: Total 25%+ V-Coders in 2005	501
	%
<b>IRS Should Give Practitioners Who e-file Some Customer Service Incentives to Use e-file</b>	<b>33%</b>
<b>IRS Should Work w/SW Industry to Improve e-file for All Business Tax &amp; Information Returns</b>	<b>30%</b>
<b>IRS Should Offer Special Seminars/Workshops to Train Practitioners in How to Use e-file</b>	<b>19%</b>
<b>IRS should make Practitioner use of e-file mandatory</b>	<b>9%</b>
<b>IRS should do more in communicating the benefits of e-file directly to Preparers not now using e-file</b>	<b>9%</b>

# Impact Of e-file On The Practitioner's Business Model

- The new **25%+ V-Coder target** were clearly less likely (than Committed Users) to believe that *e-file* would have a positive impact on their business.



- What the V-Coders seemed to miss about the positive effects of *e-file* are that clients like it, it generates more clients, refunds are received faster, and it is more accurate.

## How e-file Is/Would Be Positive

	Committed e-file Users	25%+ V-Coders
BASE: Total Thought Impact Would Be Positive	467	289
	%	%
Clients like it/are satisfied with it	27	8
e-file generates clients	19	9
Refunds are received faster	16	10
e-file is more accurate	14	8
e-file saves paper	12	16

- In addition, they had serious gaps in knowledge of the practical effects of *e-file* implementation.

- They were not aware of the real impact on equipment costs, startup costs, or recurring annual costs.
- On the other hand, they did not know (as Users reported) that *e-file* leads to a significant increase in clients (+37%) and to a strong increase in profitability (+31%). Plus, they were more concerned than Users about increases in client fees.

## Impact of e-file On Specific Aspects Of The Practitioner's Business

	Committed e-file Users	25%+ V-Coders
BASE: Total Respondents	502	501
	%	%
<b>% Said e-file INCREASES Computer Hardware/Software/Other Equipment Costs</b>	<b>58</b>	<b>26</b>
Avg. Reported/Perceived % Cost Increase	+39%	+20%
<b>Reported/Perceived Avg. Startup Costs</b>	<b>\$3,623</b>	<b>\$1,976</b>
<b>How Long To Re-Coup Costs</b> (Avg. # Months)	<b>13</b>	<b>13</b>
<b>Avg. Total Recurring Annual Costs Of e-file</b>	<b>\$2,494</b>	<b>\$1,316</b>
<b>% Said e-file INCREASES Firm's # Of Clients</b>	<b>57</b>	<b>21</b>
Avg. Reported/Perceived % Increase In Clients	+37%	+14%
<b>% Said e-file INCREASES Firm's Profitability</b>	<b>66</b>	<b>43</b>
Avg. Reported/Perceived % Profit Increase	+31%	+13%
<b>% Said e-file INCREASES Client Fees</b>	<b>33</b>	<b>61</b>
Avg. Reported/Perceived \$ Increase Per Client	\$15	<b>\$21</b>



# Impact Of e-file On The Practitioner Personally

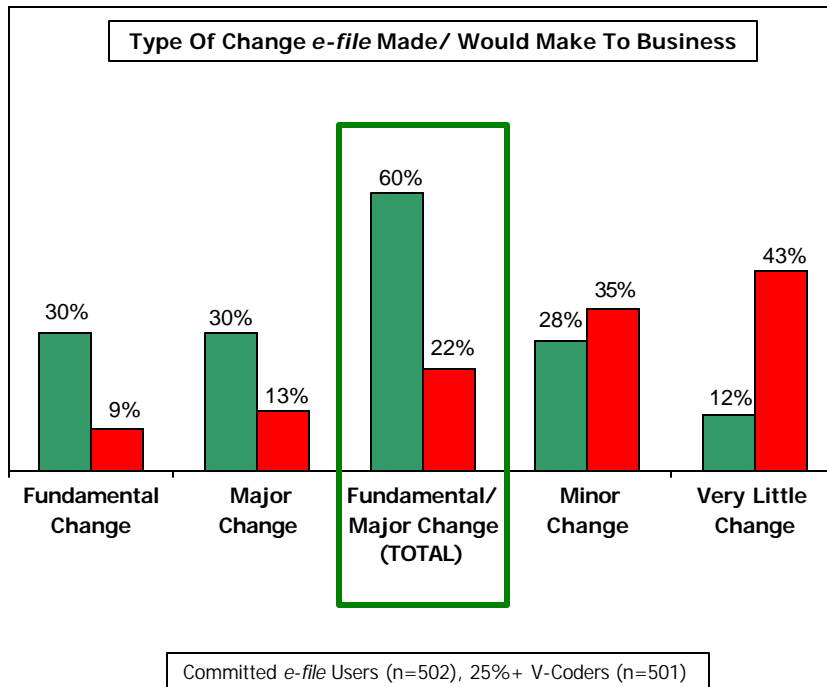
- The V-Coder target also had less appreciation than Committed e-file Users for the personal and professional benefits of using e-file.
  - In terms of impact on workload, they were significantly less likely than last year's Committed Users to feel that e-file would decrease their workload.
    - ◆ One link that they're not making (compared to Users) is that e-file saves time in return preparation.
  - They were also significantly less likely than Users to feel that e-file would decrease their personal stress level.
    - ◆ The link they're missing here is that simplifying their work/paperwork with e-file leads to less stress.
  - And they were far less likely than Users to recognize the positive effect of e-file on their level of professional satisfaction.
    - ◆ With lower mentions of how it would make them feel more efficient, make their work move faster, and greater satisfaction through greater accuracy.

## Impact of e-file On The Practitioner Personally

	Committed e-file Users	25%+ V-Coders
BASE: Total Respondents	502 %	501 %
<b>% Said e-file INCREASES Workload</b>		
	35	40
<b>% Said e-file HAS NO IMPACT On Workload</b>		
	37	46
<b>% Said e-file DECREASES Workload</b>		
	29	14
<u>How Does e-file Decrease Their Workload?</u>		
Less copying/printing/paperwork	56	55
Saves time/takes less time to prepare taxes	36	24
Don't have to mail return	15	10
Work less/less time in office	10	8
<b>% Said e-file INCREASES Stress Level</b>		
	25	32
<b>% Said e-file HAS NO IMPACT On Stress Level</b>		
	56	61
<b>% Said e-file DECREASES Their Stress Level</b>		
	19	6
<u>How Does e-file Decrease Their Stress Level?</u>		
Simplifies work/less paperwork/mailing	50	26
Saves time/get more done	27	23
Greater accuracy, fewer errors/problems	23	19
Work less/spend less time in office	6	10
Have less stress/less worrying	2	29
<b>% Said e-file DECREASES Professional Satisfaction</b>		
	*	26
<b>% Said e-file HAS NO IMPACT On Prof'l. Satisfaction</b>		
	35	70
<b>% Said e-file INCREASES Professional Satisfaction</b>		
	65	4
<u>How Does e-file Increase Their Satisfaction w/Work/Profession?</u>		
Feel more efficient – less paperwork, simpler	30	16
Makes things move faster – prep, refunds, etc.	20	12
It's more accurate/fewer error	15	8
Everybody wins – me and clients	11	13

# The Extent Of Change *e-file* Brings To A Business & Its Benefits

- We also found that the 25%+ V-Coders did not know the extent of change that *e-file* would bring to their business.
- Only 22% thought it would make a fundamental or major change – versus the 60% we found among the Committed *e-file* Users in PBI-1.



- Nor were they as aware (as Committed Users) of the potential benefits of *e-file* to their business, or to clients (aside from the speed benefit).

## Benefits Of *e-file* To Business

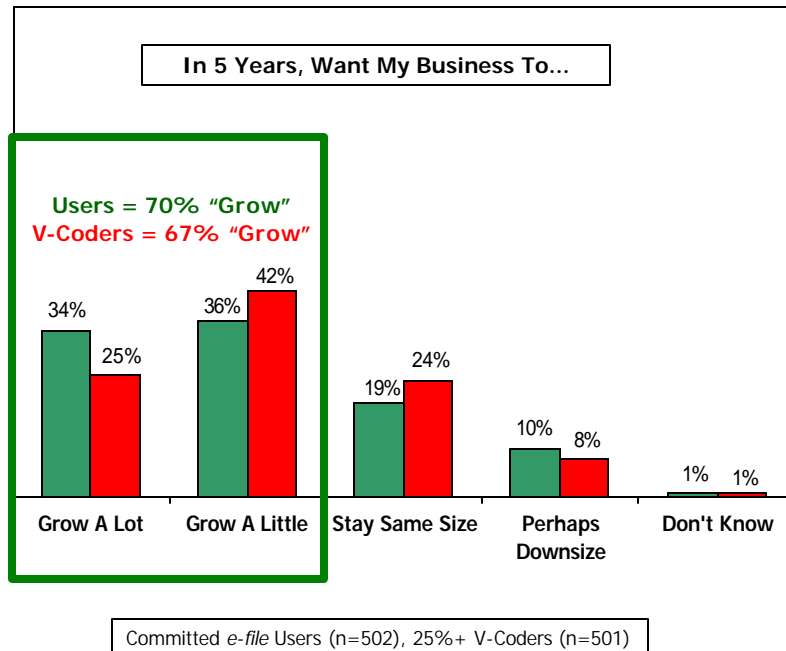
	Committed <i>e-file</i> Users 502 %	25%+ V-Coders 501 %
BASE: Total Respondents		
Increased Productivity/Handle More Clients	55	30
Greater Accuracy/Fewer Problems/Errors	36	26
Greater Ease/Easier For Practitioner (Net)	30	18
Greater Customer Satisfaction (Net)	30	12
It's Paperless/Saves Paper	26	29
Business Grows/Clients, Profits Increase	21	6

## Benefits Of *e-file* To Clients

	Committed <i>e-file</i> Users 502 %	25%+ V-Coders 501 %
BASE: Total Respondents		
Speed – Faster Refunds, Faster Filing	90	89
Is A More Accurate Way To File	32	17
Easier For Clients To Use	19	8
Clients Like It	20	6

# Practitioner Business Growth Objectives & The Role Of e-file

- While the new V-Coder target were not quite as intense as Users in their aspirations for business growth, they were definitely NOT growth-averse.
- 25% said they want their firm to grow "a lot" while another 42% want it to grow "a little". That's 67% total pro-growth vs. 70% among Users.



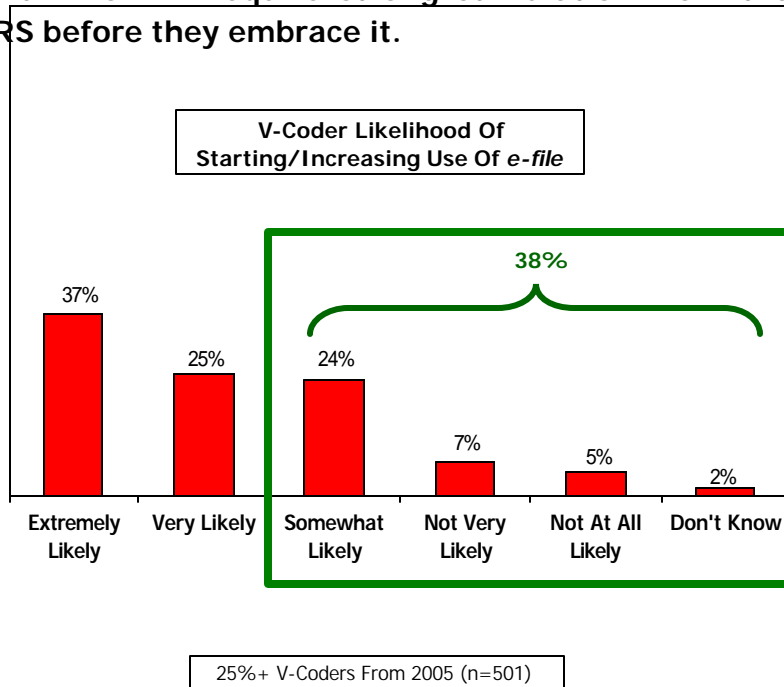
- Those wanting growth were asked how they expect to achieve it, and then probed on whether e-file will play a role.
- In both segments, most planned to grow via expansion and increased advertising/marketing – with Users far more likely to expect e-file to play a role in their growth (but through increased use of e-file, not through increased marketing of it).

How Plan To Reach Growth Goal

	Committed e-file Users	25%+ V-Coders
BASE: Total Who Expect Firm To Grow	350	334
	%	%
<b>Plan To Grow By...</b>		
<b>Expanding Business (Net)</b>	<b>33</b>	<b>21</b>
Will open another office/multiple offices	13	3
Will hire more employees/add staff	9	4
Will accept more clients/expand client base	9	6
<b>Doing More Advertising/Marketing (Net)</b>	<b>32</b>	<b>23</b>
<b>Total Say e-file Will Play A Role In Growth</b>	<b>80</b>	<b>43</b>
<b>How?</b>		
Will use e-file/use it more	44	11
Will expand business because of it	13	5
Will use it in our marketing/advertising	13	3

# Attitudes Toward e-file

- While 62% of the V-Coder target indicated high interest in either starting or increasing use of e-file (some already use it but still V-Code at 25%+ levels)...
- There is still a substantial segment (38%) who are resistant...
- And who will require strong stimulation from the IRS before they embrace it.



- Their ratings of e-file showed the extent to which they do not yet believe in e-file (compared to what we found among the Committed Users last year).
- While they generally accepted the inevitability of e-file and that it gives clients what they want, and even approve of the emphasis on e-file in IRS advertising, they were not fully accepting of its benefits – either for themselves or their business.

## Attitudes Toward e-file

BASE: Total Respondents

% Agree Completely/Mostly/Somewhat That...

	Comm'd Users	25%+ V-Coders
e-file is the way of the future	99	96
The more I get used to the idea of e-file, the more I like it	98	75
e-file gives my clients what they want	96	73
<b>e-file gives me greater peace of mind</b>	95	55
<b>e-file makes my life easier</b>	93	54
<b>e-file increases my personal productivity</b>	88	50
Like IRS promoting e-file in advertising--good for Preparers	87	72
<b>e-file increases my revenues</b>	80	63
<b>It's important to all of us that IRS make its e-file goal</b>	78	55
<b>e-file brings me new customers</b>	76	45
<b>e-file reduces my overhead costs</b>	70	41
e-file caused strain on tax prep industry, but in long run, worth it	63	63
IRS bent on e-file goals, no matter trouble it causes preparers	35	50
<b>e-file is a hassle</b>	11	37
Resent e-file advg – stirs up clients/makes them want e-file	10	15

# Barriers To Usage Of e-file Among The New 25%+ V-Coder Target

- Asked why they don't use *e-file*, V-Coders focused heavily on lack of demand. But, note that this is NOT client *rejection* of *e-file* but rather *lack of client request*. As we learned from Committed Users last year, clients generally do not "ask" for e-file but instead require stimulation to use and the V-Coders apparently are not willing to provide it. Why not? Because of what we noted on the previous page – THEIR OWN lack of belief in it.

## 25%+ V-Coders' Reasons For Not Using e-file

Reason	Most Important Reason For Not e-filing
BASE: Total 25%+ V-Coders in 2005	501 %
<b>Clients don't ask for it</b>	<b>40</b>
Clients don't want to pay the extra charge	9
Clients don't trust it yet	7
Just more comfortable staying with paper returns	3
t takes too much time	3
It's too much work	2
Don't trust e-file-it's too risky and too much can go wrong	2
I/We just don't care to get involved in it	2
Need to go thru IRS registration/approval process	2
The signature form requirement	1
Transmission fees are too high	1
Costs too much to get started	1
Costs too much (unspecified)	1
The hardware/software costs too much	1
Not appropriate for our types of returns/clients	3

- In looking for other potential barriers to usage among the new target, we found that the ERO Registration Process is not a problem...
- But Return Type WAS a barrier – with the 25%+ V-Coders accepting *e-file* as appropriate for Simple returns, but not for more Complex returns. This was particularly true in the case of Business returns.

## Appropriateness Of e-file For Business & Individual Returns

	Committed e-file Users	25%+ V-Coders
BASE: Total Respondents	502 %	501 %
<b>A Simple Business Tax Return</b>	<b>95</b>	<b>89</b>
<b>A Complex Business Tax Return</b>	<b>83</b>	<b>53</b>
<b>A Very Complex Business Tax Return</b>	<b>68</b>	<b>36</b>
<u>Q51--Specific Business Returns Most Appropriate For:</u>		
Form 1065 – US Return of Partnership Income	42	30
Form 1120 – Corporation Income Tax Return	40	33
Form 1120s – S Corporation Income Tax Return	38	31
Schedules – C, D, K-1, Q, etc.	29	20
<b>A Simple Individual Tax Return</b>	<b>100</b>	<b>98</b>
<b>A Complex Individual Tax Return</b>	<b>98</b>	<b>76</b>
<b>A Very Complex Individual Tax Return</b>	<b>88</b>	<b>47</b>
<u>Q53—Specific Individual Returns Most Appropriate For:</u>		
Form 1040 – the Individual Income Tax Return	76	50
Form 1040A – Also an Individual Income Tax Return	57	40
Form 1040EZ – Return for Single/Joint Filers w/No Dep.	51	37
Form 1040X, Amended Return	24	4
Forms with EITC/Earned Income Tax Credit Attachments	23	4

# Attitudes Toward The IRS & e-Services

- V-Coder ratings of the IRS (compared to those of Committed Users) showed that they tend to have more negative views of the Service.

## Attitudes Toward The IRS

	Committed <u>e-file Users</u>	25%+ <u>V-Coders</u>
BASE: Total Respondents	502	501
	%	%

% Agree Completely/Mostly/Somewhat With Each Statement

### POSITIVE ATTITUDES TOWARD THE IRS

The IRS is doing a pretty good job, especially considering all the pressure they have on them	(87)	81
The IRS does its best to help Preparers with all the regulations and requirements of tax prep work	(72)	61
The IRS is like a partner to me – they're that important and that helpful to me	(68)	54

### NEGATIVE ATTITUDES TOWARD THE IRS

When it comes to technology, don't trust IRS to get things right first time, everything has to go through trial and error	54	(61)
The IRS doesn't communicate very well with tax preparers	48	54
While tax complexity originates in Congress, the IRS only makes things worse with all their rules	45	(55)
IRS always trying to dump more of its work on Preparers	45	(54)
IRS doesn't care how complicated they make things, they know preparers will just have to do what they require	41	(58)
Dealing with the IRS is like dealing with an adversary, you're having to constantly fight with them	34	(42)
The IRS doesn't really care what tax preparers think	24	(38)

- However, their attitudes toward the IRS's e-Service program were positive. Not only did they have the same levels of claimed usage of e-Services, but those having used were even more satisfied and V-Coders in general were almost as likely to try e-Services as the Committed e-file Users.

## Usage Of & Attitudes Toward The e-Services Program

	Committed <u>e-file Users</u>	25%+ <u>V-Coders</u>
BASE: Total Respondents	502	501
	%	%

<u>% Have Ever Used e-Services (Total)</u>	<b>34</b>	<b>34</b>
<u>% Of Users Who Are Very/Somewhat Satisfied</u>	<b>63</b>	<b>(71)</b>
<u>% Of All Respondents Who Definitely/Probably Will Use e-Services</u>	<b>(87)</b>	<b>75</b>

Specific e-Services Interested In Using:

<b>The Transcript Delivery System</b>	<b>(62)</b>	<b>52</b>
<b>Electronic Account Resolution</b>	<b>60</b>	<b>54</b>
<b>Subm &amp; Mod Of Discl. Authorization Forms</b>	<b>50</b>	<b>44</b>
Taxpayer Identification Number (TIN) Matching	44	42
Registration For e-services	<b>(36)</b>	25
Preparer Tax Identification Number (PTIN) Application	32	27
Online e-file Application To Become An ERO	24	20
None/No Answer	17	26

# Level Of & Attitudes Toward Contact With The IRS

- In their current contact with IRS, the V-Coders were similar to Committed Users in use of telephone, regular mail, and in-person contact, but they had less contact with the IRS via visits to irs.gov, the Tax Forums, professional meetings, and via email.

### Incidence & Frequency Of Contact With IRS Via Different Channels

	Committed <i>e-file</i> Users	25%+ V-Coders
BASE: Total Respondents	502	501
BUT NOTE: Bases Vary For Each Type Of Contact	%	%
<b><u>Ever Have Contact Via Phone</u></b>	<b>97</b>	<b>95</b>
How Often? (# times per year)	31	27
<b><u>Ever Have Contact Via IRS Website</u></b>	<b>87</b>	<b>79</b>
How Often? (# times per year)	73	55
<b><u>Ever Have Contact Via Regular Mail</u></b>	<b>80</b>	<b>83</b>
How Often? (# times per year)	29	30
<b><u>Ever Have Contact Via IRS Forums</u></b>	<b>58</b>	<b>41</b>
How Often? (# times per year)	27	20
<b><u>Ever Have Contact Via Professional Meetings</u></b>	<b>56</b>	<b>41</b>
How Often? (# times per year)	10	8
<b><u>Ever Have Contact Via In-Person Visits</u></b>	<b>54</b>	<b>53</b>
How Often? (# times per year)	8	8
<b><u>Ever Have Contact Via E-Mail</u></b>	<b>48</b>	<b>38</b>
How Often? (# times per year)	34	26

- Only 14% of each group wanted to have "more" contact with the IRS (most wanted no change in amount of contact).
- In preferences for type of contact, the V-Coders and Committed Users were similar in that they preferred contact via visits to irs.gov or through regular mail.

### IRS Contact & Preferences For Receiving Info From IRS

	Committed <i>e-file</i> Users	25%+ V-Coders
BASE: Total Respondents	502	501
	%	%
<b><u>% Want "More" Contact With IRS</u></b>	<b>14</b>	<b>14</b>
<b><u>Pref'd. Methods Of Receiving Info From IRS:</u></b>		
<b><u>From the IRS's Website – irs.gov</u></b>	<b>40</b>	<b>36</b>
<b><u>In the Mail</u></b>	<b>27</b>	<b>34</b>
<b><u>Via E-Mail</u></b>	<b>17</b>	<b>9</b>
From Software Companies	12	11
Contact w/IRS Tax Specialist/IRS Employee	5	7
From Other Internet Websites	5	2
From News Articles	4	2
Pick Up Information At An IRS Office	2	3
Via Electronic Bulletin Board	2	0
From Advertising	1	1
NATP.com	1	0

## How The 25%+ V-Coder Target Differs From Committed Users

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- Differences in the personal and professional characteristics of the 25%+ V-Coder target vs. the Committed *e-file* User group have already been described in the report from the Practitioner Communications Tracking Study, and our findings here were consistent with those of the Tracking Study.
- To touch again on the chief differences between segments noted in the Tracking Study:
  - The 25%+ V-Coders are more likely to be accountants/CPAs.
  - They tend to work in older, smaller firms.
  - And the firms they work in tend to have less of a focus on tax preparation and more focus on other services – accounting, financial advice, etc.
- One other difference that is explored more comprehensively in the PBI studies than in other research is the difference between the segments in brands of software used.
- Removed data referring to specific companies.



# Appeal Of Messaging Concepts

- Finally, the new 25%+ V-Coder target were presented with 11 possible messaging concepts (in randomized order) and asked which would make them...
  - Much more, somewhat more, somewhat less, or much less interested in using e-file,
  - And which were believable.
- Two of the 11 concepts were about equally strong (they're highlighted in green to the right) and were, by far, the most believable.
- Two other concepts (also highlighted) had strength in terms of interest, but were lower in believability.
- The remaining concepts were all rated lower than the four leaders in terms of generating interest and believability.

## 25%+ V-Coder Reaction To Messaging Concepts

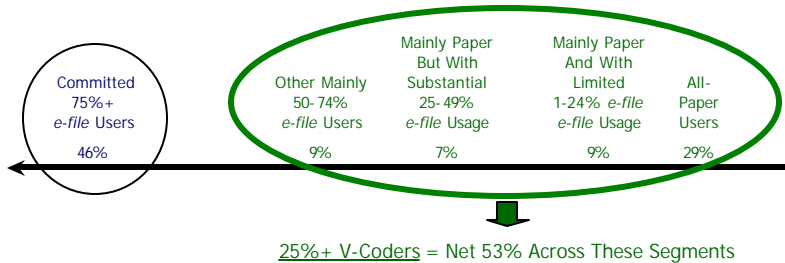
	Much More Interested	Much/SW More Interested	% Say It's Believable
BASE: Total 25%+ V-Coders From 2005	501 %	501 %	501 %
<b>In a recent survey, 98% of Practitioners using e-file said the more they learn about e-file, the more they like it</b>	<b>34</b>	<b>82</b>	<b>77</b>
<b>In a recent survey, 9 out of 10 Practitioners said e-file is the way of the future because your competitors are now e-filing and clients are expecting it</b>	<b>33</b>	<b>76</b>	<b>80</b>
<b>In a recent survey, 9 out of every 10 Practitioners using e-file said e-file is the way of the future and that it gives clients what they want while increasing their own productivity and making their life easier</b>	<b>31</b>	<b>73</b>	<b>66</b>
<b>In a recent survey, 9 out of 10 Practitioners said e-file gives their clients what they want – that is, more choice and better service</b>	<b>28</b>	<b>72</b>	<b>66</b>
e-file gives you greater peace of mind because you know your business is moving in the right direction	27	67	60
e-file helps me retain my customers	26	64	61
e-file increases a Practitioner's personal productivity	25	62	46
If you want to grow your business, e-file is a must – e-file brings new customers and increases profitability	25	62	53
In a recent survey, 3 out of 4 Practitioners using e-file said e-file brings them new customers and increases their revenue	23	63	59
e-file takes the hassle out of tax preparation and frees you up to focus more on your clients' tax issues	21	51	32
The easiest way to grow your business is start e-filing	19	50	41

# Key Findings From PBI -2, The 2005 Study Of The New 25%+ V-Coder Target

First, to underscore the magnitude of the task of converting the new 25%+ V-Coder target, let's remember that the Practitioner Communications Tracking identified this group as accounting for 53% of all Practitioners filing 100 or more returns.



The key question about this target is: **what is preventing them from converting more to e-file?** At face value, the main impediments appear to be *lack of demand* and *software*. But looking more closely at each issue, we see that:



- “**Lack of demand**” is something that Committed Users also faced and overcame by proactively teaching clients about the benefits of *e-file*.
- **Software** is a problem that we have seen in both PBI-1 and PBI-2, with V-Coders and Committed Users skewing toward different brands. And getting a good software package is what the Users say is their top advice for Non-Users. But, this is a problem the IRS is addressing.



We do not want to minimize the importance of either of those issues, but a close reading of the data from this study tells us that there are two other issues which are more fundamental to the process of converting the 25%+ V-Coders:



## Lack Of Knowledge...

- Most V-Coders in the study did not know that e-file leads to a User-reported 37% increase in clients and a 31% increase in profits. They want to grow their business – so why didn't they show greater interest in the messaging concepts addressing this? Perhaps because those messages were generalized, without the data support included in the highest-ranked messages.
- They also did not know the impact of e-file on clients fees (thinking it increases fees more than Users say it does) or about the appropriateness of e-file now to more complex returns.



## Lack Of Belief & Acceptance...

- While V-Coders accept the inevitability of e-file, they do not yet accept (as Committed Users do) its benefits to...
- Their Business – more growth, productivity, accuracy, ease of use.
- Themselves – more job satisfaction with less work and less stress.
- Their Clients – more accuracy, ease of use, and customer satisfaction.



We know from the Tracking Study that the recent campaign targeting Practitioners brought some improvement in V-Coder thinking about *e-file*, but we also know that a single campaign cannot fill the knowledge and belief gaps that we found among the V-Coder target here.

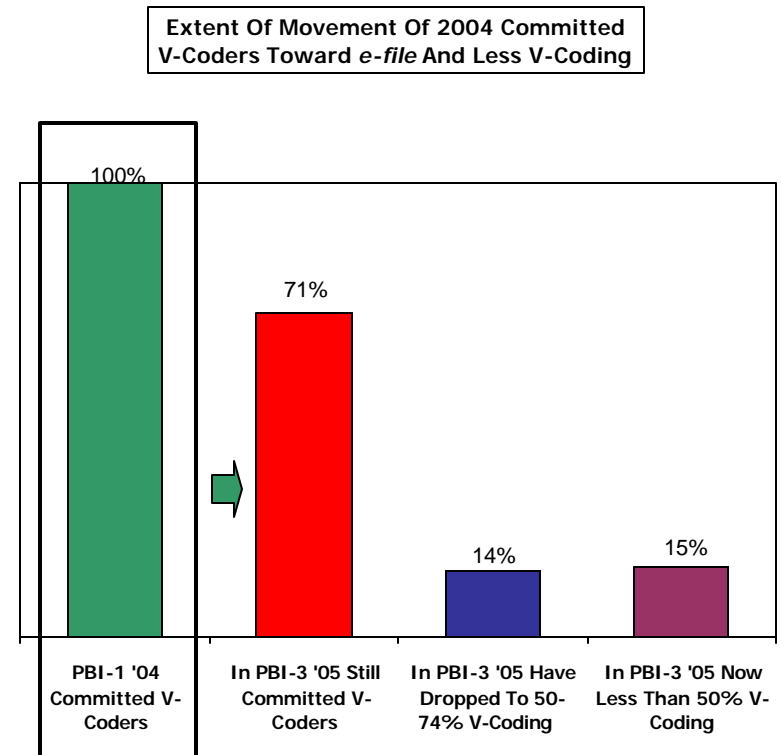
## Findings From PBI-3

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What's Happened To The Committed V-Coders  
We Interviewed in 2004?

## What's Become Of The Committed V-Coders From PBI-1?

- Turning next to the Committed V-Coders who we first interviewed in PBI-1 in 2004 and then re-interviewed in June 2005...
- We see that while the vast majority have remained Committed V-Coders (with 75%+ of their Individual Returns being V-Coded)...
- There has been some positive movement toward *e-file* among them...
  - With 14% now doing slightly less V-Coding and moving out of the 75%+ classification and into the 50-74% V-Code range...
  - While another 15% have made a substantial change in filing and are now V-Coding less than 50% of their Individual Returns.
- This means that 29% of last year's Committed V-Coders have since migrated into greater usage of e-file. Let's look at this group of migrators, and then we'll examine the total group of 2004 Committed V-Coders that we re-interviewed.



# Focusing On The 29% Who Have Migrated Toward e-file

- We isolated the 29% migrator group and compared them to those who have remained committed to V-Coding over the past year.
- This comparison showed that those moving out of the segment differed demographically and firmographically. Specifically...

## Differences In Demographics & Firmographics

	Remained Committed V-Coders	Progressed Toward e-file
BASE: Total Respondents PBI-3...	144	59
	%	%

### Those Who HAVE Progressed Toward e-file...

#### Skew Toward Area 1 & Away From Area 3:

	Remained Committed V-Coders	Progressed Toward e-file
From Area 1	15	31
From Area 3	13	2
From All Other IRS Regions	72	67

They Prepare More Individual Returns: Average = 274 (346)

Are More Likely To Be EROs: 70 (95)

Are More Likely To Have In-Person IRS Contact 56 (76)

Are More Likely To Have Used e-Services 23 (47)

Have Lower Usage Of XXXX Software And Higher Usage Of XXXX Software 44 34 (14)

Are Far More Likely To Advertise/Promote 47 (68)

And Are More Growth-Oriented: % Grow A Lot N5Yrs 10 (22)

- The migrator group also differed attitudinally from those who are still Committed V-Coders...

## Differences In Attitudes

	Remained Committed V-Coders	Progressed Toward e-file
BASE: Total Respondents PBI-3...	144	59
	%	%

### Those Who HAVE Progressed Toward e-file...

#### Are More Likely To Now See Benefits To Their Business:

	Remained Committed V-Coders	Progressed Toward e-file
Net Unaided Mentions Of Benefits Of e-file To Business	68	92
Saves Paper/Saves Space	24	39
Increases Productivity	26	32
Accuracy/Fewer Errors	17	25
Clients Like It	8	19
Is Easier For Use To Use Than Paper	6	17

Are More Likely To Believe Implementation Is Easy 50 (76)

More Likely To Think Overall e-file Impact Is Positive 38 (56)

And More Likely To See Specific Impacts As Positive:

% Say e-file Increases Fees Charged To Clients	67	47
% Say e-file Increases Number Of Clients	22	37
% Say e-file Decreases Personal Workload	22	32
% Say e-file Decreases Personal Stress	14	20
% Say e-file Increases Professional Satisfaction	25	32

Are More Likely To Increase Their Use Of e-file 68 (83)

Are More Likely To Consider e-file Appropriate For:

Complex Returns	75	90
And for... Very Complex Returns	58	59

And They Have A Better Image Of The IRS: % Agree...

Like IRS Promoting e-file In Advg/Comms.	31	37
More I Get Used To e-file, More I Like It	49	69
Don't Trust IRS On Technology	27	15
Important That IRS Make e-file Goals	13	31

## The 29% Who Have Migrated (Cont'd.)

- While we learned the migrator group was different in composition and attitudes from those remaining Committed V-Coders, this alone did not explain their movement toward *e-file* – for these same people were, a year earlier, still Committed V-Coders.
- We hypothesized that they had experienced changes over the past year which had moved them toward *e-file*. So we compared the year-to-year responses of this segment and, indeed, found that...
- Behaviorally, they had undergone a few changes – with more of them now EROs, more of them having IRS in-person contact, and more of them using e-Services. However, we realized that any/all of these changes could simply be reflecting their usage/increased usage of *e-file*.

### Differences In Demographics & Firmographics

BASE: Total Respondents PBI-3...	How Those Who Progressed Toward <i>e-file</i> Responded In..	
	2004	2005
	59	59
	%	%

#### Those Who HAVE Progressed Toward *e-file*...

Are Now More Likely To Now Be EROs:	83	95
And More Likely To Have Had In-Person IRS Contact	63	76
And More Likely To Have Used e-Services	29	47

- So we looked to their attitudinal changes and found plenty of them – though we were again left wondering how many of the changes were simply the result of increased usage/familiarity with *e-file*.

### Differences In Attitudes

BASE: Total Respondents PBI-3...	How Those Who Progressed Toward <i>e-file</i> Responded In..	
	2004	2005
	59	59
	%	%

#### Those Who HAVE Progressed Toward *e-file*...

#### Are Now More Likely To See Mainly Paper-Saving Benefits For Their Business:

Net Unaided Mentions Of Benefits Of <i>e-file</i> To Business	88	92
Saves Paper/Saves Space	27	39

#### Are More Likely To Believe Implementation Is Easy

69	76
----	----

#### Are Clearly More Likely To See Specific Impacts On Their Business As Positive:

% Say <i>e-file</i> Increases Fees Charged To Clients	61	47
% Say <i>e-file</i> Increases Number Of Clients	22	37
% Say <i>e-file</i> Decreases Personal Workload	22	32
% Say <i>e-file</i> Decreases Personal Stress	14	20
% Say <i>e-file</i> Increases Professional Satisfaction	25	32

#### Are Far More Likely To Increase Their Use Of *e-file*

68	83
----	----

#### And More Likely To Consider *e-file* Appropriate For:

Complex Returns	75	90
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#### And They Have A Better Image Of The IRS: % Agree...

Like IRS Promoting <i>e-file</i> In Advg/Comms.	31	37
More I Get Used To <i>e-file</i> , More I Like It	49	69
Don't Trust IRS On Technology	27	15
Important That IRS Make <i>e-file</i> Goals	22	31

# The Tipping Point For The 29% Who Have Migrated Toward e-file

- Finally, with the quantitative evidence inconclusive on the issue of what tipped these former Committed V-Coders toward *e-file*, we looked to their qualitative responses to a direct question about what made them change.
- What we found here was that there appears to have been the formation of a critical mass of positive changes in attitude, based on their learning about (or perhaps, finally absorbing) the benefits of e-file for their clients and their business.
  - The two most important components of this were learning about two benefits in particular – that clients get a faster refund and that there are paper/cost-saving benefits of *e-file* to the Practitioner.
  - Next came the realization that when doing State e-filing, Federal e-file is easy; along with learning that *e-file* is more accurate, more efficient for the Practitioner, and gaining acceptance among clients.
  - And there were other substantial elements as well – learning about lower transmission costs, about *e-file's* ease of use, about its adding credibility to a Practitioner's business, and finally, a surprising answer among 10% of those migrating to *e-file* that they had been moved by IRS advertising.

The Tipping Point Or Critical Mass Of Learning  
Among The 29% Of 2004 Committed V-Coders  
Who Have Migrated Toward e-file)

	2005 41 %
BASE: Total Answering The Tipping Point Question	
<u>Learned/Recognized That e-file...</u>	
Will get a client their <u>refund faster</u> (1-2 weeks vs. 4-6 weeks)	51
<u>Saves Preparer paper/costs</u> (of envelopes, stamps, personnel, storage)	42
Is mandated by State, with <u>Federal filing requiring only a few more clicks</u>	29
Is <u>more accurate</u> (errors quickly corrected, no long waits to correct errors)	27
Is <u>more efficient</u> for the Preparer – can handle more clients with less effort	24
Is <u>gaining acceptance among clients</u> (who use Internet, bank online, etc.)	22
Return <u>transmission costs have declined</u>	15
Is <u>easy to use</u> (the software guides you through it)	12
<u>Gives my firm added credibility</u> (shows we're progressive, up-to-date)	10
Is being <u>advertised by the IRS</u> , which teaches Preparers and clients about it	10
<u>Others:</u>	
Decided <i>e-file</i> is the way of the future and decided not to wait any longer	5
Everybody's moving more toward e-commerce – <i>e-file</i> is a natural progression	5
Liked the confirmation of receipt	5
Helps me compete with the big chains (H&R, etc.)	2
Did it to become eligible for e-Services	2
Learned about Direct Deposit	2
IRS has reduced the paperwork associated with <i>e-file</i> (e.g., Signature form)	2
The software is now more user-friendly	2
Clients are getting younger and more tech-savvy	2
Became an ERO	2
Have clients overseas who I can't go to and <i>e-file</i> allows me to service them	2

# Results From The Total Sample Of 2004 Committed V-Coders From PBI-1

- Before separating out the migrators to *e-file*, we had examined the total group of Committed V-Coders from last year and found that while they had been talking more to other Practitioners about e-file, they were not hearing much that was different from 2004 (and what they were hearing was still mainly positive).

### What The Committed V-Coders Are Hearing About e-file From Other Practitioners

BASE: Total Respondents	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
	203	203
	%	%

### % Of V-Coders Who Have Talked To Other Practitioners About Use Of e-file:

51 (68)

### Heard That The Main Advantages Of e-file Are:

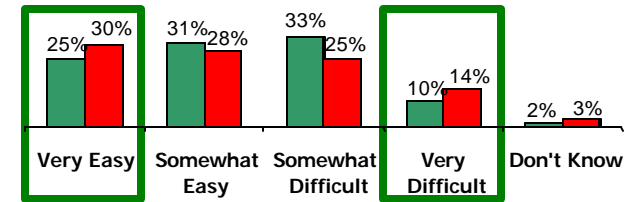
	PBI-1 '04	PBI-3 '05
<u>It's Simpler/Easier</u> (Net)	41	41
It means less paper/less paperwork	21	22
It's simpler/easier (n.s.)	9	6
<u>It's Faster</u> (Net)	44	43
It leads to faster refunds for clients	20	20
It's quick/quicker/faster (n.s.)	13	11
It's a benefit to a Preparer's business	12	9
Positives about the price/cost	10	12

### Heard That The Main Disadvantages Are:

	PBI-1 '04	PBI-3 '05
e-file requires more accuracy	14	16
Negatives about the price/cost	14	10
e-file takes more time	13	11

- In total, they had not really changed their view of implementation, with a few more saying it's "very easy", but a few more saying it's "very difficult".

### Difficulty Of Startup – Perceptions Of Committed V-Coders



Committed V-Coders '04 (n=203), 25%+ V-Coders '05 (n=203)

- One change in their suggestions for making implementation easier were more mentions of "IRS should do more communicating benefits of e-file".

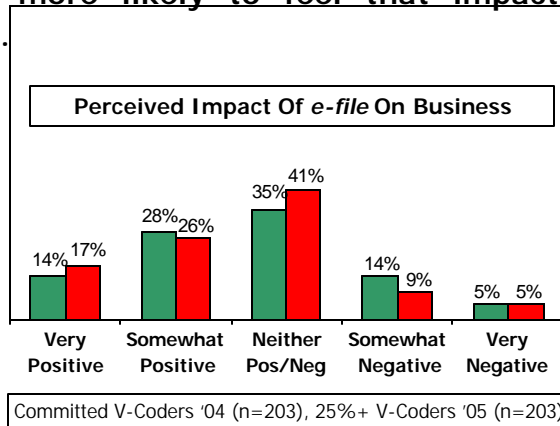
### Suggestions For Making e-file Implementation Easier

BASE: Total Respondents	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
	203	203
	%	%
IRS Should Give Practitioners Who e-file Some Customer Service Incentives to Use e-file	41	39
IRS Should Work w/SW Industry to Improve e-file for All Business Tax & Information Returns	25	26
IRS Should Offer Special Seminars/Workshops To Train Practitioners in How to Use e-file	20	18
Should make Practitioner use of e-file mandatory	8	6
IRS should do more in communicating the benefits of e-file directly to Preparers not now using e-file	6	11



# Their Understanding Of The Impact Of e-file On The Practitioner's Business

- Looking at their perceptions of the impact of e-file on their business, we found that they were only slightly more likely to feel that impact will be positive.



- What do they now think would be the specific positive impacts of e-file? About the same things as last year – though with fewer mentions overall.

How e-file Is/Would Be Positive

	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
BASE: Total Thought Impact Would Be Positive	86%	87%
Refunds are received faster	15	6
e-file saves paper	13	11
e-file takes less time to prepare	13	10
Clients like e-file/are satisfied with it	11	3
It's simpler/easier	8	5
It generates more clients	6	5
It's more accurate	6	0

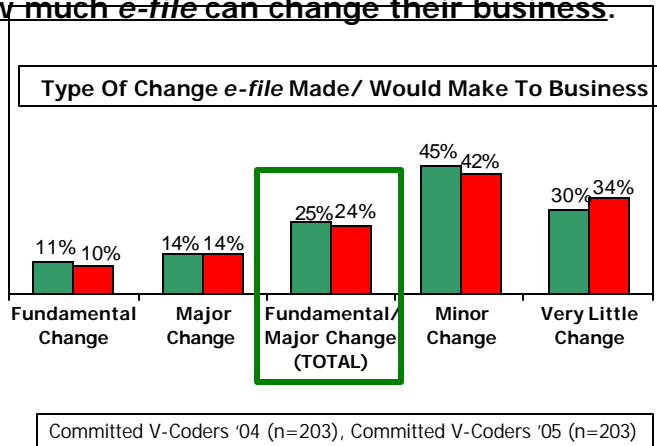
- We looked at whether their understanding of the effects of e-file implementation on their business had changed, and found that the only real movement had been a greater recognition of the costs of implementation – both startup and recurring costs.

Impact of e-file On Specific Aspects Of The Practitioner's Business

	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
BASE: Total Respondents	203	203
	%	%
<u>% Said e-file INCREASES Computer Hardware/Software/Other Equipment Costs</u>	<u>29</u>	<u>31</u>
Avg. Reported/Perceived % Cost Increase	+22%	+16%
<u>Reported/Perceived Avg. Startup Costs</u>	<u>\$1,933</u>	<u>\$2,539</u>
<u>How Long To Re-Coup Costs</u> (Avg. # Months)	<u>11</u>	<u>15</u>
<u>Avg. Total Recurring Annual Costs Of e-file</u>	<u>\$1,749</u>	<u>\$2,333</u>
<u>% Said e-file INCREASES Firm's # Of Clients</u>	<u>17</u>	<u>19</u>
Avg. Reported/Perceived % Increase In Clients	+11%	+11%
<u>% Said e-file INCREASES Firm's Profitability</u>	<u>34</u>	<u>33</u>
Avg. Reported/Perceived % Profit Increase	+9%	+9%
<u>% Said e-file INCREASES Client Fees</u>	<u>69</u>	<u>61</u>
Avg. Reported/Perceived \$ Increase Per Client	\$24	\$22

# Overall Impact On Business & Practitioners & Benefits Of e-file

- There had been no movement in perceptions of how much e-file can change their business.



- And little change in their perceptions of the impact of e-file on them personally.

## Impact of e-file On The Practitioner Personally

BASE: Total Respondents	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
% Said e-file INCREASES Workload	46	49
% Said e-file HAS NO IMPACT On Workload	41	34
% Said e-file DECREASES Workload	13	17
% Said e-file INCREASES Stress Level	36	37
% Said e-file HAS NO IMPACT On Stress Level	57	55
% Said e-file DECREASES Their Stress Level	7	8
% Said e-file DECREASES Professional Satisfaction	7	9
% Said e-file HAS NO IMPACT On Prof'l. Satisfaction	76	69
% Said e-file INCREASES Professional Satisfaction	17	22

- Underlying all of the static data from the total group of Committed V-Coders from last year was the absence of any movement in their understanding of the benefits of e-file.
- This was true both of their perceptions of benefits to their business and benefits to their clients – and on the latter, we even noted a drop in belief in the accuracy of e-file among this segment.

## Benefits Of e-file To Business

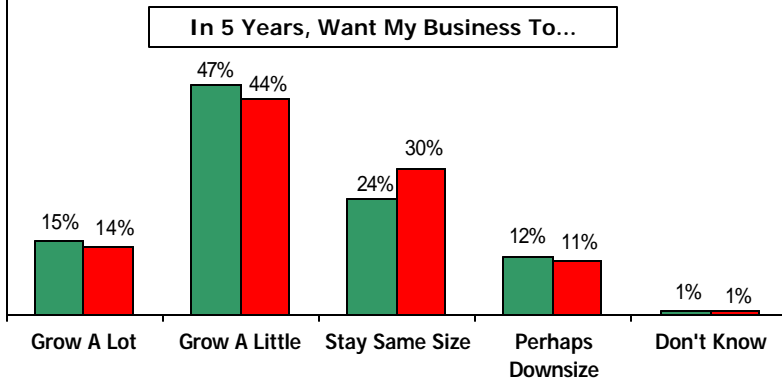
BASE: Total Respondents	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
	203	203
	%	%
Increased Productivity	33	28
It's Paperless/Saves Paper	23	28
Greater Accuracy/Fewer Problems	19	19
Greater Ease Of Preparation	13	10
Greater Customer Satisfaction	10	11
Increased Business	9	8

## Benefits Of e-file To Clients

BASE: Total Respondents	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
	203	203
	%	%
Speed/Faster	86	83
Accuracy	14	8
Ease of Use	6	6
Clients Like It	6	3

# Business Growth Objectives & Attitudes Toward e-file

- As with other measures here, there was very little change in Committed V-Coders' ratings of their interest in business growth, how they expect to achieve it, or the role of e-file in growth.



Committed V-Coders '04 (n=203), Committed V-Coders '05 (n=203)

### How Plan To Reach Growth Goal

BASE: Total Who Expect Firm To Grow	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
	127	118
	%	%

### Plan To Grow By...

	PBI-1 '04	PBI-3 '05
<b>Expanding Business (Net)</b>	<b>30</b>	<b>28</b>
Accept More Clients/Expand Client Base	13	10
Hire More Employees/Add Staff	7	8
Open Another Office/Multiple Offices	5	2
Offer new/more/multiple services	5	3
<b>Doing More Advertising/Marketing (Net)</b>	<b>24</b>	<b>26</b>
<b>Total Say e-file Will Play A Role</b>	<b>33</b>	<b>35</b>
How? Will Use e-file/Use It More	12	8
Will Expand Because Of It	6	4
Will Use It In Marketing/Adv.	4	3

- Reflecting the migration toward e-file that we saw among the 29% sub-group, we did find a directional bump in likelihood of use but little difference in ratings of e-file – mainly continued recognition that e-file is the way of the future and a slight drop in the number who feel the IRS is “bent on reaching e-file goals no matter the trouble to Preparers”.

### Attitudes Toward e-file

BASE: Total Who Expect Firm To Grow	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
	127	118
	%	%
<u>Likelihood Of Using Of e-file Again/In The Future</u>		
Extremely Likely	27	<b>37</b>
Very Likely	23	22
Somewhat Likely	25	23
Not Very Likely	13	7
Not At All Likely	11	11
Don't Know	1	0

### % Agree Completely/Mostly/Somewhat That e-file...

Is the way of the future	94	93
IRS bent on e-file goals, no matter trouble to Preparers	71	<b>60</b>
Is a hassle	59	50
e-file strains tax prep industry, but worth it in long run	58	61
More I get used to the idea of e-file, the more I like it	57	57
Gives my clients what they want	55	62
Like IRS promoting e-file in adv. – good for Preparers	53	57
Increases my revenues	50	48
Gives me greater peace of mind	44	47
Important to all of us that the IRS make its e-file goal	43	48
Makes my life easier	42	46
Brings me new customers	40	41
Increases my personal productivity	36	42
Reduces my overhead costs	32	35
Resent e-file adv. – stirs up clients for e-file	24	17

# Barriers To Usage

- We asked V-Coders in each interview why they don't use e-file, and their responses were generally the same – with the top mention again being “clients don't ask for it”. We should note the one significant drop here – fewer mentions of being “comfortable with paper returns”.

### Most Important Reason For Not e-filing

	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
BASE: Total Respondents	203	203
	%	%
<b>Clients don't ask for it</b>	<b>29</b>	<b>33</b>
Clients don't want to pay the extra charge	9	9
Clients don't trust it yet	5	6
Just more comfortable staying with paper returns	⑪	2
It takes too much time	5	4
It's too much work	1	2
Don't trust e-file – too risky	1	0
I/We just don't care to get involved in it	1	1
Don't like computers	0	0
It's not as easy to use as they say it is	1	0
It's just something else to have to deal with	0	0
Need to go through IRS registration/approval	3	2
The signature form requirement	3	0
The rejection rates are high	0	0
All the extra requirements, e.g., matching SS#	0	0
Transmission fees are too high	1	1
Costs too much to get started	1	0
Costs too much (unspecified)	1	2
The hardware/software costs too much	0	1
Not appropriate for our types of returns/clients	2	3

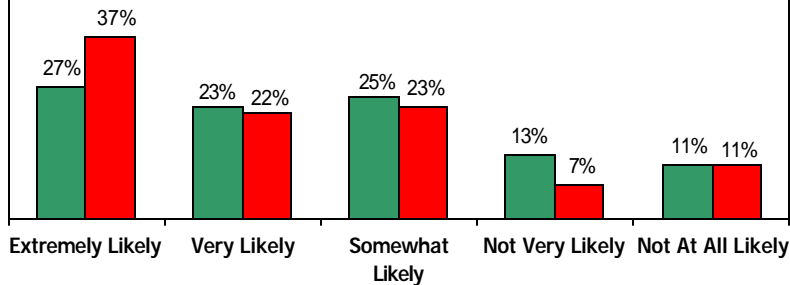
- In looking for other barriers to usage, we found that the ERO Registration Process was not a problem. However, Type Of Return was – with these V-Coders still feeling that e-file is not appropriate for more complex returns, especially complex Business returns.

### Appropriateness Of e-file For Business & Individual Returns

	Committed V-Coders	
	PBI-1 '04	PBI-3 '05
BASE: Total Respondents	203	203
	%	%
<b>A Simple Business Tax Return</b>	<b>84</b>	<b>88</b>
<b>A Complex Business Tax Return</b>	<b>47</b>	<b>49</b>
<b>A Very Complex Business Tax Return</b>	<b>31</b>	<b>28</b>
<u>Q51--Specific Business Returns Most Appropriate For:</u>		
Form 1120 – Corporation Income Tax Return	34	25
Form 1065 – US Return of Partnership Income	29	23
Form 1120s – S Corporation Income Tax Return	28	26
Form 941 – Employers Quarterly Tax Return	21	11
Schedules – C, D, K-1, Q, etc.	16	16
<b>A Simple Individual Tax Return</b>	<b>96</b>	<b>97</b>
<b>A Complex Individual Tax Return</b>	<b>66</b>	<b>72</b>
<b>A Very Complex Individual Tax Return</b>	<b>39</b>	<b>38</b>
<u>Q53—Specific Individual Returns Most Appropriate For:</u>		
Form 1040 – the Individual Income Tax Return	65	43
Form 1040EZ – Return for Single/Joint Filers w/No Dep.	56	31
Form 1040A – Also an Individual Income Tax Return	55	35
Form 1040X, Amended Return	9	0
Forms with EITC/Earned Income Tax Credit Attachments	6	1

# Key Findings PBI-3, The Re-Contact Of The Old "Committed V-Coder" Target

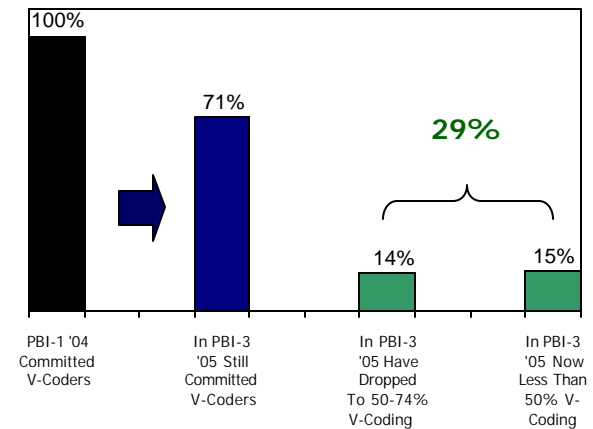
Looking at the total sample of Committed V-Coders from last year, we found a general improvement in their overall disposition toward e-file.



Committed V-Coders '04 (n=203), Committed V-Coders '05 (n=203)



And, in line with that, we found that a substantial segment of them (29%) had actually migrated out of V-Coding and into usage of e-file.



We found our answer as to what "tipped" this segment toward e-file in the "payoff" qualitative question in the study, which asked directly why they changed. Their responses here showed that a critical mass of changes in attitudes toward e-file had developed, based on this segment's learning (or learning more) about e-file – especially its benefits in terms of fast refund, paper/cost saving, ease of use, accuracy, efficiency to their practice, and greater acceptance among clients.

These benefits then are those which IRS must emphasize in any future communications to the V-Coder audience. Highlighting these benefits would help fill the knowledge and belief gaps mentioned in the Key Findings to the PBI-2 section earlier and educate V-Coders about the benefits of e-file to their Business, Themselves, and Their Clients.



Analysis of the 29% who have migrated toward e-file showed that they differ from those remaining committed to V-Coding (e.g., more from Area 1, prepare more returns, have more in-person contact with IRS, less usage of XXXX/more usage of XXXX software, more growth-oriented and aggressive, etc.). But, they had many of these same characteristics in 2004, when they were still Committed V-Coders, so we cannot say these differences alone account for their movement toward e-file.

And, comparing the 29% segment from year to year showed that they had changed, with far more positive attitudes toward e-file. However, this could simply be due to increased use of and familiarity with e-file; thus it does not explain what has moved them toward e-file.