

Findings From One-On-One *e-file* Research Among Taxpayers & Preparers

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Background, Purpose, Design and Methodology



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Background & Purpose

- In looking for *e-file* opportunities among the Taxpayer and Tax Preparer audiences, the IRS and its agency, FCB, identified a segment within the Taxpayer audience that would seem to offer opportunity for substantial near-term conversion to usage of *e-file* as well as three segments of the Preparer audience that offer opportunities for learning about how to convert more Taxpayers (and Preparers) to *e-file*. In addition, talking to all of these segments would provide IRS a chance to learn more about the Taxpayer-Preparer relationship and how to leverage that relationship to increase usage of *e-file*.
 - The high-opportunity Taxpayer segment consists of Taxpayers who were offered *e-file* by their Preparers at the preparation meeting this year, but did not choose it. These are the [*POS \(Point-Of-Sale\) Rejector Taxpayers*](#).
 - The high-opportunity Preparer segments:
 1. Preparers who do not currently *e-file* any returns but who do prepare returns on computer and then mail them in - i.e., [*V-Coding Non-User Preparers*](#).
 2. Preparers who do *e-file* but at a low enough level (under 50%) that there's an opportunity to increase their usage - these are the [*Lower-Usage Preparers*](#).
 3. And Preparers who do *e-file* and at higher levels (50%+), who can tell us what they're doing to successfully convert Taxpayers to *e-file* - these are the [*Higher-Usage Preparers*](#).

Specific Objectives

- **Specific objectives of this research were to learn:**

- Why [POS Rejector Taxpayers](#) did not choose *e-file* when offered it – was it due to their pre-conceptions about *e-file* and what are those pre-conceptions? Was it something about the Preparer’s presentation of *e-file*? How do they think their Preparers feel about *e-file*? What would it take to move this Taxpayer to accept a Preparer’s offering of *e-file*? And does this differ by different types of POS Rejectors -- e.g., those who claim EITC or the Child Care Tax Credit.
- Why [V-Coding Non-User Preparers](#) do not move on into *e-file* usage when they have the filing tools already in place to do so. Why are they “swimming against the tide”? How close are they to converting to *e-file* usage? What are they really hearing from their clients about desire to use *e-file*? Do they try to educate clients about *e-file* benefits? And what do they think are the benefits of *e-file*?
- Why [Lower-Usage Preparers](#) are not using *e-file* more. Is it Taxpayer reluctance to use *e-file*? Or do they consider *e-file* appropriate for just certain Taxpayers? How do they present *e-file*?
- How [Higher-Usage Preparers](#) approach *e-file* differently from the above Preparer segments. Are they thinking differently about *e-file* or presenting it differently? What makes them more successful implementers of it? What can they suggest to increase usage among Taxpayers and Preparers?
- [For all segments](#): how does the Preparer-Taxpayer relationship works and who drives decision-making? And what is the role of EITC and the Child Tax Credit in the relationship.

Methodology

- **The sample for the study consisted of 375 in-depth telephone interviews (IDIs) conducted during the first two weeks of August, 2003. The 375 interviews included:**
 - **150 Interviews with qualified POS Rejector Taxpayers.**
 - **And 225 Interviews with qualified Preparers** -- 75 with V-Coding Non-User Preparers, 75 with Lower-Usage Preparers, and 75 with Higher-Usage Preparers.
 - ◆ Note: in addition to meeting the targeting criteria implied in the name and earlier description of each segment, all Preparers were screened for being personally involved in tax preparation, handling 50 or more returns per year (which, at the time of this study, was the standard for Preparer inclusion in *e-file* research -- that standard has since been raised to 100 or more returns per year but we have left the 50-99s in this study since they are a small proportion of the total sample and can contribute to the understanding of the Taxpayer-Preparer relationship), and screened to exclude Preparers from the Big Two tax prep firms as well as VITA or other volunteer tax preparers.
- **Interviewing was conducted on a random sampling basis using lists provided by the IRS. Interviewers used in the study were those in the RMR interviewer ranks with expertise in both on-phone qualitative interviewing and *e-file* research. The interview took approximately 20-25 minutes, and respondents were offered a \$20 incentive to participation.**

About This Qual-Quan Report

- It must be kept in mind that this was a hybrid research effort, employing both qualitative and quantitative research techniques -- with the study being “qualitative” in that in-depth interviewing and probing was used, and “quantitative” in that the number of interviews collected was far larger than most qualitative studies and provides us with a sound base for analyzing patterns among samples and sub-groups.
- As a result, the report that follows differs from the conventional tone and format of most *e-file* research reports in that it is meant to convey both a *qualitative* “feel” for each of the issues addressed in the study (including verbatim comments from respondents and a de-brief of the one-one-one interviewers involved in the study) as well as a *quantitative* set of data supporting findings.
- In this spirit, statistical tests of differences have been employed here only to confirm the presence of patterns of differences among segments or sub-groups, and not to imply that results are projectable to the total universe of each segment. Even though all samples were drawn on a random probability basis, this was still an exploratory research approach that was not intended to reach the level of projectability. So, any graphic notation of differences (e.g., circles, boxes, and lines) is meant only to show the direction or pattern of response.

Summary of Key Findings From the Study

**Addressing Each Of The Five
Objectives/Question Areas Posed
At The Outset Of The Study**



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Summary Of Key Findings

1. Why did POS Rejector Taxpayers not choose *e-file* when they were offered it?

- **To understand why they did not choose *e-file*, we need to first look at both who they are and their pre-conceptions about *e-file*.**
 - First, these are older Taxpayers with predominantly Complex Returns -- and with both factors being pre-cursors of non-use of *e-file* (*see 2003 Taxpayer Attitudinal Study*). In fact, this segment is prototypical of the Paid-Complex Paper Filers we found in the large-sample *e-file* surveys.
 - Second, as this study showed, they had pre-conceived notions about *e-file* which became their barriers to acceptance of the Preparer's *e-file* offer -- they resisted the additional cost of *e-file*, were concerned about *e-file* security, had a strong preference for the tried-and-true of Paper Filing, and believed that *e-file* was mainly for Taxpayers seeking a quick refund (which they were generally not).
- **Their Preparer's presentation of *e-file* did not help.** The Preparer (someone for whom they have very high regard) had a lack of enthusiasm for *e-file*, merely offering it as a filing method choice without presenting its benefits (other than, in a minority of cases, talking about its "speed".) From image ratings among Taxpayers here, we can see that Preparers (and other influencers) are getting across the idea of the "speed" benefits of *e-file*, but not its "accuracy", "security", and superiority to Paper.
- **What would it take to move this Taxpayer to accept a Preparer's offering of *e-file*?** First, of course, a more enthusiastic Preparer, then reduction of the cost barrier, security assurances, and education ("I need to know more about *e-file* and how it works.")
- **Any differences among POS Rejectors who claim EITC or the Child Care Tax Credit?** None that we see -- perhaps because they leave the claiming and qualification for these credits to the Preparer.

Summary Of Key Findings (Cont'd.)

2. **Why do V-Coding Non-User Preparers not move on into *e-file* usage, why are they “swimming against the tide”, when they have the filing tools already in place to do *e-file*?**
- **Why don't they move on into usage?** Even though they seem to have the tools (we don't know about the age of their software and whether it allows transmission), they avoid conversion to use because they perceive *e-file* as involving more time/work for them (and this is the Preparer segment here that is most likely to note the long hours involved in tax preparation). And from their descriptions of how much they prepare for a client return prep session, they may actually be working harder at tax prep. (This might lead one to the hypothesis that they may take pride in doing things the old fashioned (i.e., “harder”) way -- something that should be explored in a future V-Coding Preparer study, since it could lead to messaging along the lines of “you do your best for clients; why not give them the best filing option -- *e-file*”.)
 - **So why are they “swimming against the tide”?** Simply because they've found that they can -- they dominate the filing method decision for their clients and are more likely to say clients trust them completely, so they feel they have the power to resist *e-file* -- at least for the time being.
 - **What are they really hearing from their clients about desire to use *e-file*?** 89% say clients ask about *e-file* but, dominating the filing method decision, they turn back inquiries -- thinking Taxpayers can “go elsewhere if they want *e-file*”. And they're not educating clients about *e-file* -- that's not in their interest.
 - **How close are they to converting to *e-file* usage?** Nine in ten say they'll use it eventually and 55% said they might convert in the “next year”. But they also knew IRS was sponsoring the survey, so this may be an overstatement in light of the resistance to *e-file* they showed in other survey measures.
 - **What do they think are the benefits of *e-file* and what would it take to convert them?** They recognize only one benefit -- speed. And this is not enough of a motivation to their clients -- if they are to be converted, they must be convinced (and must be willing to convince clients) that *e-file* is easy, uncomplicated/simple, and affordable.

Summary Of Key Findings (Cont'd.)

3. Why are **Lower-Usage Preparers** not using *e-file* more?

- **Why don't they *e-file* more?** To understand why Lower-Usage Preparers are not using more, we need to know that this is the least pro-active Preparer segment in this study in terms of preparing for a return preparation session and recommending a filing method. Although they do *e-file*, it's low-involvement *e-filing*. They leave the filing decision more to clients than do the other Preparers and, if the demand is not there, they don't push *e-file*. Plus, they have cost concerns about *e-file* -- mainly that it costs the Taxpayer more.
- **Is the Taxpayer reluctant to use *e-file*?** Yes, 60% of these Preparers cite "clients don't ask for *e-file*" (or "clients don't have confidence in *e-file*") as a reason for lower usage. So, again, the demand is not there for a group that is reluctant to press *e-file*.
- **Or do they consider *e-file* more appropriate for just certain Taxpayers?** Yes, they see it as more appropriate for Refund returns, simple returns, and for Taxpayers expressing an interest in *e-file*.
- **How do they present *e-file*?** They talk about its "speed" and "ease of use", and its availability in their shop, but do not talk about its "accuracy" or "security".

4. How do **Higher-Usage Preparers** approach *e-file* differently from the Non-User V-Coder or Lower-Usage Preparer segments? Why are they more successful implementers? And what can they suggest to increase *e-file* usage?

- They think about it differently. They're far greater believers in *e-file*, far more likely to recognize its benefits, and while they're less likely to be asked about *e-file* by clients, that seems to be because they offer first and explain it. This belief and involvement in *e-file* no doubt explains their more successful implementation of it. Their top suggestions for increasing *e-file* usage are to: provide incentives to use, advertise/promote it, reduce the cost, and make it simpler.

Summary Of Key Findings (Cont'd.)

5. **For all segments: How does the Preparer-Taxpayer relationship work? and who drives decision-making? And what is the role of EITC and the Child Tax Credit in the relationship?**

- From all evidence in this study (Taxpayer comments, Preparer comments, and the observations of the RMR one-on-one interviewing team), the Taxpayer-Preparer relationship is an unusually close business relationship, with the Taxpayer trusting/relying heavily on Preparer advice; and with Preparers recognizing that trust and the responsibility it brings.
- With Taxpayers having so much trust in them, Preparers have a strong role in decision-making in the relationship. We see this in the dominance of V-Coding Preparers and, while User Preparers talk about the client being more involved in the filing method decision, you get the sense that they're really leading the way -- especially the Heavy Usage Preparers.
- Re: the role of EITC and the Child Tax Credit in the relationship, it appears that Taxpayers follow their Preparer's advice on whether to claim and then leave qualification to Preparers -- who say that these credits do involve more time/work.
- **The learning here suggests several messaging approaches which might have value:**
 - **For Rejector Taxpayers:** continue messaging main *e-file* benefits and the call-to-action "ask your Preparer about it".
 - **For V-Coding Non-User Preparers:** a message about how *e-file* can relieve some of their tax prep workload/stress.
 - **For V-Coding Non-Users and Low-Usage Preparers:** a message about the growing number of Taxpayers using *e-file*. This message would help among both these groups, while reinforcing belief among the Higher-Usage Preparers.
 - **For All Preparers:** messages around "trust" and how they "owe it to clients to make sure they benefit from *e-file*".
 - Finally, **the lower average return prep session length among Higher-Usage Preparers** (10 minutes less than the sessions of other Preparers) should be quantified large-scale, with a possible emerging message of, e.g., "the survey showed that Preparers who use *e-file* save xx minutes per return. That's xx hours/days more time for you per year."

Detailed Findings



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Detailed Findings Among POS Rejector Taxpayers



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Who Are The POS Rejector Taxpayers?

- To understand the issues around POS Rejector Taxpayers, we looked first at who they are and found that the defining demographic differences between them and Total U.S. Taxpayers are that the POS Rejectors are more older, more likely to be married, and have far higher HH income. And their similarities to Paid-Complex Paper Filers are such that they appear to be prototypes of the Paid-Complex Paper Filers as we found them in the two large-sample *e-file* surveys (Taxpayer Attitudinal and Customer Satisfaction).

	Total POS Rejector Taxpayers	Taxpayers From <i>e-file</i> Large Sample Research*/**		Paid-Complex Paper Filers Large Sample Research*/**	
Base: Total Respondents	150 %	1,000 %		227 %	
Males	46	49	*	52	*
Females	54	51	*	48	*
Average Age	47	41	*	47	*
Median HH Income	\$70,000	\$53,000	*	\$68,000	*
Average HH Size	3.0	2.8	*	3.0	*
Percent Married	75	60	*	75	*
Percent With Children	44	44	*	47	*
Percent With At Least Some College Education	69	63	**	69	**
Percent Spanish-Speaking	7	7	*	5	*

*2003 Taxpayer Attitudinal Study / **2003 Total Sample Of Taxpayer Customer Satisfaction Research

Who Are The POS Rejector Taxpayers? (Cont'd.)

- In terms of filing behavior, the POS Rejector Taxpayers naturally are all using a Paid Preparer, but they also differ from Total Taxpayers in that they skew heavily toward Complex returns -- returns that are prepared mainly by Independents or Small Firm Preparers.

	Total POS Rejector Taxpayers	Taxpayers From <i>e-file</i> Large Sample Research*/**	
Base: Total Respondents	150 %	1,000 %	
<u>Return Type:</u>			
Self-Simple	0	21	*
Self-Complex	0	24	*
Paid-Simple	22	21	*
Paid-Complex	78	34	*
Percent Claim EITC	23	25	*
Percent Claim CTC	35	na	
<u>Preparer Type</u>			
Large Firm Preparer -- e.g., H&R Block, Jackson-Hewitt	7	na	
Independent or Small Firm Preparer	89	na	
Part-Time Preparer (working from home/small office)	5	na	
Don't Know	--	na	

Note: in Filing Method, all were "Paper Return Using A Tax Professional" -- No e-file or Self-Prepared

*2003 Taxpayer Attitudinal Study / **2003 Total Sample Of Taxpayer Customer Satisfaction Research / na = Not Available

Who Are The POS Rejector Taxpayers? (Cont'd.)

- Profiling the POS Rejector Taxpayers further in terms of filing behavior, we looked at how this audience compares to Total Taxpayers on the Filing Behavior segmentation from the Taxpayer Attitudinal Study. This analysis showed that the POS Rejector Taxpayers are generally similar to the total universe, though with a few more of them filing Late But Not Last (the Taxpayer Attitudinal Study earlier this year showed that filing later is typical of Complex return filers).

Base: Total Respondents	Total POS Rejector Taxpayers 150 %	Total Taxpayers From Taxpayer Attitudinal Study 1,000 %
<u>Filing Behavior:</u>		
ASAPs (File As Soon As They Get Their W-2s)	34	38
When They Get Around To It	40	42
File Late (In Tax Season) But Not Last	15	7
File At The Last Possible Minute	9	9
Other	2	4

POS Rejector Taxpayer Contact With His/Her Preparer

- On average, the POS Rejector Taxpayers contact their Preparer about 3 times a year. The distribution of number of contacts is shown below.

Base: Total Respondents	Total POS Rejector Taxpayers
	150
	%
<u># Times In Contact With Preparer Each Year</u>	
Once	15
Twice	29
Three Times	31
Four Times	17
Five Or More Times	7
Average # Times Contact Preparer Per Year	2.7

Contact With Preparer (Cont'd.)

- **What are the Taxpayer-Preparer contacts like? Of all of the contacts discussed with the Taxpayers, the greatest share (about 70%) occurred during the tax season and most were initiated by the Taxpayer.**

Base: Total Contacts	Total POS Rejector Taxpayers 406 %
<u>Share Of Contacts Occurring...</u>	
During Tax Season	52
After Receipt of W-2s/other tax materials	15
After Tax Season (late April-on)	9
Summer	1
Fall	1
Winter	-
End of year	1
All other miscellaneous times of year	8
<u>Share Of Contacts Initiated By...</u>	
The Taxpayer	58
The Tax Preparer	22
Don't Recall	20

Contact With Preparer (Cont'd.)

- Of all of the contacts reported by Taxpayers, most involved collection and organization of tax-related information, discussing tax issues/new tax laws, and making or confirming appointments.

Base: Total Contacts	Total POS Rejector Taxpayers 406 %
<u>% of Contacts Involving...</u>	
<u>Collection/Organization of Information (Sub-Net)</u>	24
I/Taxpayer drops off/Sends in necessary tax information	13
I am/Taxpayer is informed of what information is needed	7
<u>Other Mentions</u>	
Discuss tax preparation/Tax issues/New tax laws	21
Appointment is made/Confirmed	20
I/Taxpayer come and picks up return/Information/Paperwork	15
Prepare/File taxes/Fill out return	12
Ask questions	11
Verify/Confirm all info/Review return with preparer/Get results of return	9
I/Taxpayer come in to sign forms	5
Discuss my business	4

Contact With Preparer (Cont'd.)

- **Following are verbatim comments from Taxpayers about what their different contacts with Preparers are like.**
 - ◆ *“My accountant mails a reminder postcard to tell me to make an appointment.”*
 - ◆ *“He mails a tax questionnaire to my home.”*
 - ◆ *“We take all papers and deductions to his office for him to do the tax return. We just drop them off.”*
 - ◆ *“I bring all of my prepared information -- mortgage deductions, W-2's, papers from my bank or employers. We sit and do it together. It takes about an hour. He punches in the numbers and tells me if I owe anything or if I will get a refund. He prints out a copy, I sign it, and he tells me to send it by registered mail. I give him a check and leave with my return done.”*
 - ◆ *“We bring in all our receipts and he fills out our income taxes. He just takes the information, prepares it and then sends it to us to sign through the mail, and then he bills us.”*
 - ◆ *“He asks me different questions about interest, selling or buying new things, and what I can claim. He puts everything in the computer, prints it out, and I leave and mail it.”*

POS Rejector Taxpayer Attitudes Toward Preparer

- When Taxpayers were asked to finish the sentence, **"My Preparer is someone who..."**, responses showed that the POS Rejector Taxpayers have **a very high level of regard for and trust in their Preparer**. The top category of responses was "knowledgeable/dependable/experienced", and the top individual mention was "someone I trust".

	Total POS Rejectors Taxpayers)
Base: Total Respondents	150
	%
<u>My Preparer Is Someone Who...</u>	
<u>Is Knowledgeable/Dependable/Experienced (Net)</u>	54
Is knowledgeable/Knows about tax laws/Knowledge of tax laws is good	17
Keeps up with tax law	7
Is dependable	7
Has experience	5
Is knowledgeable about my tax situation	5
Keeps it professional/Is professional (unspecified)	5
<u>Miscellaneous Mentions</u>	
Someone I trust	35
I've known/Used for a long time	14
Does my taxes/Prepares forms for me	10
Is honest	9
Does a good/Great job	9
Is friendly/My friend	7
Gives me guidance	7
I am comfortable to call and ask questions	5
Is pleasant	5
I have confidence in	5

Taxpayer Attitudes Toward Preparer (Cont'd.)

- **Most Taxpayers seemed to have a very high regard for their Preparers, and it was a minority that saw the Preparer in a strictly professional light. Following are some of the verbatim responses to “my Preparer is someone who...” which express these overall attitudes:**
 - ◆ *“I’ve known him for many years and he’s someone that I trust and feel comfortable with.”*
 - ◆ *“She takes an interest in my account other than what she can get out of it. She is also interested in how I am doing.”*
 - ◆ *“He has far more knowledge of accounting and tax law than I do or even care to have. I look to him as my expert.”*
 - ◆ *“He’s a friend of mine. I’ve known him for a long time.”*
 - ◆ *“He’s hardworking, knowledgeable and someone who will go the extra mile to see that I am satisfied with his services.”*
 - ◆ *“My Preparer is someone who is very efficient.”*
 - ◆ *“Does the job for me. It’s a business arrangement.”*

Taxpayer Attitudes Toward Preparer (Cont'd.)

- We asked Taxpayers directly about their perceptions of their Preparer's "experience and know-how", and how much they trust their Preparer. Results confirm the previous voluntary response showing high confidence and trust in the Preparer. This confirms what the IRS already knows: that the Preparer will be important to continued growth of *e-file* in that they will have to convert current non-using Taxpayers.

Base: Total Respondents	Total POS Rejector Taxpayers
	150
	%
<u>My Preparer Is...</u>	
Extremely Experienced & Knowledgeable	58
Very Experienced & Knowledgeable	39
Somewhat Experienced & Knowledgeable	3
Don't Know	-
<u>I Trust My Preparer...</u>	
Completely	65
Very Much	33
Somewhat	2
Not Very Much	1
Not At All	-
No Answer (Refused/Can't Say)	-

Taxpayer Attitudes Toward Preparer (Cont'd.)

- **These Taxpayers told us that their high trust in their Preparer was related mainly to a long relationship with the Preparer and having had no problems, along with a belief in the Preparer's honesty, knowledge, and experience.**

Base: Total Respondents	Trust Completely 97 %	Trust Less Than Completely 53 %
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Reasons For Trust Rating

Know him/her (the Preparer) for a long time	25	17
Always go back to that Preparer	17	8
He/she is honest	14	9
Gives me advice/count on their advice/they wouldn't steer me wrong	10	4
He/she has his experience/been doing it a long time	10	13
Preparer is knowledgeable	10	8
Always had good experience with Preparer	9	4
Never had a problem	9	17
He/she (preparer) knows what they are doing	7	9
He/she (preparer) is accurate	6	4
He/she (preparer) is helpful	6	-
He/she (preparer) answers questions	6	8
I have confidence in him/her (preparer)	5	4
He/she (preparer) was recommended	3	6
He/she (preparer) does the best for me	3	8
He/she (preparer) knows the law/tax laws/new tax laws	3	9
The company/Firm has a good reputation	2	6
He/she (preparer) never makes mistakes	1	6

Making The Filing Method Decision

- The decision about which filing method to use is most often one reached after discussion between the Taxpayer and the Preparer. We asked those Taxpayers about the dynamics of the mutual-decision process and found that the Preparer generally lays out the filing options (the “pros and cons”) and gives advice on which to use. Then, either the two come to a mutual decision about how to file or the decision is left mainly to the Taxpayer. The important thing here, though, is that it is the Preparer who sets the stage for the decision by arraying the options for the Taxpayer.

	Taxpayer Generally Makes The Decision	Preparer Generally Makes The Decision	They Discuss It & Mutually Decide
<u>Percent Of Taxpayers Who Say...</u>	28%	7%	64%
Base: Total Respondents Who Say...	42 %	10 %	96 %
Base: Total Respondents Who Say...	(42) %	(10) %	(96) %
<u>Descriptions Of Filing Method Decision-Making</u>			
They make recommendations/Suggestions/Give their best advice	-	-	23
They offer the options	-	-	20
I/We (me & spouse) make the final decision	-	-	20
We discuss pros and cons	-	-	10
We talk about it and come to a mutual decision	-	-	9
Discuss the complexities of the return	-	-	9
We figure out the best way to get the most money back	-	-	5

Claiming EITC & The CTC And Preparer's Role In It

- Those Taxpayers who said they claimed the Earned Income Tax Credit or the Child Tax Credit this year were asked what the process of claiming it was like and their Preparer's role in it. About one-fourth to one-third of Taxpayers claimed each credit and most of these indicated that the Preparer generally took care of the details in claiming the credit. We'll see this confirmed later in the Preparer Summary, where Preparers told us that they take care of the details of verifying qualification for these credits.

	Claimed EITC	Claimed Child Tax Credit
<u>Percent Of Taxpayers Who Said They...</u>	<u>23%</u>	<u>35%</u>
Base: Total Respondents Who Claimed...	(35) %	(52) %
<u>What Process Was Like & Preparer's Role In It</u>		
<u>Preparer Played Main Role (Net)</u>	<u>60</u>	<u>69</u>
My Preparer took care of it/Did it/Did all the work	31	31
Preparer gave me advice on it/Explained how it works	23	-
Preparer mentioned it/Told me to claim it	11	15
Preparer knows I have children/Confirmed # of children I have	-	15
Preparer got the appropriate information from me -- SSN, etc.	-	14
My spouse/Family member handles it	9	-
It was just one line/just checked a box on the form	-	10
Child has to be under 18 years of age	-	8
Don't remember	17	2

The *e-file* Experience Of POS Rejector Taxpayers

- Before we focus on why these Taxpayers rejected the suggestion/offer of *e-file* from their Preparers, let's take a look at the prior *e-file* experience of this group. As shown below, they are all aware of at least one of the *e-file* filing methods, about one-fourth have used *e-file* before (mainly Practitioner *e-file*), with just over one-fourth saying they would consider using *e-file* again (mainly Practitioner *e-file*).

	Unaided Awareness	Total Awareness	Ever Tried	Would Consider
Total Respondents	150 %	150 %	150 %	150 %
<u>Net Mentions Of <i>e-file</i></u>	<u>79</u>	<u>100</u>	<u>23</u>	<u>29</u>
Practitioner <i>e-file</i>	37	97	11	20
<u>On-Line Filing (Net)</u>	<u>19</u>	<u>81</u>	<u>6</u>	<u>7</u>
On-Line Filing With On-Line Company	11	52	2	4
On-Line Filing With Software	9	60	5	1
Free On-Line Filing	1	41	-	3
TeleFile	10	35	5	1
Self-Prepared Paper	59	96	55	15
Paper Return Using A Tax Professional	72	99	97	89

How POS Rejector Taxpayers First Heard Of *e-file*

- This audience said that they first heard of *e-file* mainly through advertising or a tax professional. When asked how the IRS can best reach them with information about *e-file*, top mentions were the tax professional, direct mail, advertising, and word-of-mouth (from family/friends/etc.).

	How First Heard Of <i>e-file</i>	How To Best Reach Them With Info About <i>e-file</i>
Total Respondents	150 %	150 %
Advertising On TV, On Radio, In Magazines, etc.	31	64
Through A Tax Preparer/Tax Professional	29	73
Word Of Mouth, From Family, Friends, Neighbors, Or Co-Workers	21	62
Articles In Newspapers Or Magazines	13	54
Through Something In A Tax Booklet/Form	7	51
Direct Mail -- Material Received In The Mail	3	66
On Some Other Internet Website	4	33
On The IRS' Website – irs.gov	-	36
All Other Miscellaneous Mentions	3	7
Don't Know/No Answer	9	1

Initial Reaction To The Idea Of *e-filing*

- Asked what they first thought when offered *e-file* by their Preparers, the POS Rejector Taxpayers reported having been highly negative to the idea -- mainly because of the cost, concerns about security, preference for Paper, and a perceived lack of need of quick refund. These were the top reactions regardless of respondent's role in the filing decision or type of return.

Base: Total Respondents	Total POS Rejector Taxpayers	Taxpayer Involved In Filing Decision	Preparer Decides Filing Method	Paid Simple Filers	Paid Complex Filers
	150	138	10	33	117
	%	%	%	%	%
<u>First Reaction To Idea Of <i>e-filing</i> Was...</u>					
<u>Positive Reactions -- Mainly "Speed"</u>	<u>19</u>	<u>18</u>	<u>40</u>	<u>27</u>	<u>17</u>
<u>Neutral Reactions -- Mainly "Will Try Someday"</u>	<u>15</u>	<u>15</u>	<u>20</u>	<u>21</u>	<u>14</u>
<u>Negative Reactions (Net)</u>	<u>83</u>	<u>83</u>	<u>70</u>	<u>79</u>	<u>84</u>
<u>Cost/Price</u>	<u>27</u>	<u>27</u>	<u>20</u>	<u>24</u>	<u>27</u>
Don't want to pay the extra fee/money	18	17	20	12	20
Too expensive	5	5	-	12	3
<u>Security</u>	<u>19</u>	<u>18</u>	<u>10</u>	<u>18</u>	<u>19</u>
Don't trust the process	11	11	-	9	11
Don't trust the security of computers	5	4	10	6	4
<u>Actually Prefer Paper/Mail</u>	<u>15</u>	<u>15</u>	<u>20</u>	<u>15</u>	<u>15</u>
Would rather do the paperwork	7	6	20	6	7
Like to make photocopies of my return	4	4	10	6	3
I would rather mail it	7	7	-	3	8
<u>I'm not in a hurry to receive refund/owe taxes</u>	<u>14</u>	<u>15</u>	<u>-</u>	<u>12</u>	<u>15</u>
I'm too old-fashioned	13	12	20	9	14
My returns are too complicated	5	5	-	-	6

Initial Reaction To The Idea Of *e-filing* (Cont'd.)

- **To get a closer sense of initial reaction to *e-file*, let's look at some verbatim response:**
 - **From Taxpayers with a Negative Initial Reaction:**
 - ◆ *"I didn't want to do that (e-file) because I want to see the paperwork. I don't trust the computer. One wrong press of a button makes me not trust it."*
 - ◆ *"It didn't appeal to me. I like to have my tax return sitting there in writing...I have used the computer to apply for things, like student loans, and it takes forever."*
 - ◆ *"I don't want to pay the extra money for the convenience."*
 - **From Taxpayers with a Positive Initial Reaction:**
 - ◆ *"I like the idea of e-filing and if I didn't have a business I would do it. There are more ins and outs and more paperwork with the business."*
 - ◆ *"It sounded good and I would consider it down the road."*
 - **From Taxpayers with a Neutral Initial Reaction:**
 - ◆ *"It was something new. We hadn't thought of it. We'd been mailing it and decided to stick with that."*
 - ◆ *"She might have offered it but said paper was better. She offered it to my husband and knowing him, he picked the paper."*
 - ◆ *"I've got no problem with it. I've had it filed that way before. I just didn't have it done that way this year. My accountant just chose to file on paper this year."*

What Did Preparer Tell Them About *e-file*?

- Asked what their Preparers had told them about *e-file* , most recalled only that they were offered *e-file*, with about one-fourth saying the Preparer told them about its "speed".

	Total POS Rejector Taxpayers
Base: Total Respondents	150 %
<u>Preparer Said (About <i>e-file</i>)...</u>	
<u>Recall Preparer Said Something About <i>e-file</i></u>	92
<u>Availability/Options (Net)</u>	41
He/She offered it	8
He/She just mentioned it/didn't go into detail	13
It is an option (Unspecified)	11
Speed	27
<u>Cost/Price (Net)</u>	11
Too expensive/Costs too much	3
He told me there is a fee	7
Asked us if we wanted to do it	10
Ease/Convenience	3

What Did Preparer Tell Them About *e-file*? (Cont'd.)

- **The verbatim recall (below) gives us a sense of what Preparers are telling them about *e-file*:**
 - **From Taxpayers Recalling Preparers Describing *e-file* Positively:**
 - ◆ *“That it would be a lot quicker and a lot less paperwork and a lot better. Also that it would be saved to disk and not lost.”*
 - ◆ *“That it was excellent for simple filing or basic forms.”*
 - ◆ *“She thought it was a good idea, helpful and a quick way to do it if you want it done quickly.”*
 - **From Taxpayers Recalling Preparers Describing *e-file* In A Neutral Manner:**
 - ◆ *“It’s a personal preference. He left it up to us as a choice. He really didn’t tell us anything besides that.”*
 - ◆ *“He said, ‘If this interests you, we’ll do it.’ No positives or negatives. They felt I knew enough to make a decision. ‘We won’t spoon-feed you; you’re old enough to make a decision.’”*
 - ◆ *“We didn’t discuss e-file except for 30 seconds. You pay by the hour so we needed to keep going.”*
 - **From Taxpayers Recalling Preparers Describing *e-file* Negatively:**
 - ◆ *“That I could file electronically but my return was too complicated to do that.”*
 - ◆ *“When the return’s on paper, only his eyes see it. With e-file, everyone sees it.”*
 - ◆ *“They are having a lot of trouble with it. It is not instant. And it costs money.”*

Did Preparer Mention Benefits Of *e-file*? What Benefits?

- **Just 25% of POS Rejector Taxpayers said that their Preparers -- in offering *e-file* -- had mentioned e-file benefits (with higher mentions of benefits among Paid Simple filers). 90% of those recalling benefits being mentioned by the Preparer said the benefit was "speed".**

	Total POS Rejector Taxpayers	Taxpayer Involved In Filing Decision	Preparer Decides Filing Method	Paid Simple Filers	Paid Complex Filers
Base: Total Respondents	150 %	138 %	10 %	33 %	117 %
Percent Saying...					
Preparer Talked About Benefits Of <i>e-file</i>	25	25	30	36	22
Preparer Did Not Talk About Benefits Of <i>e-file</i>	67	67	70	55	70
Don't Recall	8	8	-	9	8
Among Those Saying Preparer Talked About Benefits, Specific Benefits Mentioned: (Base=Talked About Benefits)					
	(38)	(35)	(3)	(12)	(26)
Speed	90	89	100	92	89
Doesn't get lost in the mail	8	9	-	8	8
Other miscellaneous mentions	11	11	-	17	8
Don't Know/NA	5	6	-	-	8

Did Preparer Mention Drawbacks Of *e-file*? What Drawbacks?

- Only 11% said that their Preparers had mentioned drawbacks, or disadvantages, of *e-file* in offering this filing method to them. Few specific drawbacks were recalled -- see Verbatim response below.

	Total POS Rejector Taxpayers	Taxpayer Involved In Filing Decision	Preparer Decides Filing Method	Paid Simple Filers	Paid Complex Filers
Base: Total Respondents	150 %	138 %	10 %	33 %	117 %
<u>Percent Saying...</u>					
Preparer Talked About Drawbacks Of <i>e-file</i>	11	10	20	15	9
Preparer Did Not Talk About Drawbacks Of <i>e-file</i>	81	81	80	73	83
Don't Recall	9	9	-	12	8

Among Those Saying Preparer Talked About Drawbacks,

Drawbacks Mentioned: (Base= Talked About Drawbacks (n=16))

- *“He said that if it costs a penny it is too expensive. That it had to be free.”*
- *“It won't have your signature. And you can't get a receipt. There is no postmark with e-file.”*
- *“Only that it was more cumbersome with all of the extra schedules I had to file.”*
- *“It was only for people that didn't itemize returns.”*
- *“She said it would cost me but as more people came to use it, maybe the fee would disappear.”*
- *“If the system goes down it could mess things up.”*
- *“Just briefly -- he told me that the forms we were using were not available on e-file at a time.”*

Taxpayer Perceptions Of How Preparer “Really” Felt About *e-file*

- Asked to assess how their Preparer “really” felt about *e-file*, the POS Rejector Taxpayers said mainly that they thought the Preparer generally did not care about whether they used *e-file* or not -- that the Preparer was just offering it as an option. This was particularly true of those who said the Preparer decides their filing method.**

	Total POS Rejector Taxpayers	Taxpayer Involved In Filing Decision	Preparer Decides Filing Method	Paid Simple Filers	Paid Complex Filers
Base: Total Respondents	150 %	138 %	10 %	33 %	117 %
<u>Percent Saying Preparer Was...</u>					
Extremely Interested In Getting Them To <i>e-file</i>	2	1	10	3	2
Very Interested In Getting Them To <i>e-file</i>	5	5	-	6	4
Somewhat Interested In Getting Them To <i>e-file</i>	21	23	-	21	21
Not Caring One Way Or The Other, Just Offered It	58	57	90	58	58
Actually Not Pro- <i>e-file</i> , But Simply Offering A Choice	12	12	-	9	13
Don't Recall	3	3	-	3	3

The *One Main Reason* For Not *e-filing* This Year

- Asked for THE main reason that they did not *e-file* this year, the POS Rejector Taxpayers focused on “cost/price”, followed by a “lack of need” for *e-file*, and a preference for “my old/regular/traditional way” of filing. All other reasons, including concern about “security”, had far lower mentions.

	Total POS Rejector Taxpayers	Taxpayer Involved In Filing Decision	Preparer Decides Filing Method	Paid Simple Filers	Paid Complex Filers
Base: Total Respondents	150 %	138 %	10 %	33 %	117 %

The Main Reason For Not *e-filing* This Year

Cost/Price	21	20	30	24	20
<u>Lack of need for <i>e-file</i> (Net)</u>	<u>18</u>	<u>20</u>	-	<u>15</u>	<u>19</u>
I owe the IRS/Don't expect/Never get a refund	6	7	-	6	6
I wasn't in a hurry to receive refund	4	4	-	3	4
Want to check/Review/Go over return first	4	4	-	3	4
Prefer my old/Regular/Traditional/Paper method	17	17	20	12	18
Security	11	10	30	12	11
<u>Process is longer/more detailed (Net)</u>	<u>10</u>	<u>11</u>	-	<u>6</u>	<u>11</u>
Due to complexity of my tax return	5	5	-	6	4
Lack of Knowledge	6	6	10	9	5
Just not interested/Not for me	4	4	-	-	5

Total Reasons For Not e-filing This Year

- We looked at all of their reasons for not e-filing this year (including the Main Reason, #2 Reason, and Other Reasons) and found that the same general barriers (lack of need, cost, and a preference for paper filing) are there, along with “security” (but only after probing).

	Total POS <u>Rejectors</u>	Taxpayer Involved In <u>Filing Decision</u>	Preparer Decides <u>Filing Method</u>	Paid Simple <u>Filers</u>	Paid Complex <u>Filers</u>
Base: Total Respondents	150 %	138 %	10 %	33 %	117 %
<u>Total Reasons For Not e-filing This Year</u>					
<u>Lack of Need For e-file (Net)</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>33</u>	<u>29</u>
I wasn't in a hurry to receive refund	13	12	30	21	10
I owe the IRS/Don't expect/Never get a refund	9	10	-	9	9
<u>Cost/Price (Net)</u>	<u>29</u>	<u>28</u>	<u>40</u>	<u>33</u>	<u>27</u>
Additional Fee/Didn't Want To Pay Extra	13	12	20	15	13
It's Too Expensive/Overpriced	7	7	10	9	6
<u>Prefer Paper Method (Net)</u>	<u>26</u>	<u>25</u>	<u>40</u>	<u>18</u>	<u>28</u>
Prefer my old/regular/Traditional method	19	19	20	12	21
Comfortable With Paper Method	11	10	30	6	13
<u>Security (Net)</u>	<u>27</u>	<u>28</u>	<u>30</u>	<u>33</u>	<u>26</u>
Don't Like/Feel Comfortable/Trust Computers	9	9	10	6	10
I Wouldn't Have Any Paper Backup/A Copy	6	6	10	9	5
I Don't Trust It/Don't Trust The System	6	7	-	12	4
Don't Want Personal/Financial Info On The Internet	5	6	-	3	6
Did Not Know Enough About e-file (Net)	14	15	10	21	12
It Takes Longer/Is More Complicated (Net)	12	12	-	6	14

Perceptions Of *e-file* Among This Audience (vs. Total Taxpayers)

- POS Rejector Taxpayers were asked to rate *e-file* on a series of characteristics. Results show that this group, which was offered *e-file* by a Preparer, are more likely than Taxpayers generally to recognize *e-file*'s speed benefits (especially the Paid-Simple filers among them) and its accuracy benefits -- even while retaining a stronger belief in paper filing. They are less likely to say that *e-file* is better than other methods, is easy to use, or is inexpensive.**

Base: Total Respondents

Agree Completely/Somewhat With...

e-file is a faster way to get your tax return to the IRS
e-file is a faster way to get your Federal tax refund [money]
 Mailing in your Federal tax return is still safer, more reliable
 Used to doing my taxes on paper and see no reason to change
e-file is an accurate way to file your Federal income taxes
e-file is a private and secure way to file Federal income taxes
e-file is a better way to file your Federal income taxes
e-file is easy to use with little hassle
e-file provides proof of receipt
e-file is an inexpensive way to file your Federal income taxes
e-file changes the way you look at the IRS

	Total POS Rejectors 150 %	Total Taxpayers From Taxpayer Attitudinal Study 1000 %	POS Rejector Paid Simple 33 %	POS Rejector Paid Complex 117 %
<i>e-file</i> is a faster way to get your tax return to the IRS	89	73	85	90
<i>e-file</i> is a faster way to get your Federal tax refund [money]	81	66	79	82
Mailing in your Federal tax return is still safer, more reliable	72	51	79	70
Used to doing my taxes on paper and see no reason to change	68	41	70	68
<i>e-file</i> is an accurate way to file your Federal income taxes	65	68	70	64
<i>e-file</i> is a private and secure way to file Federal income taxes	58	60	39	63
<i>e-file</i> is a better way to file your Federal income taxes	47	56	49	47
<i>e-file</i> is easy to use with little hassle	45	53	46	45
<i>e-file</i> provides proof of receipt	45	51	42	46
<i>e-file</i> is an inexpensive way to file your Federal income taxes	43	58	42	43
<i>e-file</i> changes the way you look at the IRS	36	33	46	33

What Would It Take To Get Them To *e-file*?

- When we asked the POS Rejector Taxpayers to distill their top barriers down to “3 things that would have to happen to get you to *e-file*”, the top mentions were “cost/price”, followed this time by “security”, and a need to “learn more about *e-file*”.

	Total Mentions
Base: Total Respondents	150 %
<u>What It Will Take To Get Them To <i>e-file</i></u>	
<u>Cost/Price (Net)</u>	<u>37</u>
Make It Cheaper/Less Expensive/Lower The Price	14
Make It Free	13
<u>Security (Net)</u>	<u>35</u>
Assurance of Complete Privacy/Security/Info Will Not Be Given Out/Stolen	23
Assurance That It Was Received By The IRS	9
<u>Need To Learn More About It</u>	<u>17</u>
Want My Money Back Even Quicker/Faster	10
If It Was Mandatory/If You Couldn't Mail Anymore	9
Would Have To Have Money Coming Back To Me/Refund	9
If It Was Explained Better	8
Would Need A Bonus/Incentive	7
Ease/Convenience	7
If Preparer Insisted On It	7

What Would It Take To Get Them To *e-file*? (Cont'd.)

- **We looked at verbatim response to the “what will have to happen to convert” question and found the following comments:**
 - ◆ *“It has to be free when I get it from my tax preparer.”*
 - ◆ *“I have to be sure that my financial information is protected.”*
 - ◆ *“It would have to be the only option.”*
 - ◆ *“The forms would have to be shorter and more information has to be passed to me about it.”*
 - ◆ *“There would have to be better instructions on the IRS’s website. If you’re interested in doing it yourself and are on the website, they should make it easier to do so.”*
 - ◆ *“I would need to find out more about it.”*
 - ◆ *“I don’t get a refund anyway, so I would only need to know if it would save me money other than postage money.”*
 - ◆ *“If there is a way to track where the file is, like with Federal Express.”*
 - ◆ *“I would want confirmation that the taxes were received.”*
 - ◆ *“The price for this service needs to be more reasonable -- a paper return is \$40-45. e-file is \$80-90.”*
 - ◆ *“Would have to guarantee that if something goes wrong, they will not hold you accountable.”*
 - ◆ *“My preparer would have to pass on and the new guy would have to force me.”*

What Else Do They Need To Know About *e-file*?

- Finally, we asked the POS Rejector Taxpayers what more they needed to know about *e-file* before they would consider using it. In total, 33% said they needed to know more, with the main info need being to learn more about the *e-file* program in general and how secure it is (with the Paid-Complex filers particularly interested in security).

	Total POS Rejector Taxpayers	Taxpayer Involved In Filing Decision	Preparer Decides Filing Method	Paid Simple Filers	Paid Complex Filers
Base: Total Respondents	150 %	138 %	10 %	33 %	117 %
<u>% Saying They Need To Know More Before Considering</u>	<u>33</u>	<u>33</u>	<u>20</u>	<u>30</u>	<u>33</u>
New Base: Total Saying Need to Know More Before Considering	(49)	(46)	(2)	(10)	(39)
<u>Top Mentions Of What They Need To Know</u>					
<u>More Information (Net)</u>	<u>49</u>	<u>50</u>	<u>50</u>	<u>80</u>	<u>40</u>
I would need to learn more about the program	<u>22</u>	<u>22</u>	<u>50</u>	<u>40</u>	<u>18</u>
Get literature on <i>e-file</i> /Read up on it/Research it	<u>12</u>	<u>13</u>	<u>-</u>	<u>20</u>	<u>13</u>
Security	<u>39</u>	<u>39</u>	<u>-</u>	<u>20</u>	<u>44</u>
Everything	8	9	-	-	10
Any other advantages other than "no postage?"	6	4	50	5	25
Can changes be made if needed?	6	7	-	10	5
I would need to hear success stories from other people	6	7	-	-	8

What Else Do They Need To Know About *e-file*? (Cont'd.)

- **And here's how specific Taxpayers responded to the "need to know" question:**
 - ◆ *"If doing it is personally safe and secure and that there is a guaranteed timely fashion on my return."*
 - ◆ *"Some literature about it. More information because I don't know anything about it. I need to know the procedure, confirmation. I would be receptive if I was well versed in it."*
 - ◆ *"A receipt. Something to show that it was actually transmitted. If it is done at no cost to my preparer, and if it is secure and private."*
 - ◆ *"That computer hackers cannot get my information like my social security number. So basically, to be sure that it is safe and secure."*
 - ◆ *"Talk to people who have used it and get their opinions."*
 - ◆ *"I would like to know of a few people who are having success with it. Need assurance that it is safe."*
 - ◆ *"I am of the belief that a person who itemizes their returns can't use e-file, so I'd have to know that I am eligible."*
 - ◆ *"I'd want to talk to someone who could show me and tell me in layman's terms how to use it so I could understand."*

Detailed Findings Among Tax Preparers



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Profiling The Preparer Targets

- Turning to Tax Preparers and their views of *e-file* and relationships with Taxpayers, we first profiled the three samples and found a relationship between lower e-file use and several profile points -- with the V-Coding Non-Users and Lower Usage Preparers skewing more Male, being older, working at tax prep longer and being more likely to be full-time Preparers working in firms.

	Total Preparer Targets	V-Coding Non-User Preparers	Lower e-file Usage Preparers	Higher e-file Usage Preparers	Total 50+ US Preparers*
Base: Total Respondents	225 %	75 %	75 %	75 %	782 %
Percent Who Are Males	65	76 ←	65 —	53	57
Average Age	52.1	53.1 ←	52.2 —	51.0	53.1
Percent Who Are Tech Leaders	40	37	43	41	44
Percent Who Are Tech Followers	28	29	27	28	29
Percent Who Are Tech Laggards	31	32	31	31	27
Percent Who Work At Tax Preparation Full-Time	41	63 ←	36 —	24	42
Percent For Whom Tax Prep is Only One Occupation	30	20	29	40	31
Percent Who Are Seasonal Only	29	17	35	36	27
Average # Years Involved In Tax Preparation	21.4	24.3 ←	21.1 —	18.6	20.0
Percent Who Are Independents (No Firm)	64	51 —	63 →	77	53
Percent With A Firm (Includes Independents Also In Firms)	36	49	37	23	47
Percent With Clients Claiming EITC/Earned Income Tax Credit	95	96	95	93	85
Percent With Clients Claiming CTC/Child Tax Credit	99	100	99	99	na

* 50+ Preparers Used As Comparison, Since the 100+ Criteria Was Not Yet In Place For This Study.

Preparer Contact With Individual Taxpayer Clients

- In total, these target audiences average between two and three annual contacts with their clients, with the most frequent client contact occurring among the Higher Usage Preparers.

	Total Preparer Targets	V-Coding Non-User Preparers	Lower <i>e-file</i> Usage Preparers	Higher <i>e-file</i> Usage Preparers
Base: Total Respondents	225 %	75 %	75 %	75 %
<u># Times In Contact With Typical Client Each Year</u>				
One Time	20	21	17	20
Twice	35	33	47	24
Three Times	26	29	21	27
Four Times	13	11	12	17
Five Or More Times	7	5	3	12
<u>Average # Times In Contact With Typical Client Per Year</u>	<u>2.5</u>	<u>2.5</u>	<u>2.4</u>	<u>2.8</u>

Contact With Typical Client (Cont'd.)

- What are the Preparer-Taxpayer contacts like? Of all of the contacts discussed in these interviews, the greatest share (70%+) occurred during the tax season and most were initiated by the Taxpayer.

	Total Preparer Targets	V-Coding Non-User Preparers	Lower <i>e-file</i> Usage Preparers	Higher <i>e-file</i> Usage Preparers
	569 %	184 %	177 %	208 %
Base: Total Contacts Reported Across All Interviews				
<u>Share Of Contacts Occurring...</u>				
During January-April Tax Season	57	64	50	57
After receipt of W-2s/other materials	13	7	16	16
Spring	1	-	1	1
After Tax Season (late April-on)	12	13	9	14
Summer	1	1	2	1
Fall	1	2	1	1
Winter	*	1	-	-
End of year	1	1	1	1
All year long	3	3	4	2
All other miscellaneous mentions	11	12	14	8
<u>Share Of Contacts Initiated By...</u>				
The Taxpayer	54	48	55	58
The Tax Preparer	21	22	20	20
Varies From Client To Client	25	30	25	22

Contact With Typical Client (Cont'd.)

- Of all of the Preparer-client contacts reported here, most involved collection and organization of tax-related documents, making or confirming appointments, actually filing out a return, and then answering client questions/discussing tax issues. There was little variation in these responses across the three target segments.

	Total Preparer <u>Targets</u>	V-Coding Non-User <u>Preparers</u>	Lower <i>e-file</i> Usage <u>Preparers</u>	Higher <i>e-file</i> Usage <u>Preparers</u>
Base: Total Contacts Reported Across All Interviews	569	184	177	208
	%	%	%	%
<u>% of Preparers Who Say Contacts Involve...</u>				
<u>Collection/Organization of Information (Net)</u>	26	28	26	25
Client drops off/sends in necessary tax information	13	14	14	11
Preparer sends an information packet	4	5	3	4
Client is informed of what information is needed	4	3	3	4
Information is organized	3	3	2	3
Gather forms (i.e., W-2's, 1099, etc.)	3	3	2	2
Information is updated	2	1	1	3
<u>Miscellaneous Procedure Mentions</u>				
Appointment is made/confirmed	23	23	25	22
File taxes/fill out return	21	21	21	21
Answer any questions client may have	13	12	14	12
Discuss tax preparation/tax issues/new tax laws	8	8	5	10
Verify/confirm all info/review return with client/give clients results	8	11	7	7
Client comes and picks up return	7	8	9	5
Discuss future/year end tax/financial planning advice	6	6	8	5

Contact With Typical Client (Cont'd.)

- **Following are some verbatim responses from Preparers about what contact with a typical client involves:**
 - *“Contact is mainly for the completion of their tax return. They send all their information in January and we do everything before they get here. They come in and sign the forms.”*
 - *“The client shows up for the appointment with all the paperwork, W-2’s, last year’s returns.”*
 - *“They come by to sign it, take it, and pay me.”*
 - *“They come, sit down, ask questions, talk about any changes from the previous year like family status, house buying, etc. They give their forms to me.”*
 - *“I prepare his taxes with all his documents while he is there with me personally, so I can ask any questions to verify all information is correct or about any changes.”*
 - *“People are concerned about estimated taxes, financial situation to lower their tax liability, ask about tax law changes that affect them.”*

The Typical Tax Return Preparation Day

- We probed Preparers on what the return preparation day is like with a typical Taxpayer. The top-response summary below provides a glimpse of that day. What's interesting here is how much V-Coding Non-Users emphasize the amount of work tax prep and the tax season involves for them -- selling *e-file* as a way to "reduce the stress and work of tax season" may be possible conversion message for this group.

Base: Total Respondents

	V-Coding Non-User Preparers 75 %	Lower <i>e-file</i> Usage Preparers 75 %	Higher <i>e-file</i> Usage Preparers 75 %
<u>What Is The Actual Day Like? What Happens?</u>			
<u>Organizing Client Information (Sub-Net)</u>	33	39	52
Client provides all necessary tax information/statement files	19	16	29
Client drops off/Sends in necessary tax information	13	13	8
<u>Miscellaneous Procedure Mentions</u>			
File taxes/Fill out return/Do taxes while client is there	31	40	47
Client comes to the office/See client/Meet with clients/Work with client	28	41	40
Enter information in the computer	23	33	23
Verify/confirm all info/review return with client/Give client results	25	24	13
Answer questions client may have/Call client for questions/Return client's calls	15	17	15
<u>Time Spent (Net) -- Mainly: Work from morning to midnight 7 days a week</u>	33	19	17
<u>All Mentions Of Number of Clients Seen (Net)</u>	9	11	11
<u>It's a Horror/Crazy/Mad house/Hectic</u>	8	9	1

The Typical Tax Return Preparation Day (Cont'd.)

- **Following are some verbatim responses from V-Coding Preparers about what the typical tax return preparation day is like:**
 - *“It’s a horror. Clients come in and give me stuff. I enjoy it but it’s a horror. From morning till night clients come in.”*
 - *“The madhouse begins at 8:30 or 9:00.”*
 - *“The phone and the doorbell are ringing. [It’s] very hectic. Clients are waiting at 8:00 or 9:00 pm every day except Sunday.”*
 - *“It’s chaos. The phone is constantly ringing, faxes, e-mails.”*
 - *“[It] starts early and ends late. One-hundred hour weeks. I leave my house at 7 and come home at 11:00 p.m.”*
 - *“I sit with people all day long. I prepare returns all day, at night and on weekends.”*
 - *“It’s hell.”*

The Typical Tax Return Preparation Day

- When we asked Preparers how they/clients prepare for a return prep session, most talked about what the client does in collecting and organizing their tax information. Only about one-third said they review a client's situation in advance -- though it's notable that the V-Coding Non-Users report that they do more in terms of preparation for individual clients (while Lower-Usage Preparers seem to do less, aside from "setting up the computer").

Base: Total Respondents

V-Coding Non-User Preparers	Lower <i>e-file</i> Usage Preparers	Higher <i>e-file</i> Usage Preparers
75 %	75 %	75 %

What Do You Or The Client Do To Prepare For That Day?

Collection/Organization Of Information (Sub-Net)

Clients gather their information/documents (unspecified)	40	24	25
Clients gather forms (i.e., W2's, 1099, etc.)	20	17	33
Clients fill out/complete their tax organizer	7	12	13
Client is informed of what information is needed	8	16	9

Miscellaneous Procedure Mentions

<u>Send clients an organizer/Tax organizer</u>	23	17	16
Review rules regarding deductibles/expenses/capital gains	7	4	11

Review Client's Folder/Last Year's Return (Net)

Set-Up Computer For Client's Information/Session (Net)

Attend seminars/Courses/Study

41	25	31
15	23	11
9	5	-

The Typical Tax Return Preparation Day (Cont'd.)

- Even though the V-Coding Non-Users were more likely to stress the amount of work involved and reported doing more in terms of preparation for individual clients, their self-reported average time spent in a typical tax prep session with a client was about the same as that of the Low-*e-file*-Usage Preparers. The Higher-Usage Preparers reported spending about 10 minutes less per return.

	V-Coding Non-User Preparers	Lower <i>e-file</i> Usage Preparers	Higher <i>e-file</i> Usage Preparers
Base: Total Respondents	75 %	75 %	75 %

How Long Is The Typical Tax Preparation Session?

<u>Hours (Net)</u>	<u>55</u>	<u>60</u>	<u>39</u>
1 hour	19	27	23
1 hour to 1 1/2 hour	8	4	3
1 and 1/2 hour	5	5	3
All other hours mentions	15	13	7
<u>Minutes (Net)</u>	<u>44</u>	<u>40</u>	<u>59</u>
30 minutes/half hour	8	9	11
30 minutes to 1 hour	8	4	4
45 minutes	4	5	9
All other minutes mentions	15	8	17
<u>Mean/Average Length Of Typical Tax Prep Session</u>	<u>59.1</u>	<u>60.0</u>	<u>49.9</u>

The Typical Tax Return Preparation Day (Cont'd.)

- Following is a coded summary of the leading topics discussed by Preparers and their clients during the tax prep session. The session is dominated naturally by discussions of income and deductions, tax law changes, etc. However, about one-third of the target Preparers say they also offer financial advice during these sessions.

	Total Preparers <u>Targets</u>	V-Coding Non-User <u>Preparers</u>	Lower <i>e-file</i> Usage <u>Preparers</u>	Higher <i>e-file</i> Usage <u>Preparers</u>
Base: Total Respondents	225 %	75 %	75 %	75 %
<u>And What Topics Do You Discuss?</u>				
<u>Income & Deductions (Net)</u>	<u>68</u>	<u>60</u>	<u>67</u>	<u>77</u>
Income/Sources of income	23	29	23	16
Deductions/Deductibles	17	19	17	16
Children/Kids/New children	14	7	17	19
Dependents	12	8	12	17
Other topics (less than 10% mention each) were: employment status, marital status, EITC, CTC, charitable contributions, expenses				
<u>Other Tax-Related Information (Net)</u>	<u>59</u>	<u>68</u>	<u>49</u>	<u>60</u>
New tax changes/Tax law changes	14	11	15	16
Other mentions (less than 10%) were: Filing status, information to be put on 1040/Line-by-line, Paperwork/Documents, How to save money, last year's taxes/return, refunds				
<u>Financial Advice (Net)</u>	<u>36</u>	<u>33</u>	<u>33</u>	<u>40</u>
Includes: investments, mortgage rates, retirement/retirement planning, real estate, financial planning, and stocks/stock market				

The Typical Tax Return Preparation Day (Cont'd.)

- The V-Coding Non-Users are less likely than either e-file User group to discuss filing methods with their clients. In particular, they appear to avoid discussions of method options generally and e-file specifically, as many say they do not e-file. The e-file using Preparers are more proactive about e-file, especially the Higher-Usage group.

	Total Preparer Targets	V-Coding Non-User Preparers	Lower e-file Usage Preparers	Higher e-file Usage Preparers
Base: Total Respondents	225 %	75 %	75 %	75 %
<u>Do You Talk To Your Clients About Different Filing Methods?</u>				
<u>% Who Say They Talk to Clients About Different Filing Methods</u>	94	83	99	100
<u>% Discuss Filing Methods Before Preparing Return (Net)</u>	29	12	40	35
Talk about electronic filing before the preparation session	17	7	28	16
Mail out fliers/Letters explaining different methods	5	1	5	10
<u>% Discuss Method During Preparation Of Returns (Net)</u>	25	13	33	29
Talk about e-file during the preparation session (unspecified)	16	9	23	15
We push for e-file/Discuss advantages of e-file/I tell them to e-file	7	-	9	11
<u>% Discuss Methods After Preparation Of Returns (Net)</u>	13	5	21	12
We talk about electronic filing after the session (unspecified)	10	3	20	8
Depends on the client/Their needs	12	1	19	15
I don't give them the option/choice/We only file one way	9	24	-	3
We file everything electronically	6	-	-	19
I push e-file whenever possible	6	-	-	17
We don't e-file/Don't discuss it with clients because we don't e-file	4	11	-	-

The Typical Tax Return Preparation Day (Cont'd.)

- **About 90% of each Preparer group said they use the tax return prep session to plan the client's next-year taxes. They generally have this discussion either as the prep session is underway or afterward.**

	Total Preparer Targets	V-Coding Non-User Preparers	Lower <i>e-file</i> Usage Preparers	Higher <i>e-file</i> Usage Preparers
Base: Total Respondents	225 %	75 %	75 %	75 %

Do You And Your Client Plan For Next Year's Taxes In Any Way?

<u>Plan For Next Year's Taxes (Net)</u>	<u>91</u>	<u>95</u>	<u>87</u>	<u>91</u>
<u>Topics Discussed (Net)</u>	<u>57</u>	<u>56</u>	<u>49</u>	<u>65</u>
Estimated taxes/Estimated payments	12	13	15	7
Project next year's numbers/Set up estimates of next year's taxes	8	8	11	7
Make some suggestions on how to reduce tax liability/Tax planning	8	8	7	11
Changes in tax laws	6	8	4	7
Suggest what to do if any of their circumstances changes	5	7	5	3

And, If You Plan For Next Year, Do You Do It Before, During, Or After The Preparation Session?

<u>Total Mentioning Specifically When Conversation Occurs (Net %)</u>	<u>60</u>	<u>65</u>	<u>61</u>	<u>52</u>
Before	4	8	1	4
During	20	25	23	13
After	29	27	29	32

Impact Of EITC & CTC On The Return Preparation Process

- Preparers with EITC or Child Tax Credit clients say that the return preparation process does differ when these credits are involved. They have to be more concerned about qualifications and verification of information and as a result, some say this lengthens the tax prep session.

Base: Total Respondents With Clients Who Claim...	<u>EITC</u> 213 %	<u>CTC</u> 223 %
<u>Return Prep Process Differs When Client Claims...</u>	<u>87</u>	<u>82</u>
<u>Qualifications (Net)</u>	<u>60</u>	<u>63</u>
Computer automatically tells you if they qualify/Software comes with EITC	27	46
Check information to see if they qualify/Use checklist/worksheet	22	-
Depends on income	9	-
No one is guaranteed to qualify/May or may not qualify	7	-
Have to have SS# or school ID	6	-
Depends on age of the child	4	6
Make sure the client qualifies	-	6
Depends on if the child is under 17	-	6
<u>Have To Verify Information</u> (Income/Child/Birthdates/SSNs (Net))	<u>11</u>	<u>22</u>
<u>Process Is Longer/More Detailed (Net)</u>	<u>22</u>	<u>9</u>
More questions/forms	18	-
Extra form to fill out	-	5
Collect more information	1	2

Preparer Perceptions Of Client Involvement In Return Prep

- Looking at client involvement and filing method decision-making, we see that the vast majority of Preparers report at least some client involvement in return prep (with Higher-Usage Preparers reporting more client involvement). Most of the two User groups say they leave the filing method decision to their clients (and that the decision varies by type of client), while the V-Coders appear to closely control the method decision and steer the client away from e-file.

Base: Total Respondents

	V-Coding Non-User Preparers	Lower e-file Usage Preparers	Higher e-file Usage Preparers
	75 %	75 %	75 %
<u>How Involved Are Clients, In General?</u>			
Very Involved	24	25	39
Somewhat Involved	49	48	43
Not Very/Not At All Involved	17	23	16
<u>Who Makes The Decision On Filing Method?</u>			
Preparer Generally Makes Decision	65	9	19
Client/Taxpayer Generally Makes Decision	20	59	47
Discuss It And Mutually Decide	15	32	35
<u>Does Decision-Making Vary By Type Of Client? If So, How?</u>			
Always file/prefer to file via paper/don't e-file/don't offer option	55	4	3
We only provide recommendations	17	1	1
Clients make the decision/up to the clients	11	32	24
e-file users want a faster refund	15	41	27
People who owe money/have complex return don't e-file	1	19	25
Older people like to mail it in because they don't trust computers	5	9	16

Preparer Perceptions Of Level Of Client Trust

- Naturally, Preparers say that clients have high trust in them (especially the V-Coding Non-Users), with this belief based mainly on repeat business and a good word-of-mouth.

	V-Coding Non-User Preparers	Lower <i>e-file</i> Usage Preparers	Higher <i>e-file</i> Usage Preparers
Base: Total Respondents	75 %	75 %	75 %
<u>Do You Think Clients Trust You...</u>			
Completely	61	56	49
Very Much	36	44	48
Somewhat/Not Very Much/Not At All	1	-	3
New Base: Total Saying Clients Trust Them Completely	(46)	(42)	(37)
<u>What Gives You That Impression Client Trust You Completely?</u>			
They come back/Are repeat clients/Wouldn't come back if didn't trust me	50	62	57
Referrals/Word of mouth/Old clients bring me new clients	22	14	35
I have a good retention rate/Little client turnover	15	12	5
They ask me to make the decisions for them/Rely on my advice	11	10	5
They told me "I trust you"	7	7	8
They trust my experience	4	10	5

Why Not Use *e-file*? / Why Not Use It More? / Why Others Don't

- We asked Preparers why they either: don't use *e-file* (asked of V-Coding Non-Users), why they don't use it more (Lower Usage Preparers), or why other Preparers don't use it (Higher Usage Preparers). On this and the next page, we see the top barriers -- too difficult/time-consuming, lack of confidence, and cost.

Base: Total Respondents	V-Coding Non-User Preparers	Lower <i>e-file</i> Usage Preparers	Higher <i>e-file</i> Usage Preparers
	75	75	75
	%	%	%

Why *e-file* Is Not Used/Not Used More

Too Difficult/Time-Consuming

e-file too time-consuming – takes time to learn/Takes more time to process
 Software too difficult
e-file is too much to learn/Too difficult to learn
e-file adds to my workload/Have enough to deal with already
e-file is too much trouble (unspecified)
 Too many problems

<u>41</u>	<u>13</u>	<u>40</u>
19	8	12
7	-	25
11	-	19
15	5	8
12	4	7
3	-	-

Lack Of Confidence

Lack of confidence in the security of the system/The technology
 Lack of confidence in the reliability of the system/Technology
 Lack of confidence in computers and technology in general

<u>27</u>	<u>13</u>	<u>43</u>
24	8	20
20	7	7
4	4	25

Too Costly

Too much cost/Cost (unspecified)
 Cost of software is too much
 Cost of transmission too high

<u>21</u>	<u>33</u>	<u>33</u>
15	24	20
9	5	17
8	9	11

Why Not Use *e-file*? / Why Not Use It More? / Why Others Don't

- Another major reason is clients not asking for it, especially among Lower-Usage Preparers. Emphasizing the growing number of Taxpayers now using *e-file* might be a selling point to that group.

Base: Total Respondents	V-Coding Non-User Preparers	Lower <i>e-file</i> Usage Preparers	Higher <i>e-file</i> Usage Preparers
	75 %	75 %	75 %
<u>Why <i>e-file</i> Is Not Used/Not Used More</u>			
<u>Clients Don't Ask For It/Don't Have Confidence In It</u>	20	60	33
My clients don't ask for it/Don't want it (unspecified)	13	40	8
Clients don't have confidence in it yet	4	12	8
Bal Due Clients have no interest in it	4	12	1
Clients don't want to pay a fee	-	12	5
Older generation not comfortable with it	1	1	12
<u>Registration/Application</u>	13	-	7
The application process is too difficult/Tricky	12	-	3
Am not registered/Not an ERO	4	-	4
<u>Signature Form 8453OL/Reject Issues</u>	13	11	3
<u>Not Interested/Don't Know Enough/Taking A Wait & See Approach</u>	12	3	15
<u>Lack Of Access</u>	9	1	19
Don't have/Don't have access to the computer hardware	5	-	13
Don't have/Don't have access to the software	5	1	9
<u>Just learning how to do it/First time doing it</u>	-	12	-

Probing Further Among V-Coding Non-Users

- At this point in the interview with V-Coding Non-Users, we probed further on why they prepare a return on computer but then do not transmit it electronically. When we asked directly why they “don’t take that next step”, we heard that it’s due to lack of demand (*though we learned earlier that they’re controlling “demand”*), along with lack of convenience, lack of time to learn, cost, and in some cases, qualification problems.

Base: Total Respondents

Total
V-Coding
Non-Users
75
%

What Keeps V-Coders From Taking That Next Step?

Don’t get a lot of request for it/Clients don’t ask for it	28
<u>It’s Not Convenient/Involves Extra Work (Net)</u>	24
Need extra paperwork just to be an <i>e-file</i> provider/It’s extra work	6
Easier to mail it in/Do it on paper	4
Hassle/Nuisance (unspecified)	4
People have to come back to the office to sign	3
Don’t Have Time To Learn It (Net)	23
It Costs Money/Increases Our Costs & Costs To Clients (Net)	19
Qualification Problems -- e.g., IRS rejected our request to <i>e-file</i>/waiting to qualify	16
Security Concerns -- Don’t Feel Safe Using It (Net)	13
Don’t know how it works/Haven’t learned it	8
Past experiences/Bad experiences/Had problems with it	7

Probing V-Coding Non-Users (Cont'd.)

- We also asked V-Coders whether they are aware that *e-file* usage is growing and for their reaction to the fact that the estimated number of 2003 users was 52 million. Responses showed that they're aware of *e-file's* growth and that about half are impressed by the level of current usage while the other half remain resistant to *e-file*. Emphasizing the number of current users would seem to help persuade this group (as well as the Lower-Usage Preparers, as noted earlier).

Base: Total Respondents

Total
V-Coding
Non-Users
75
%

Percent Who Said They Were Aware That *e-file* Usage Is Growing

100

IRS Estimates # Of *e-file* Returns This Year At 52 Million. What Do You Think Of That?

Positive Reactions (Net)

- It's the way of the future
- It's a lot of returns/people
- I need to start doing it
- It's impressive

47
12
9
5
4

Neutral Reactions (Net)

- It's great if the system works and helps the IRS
- Doesn't affect me/I don't care
- It has not been requested by my clients

52
17
12
4

Negative (Net)

- I think the government overestimates
- If you have complicated returns, it's difficult

21
8
5

Probing V-Coding Non-Users (Cont'd.)

- About two-thirds of the V-Coding Non-Users said they were aware that most other Preparers are now using e-file, but using this approach to stimulate conversion does not appear to have high value -- it seems to provoke annoyance and a sense of being pushed into usage of e-file and it tells them that they're "behind the curve".

Base: Total Respondents	Total V-Coding Non-Users 75 %
<u>Over Half Of All Preparers...Using e-file. Where You Aware Of This?</u>	
Yes, Aware	61
<u>What Do You Think Of That?</u>	
<u>Positive Reactions (Net)</u>	<u>32</u>
Great/good/fantastic/wonderful	13
All other positive mentions	8
Good for the IRS	3
<u>Neutral Reactions (Net)</u>	<u>45</u>
Doesn't affect me/I don't care	11
I'm behind the curve	9
If it's the future, I'll have to do it	7
Good for simple returns, but not complex returns	7
<u>Negative (Net)</u>	<u>21</u>
e-file is not better for my clients	5
IRS is forcing us to do it	4
Miscellaneous other negative reactions (all less than 2%)	15

Probing V-Coding Non-Users (Cont'd.)

- Asked what it would take for the IRS to convince them to move to electronic tax filing, almost all V-Coders had suggestions -- the top ones being: make it easier/less complicated, address the cost issue, stop accepting paper/mandate e-file, reduce the cost involved, and prove that it's safe. The more important of these was the need for an "easier/less complicated" *e-file* and it is connected to the "too difficult/time consuming" mentions we saw earlier from this group. The IRS needs to address this "too complex/too difficult/too time-consuming" perception among V-Coders.

Base: Total Respondents

Total
V-Coding
Non-Users
75
%

What Would It Take For The IRS To Convince You To Move To e-file?

Total With Suggestions

97

Make It Easier/Less Complicated (Net)

36

Make it simpler/Less time consuming

20

Lift the restrictions

13

Less data entry

7

When they stop accepting paper returns and make e-file required/mandated

20

Reduce the price/make it free

12

Prove that it's safe

11

Clients have to want it

9

Pay me to e-file

7

Probing V-Coding Non-Users (Cont'd.)

- **Below are some of the verbatim responses to the “what would it take” question which express V-Coders’ main needs.**
 - ◆ *“Make the rules and regulations a lot simpler.”*
 - ◆ *“Look, the book of rules for e-file is about 3” thick. That’s way too much to sort through.”*
 - ◆ *“Reduce the costs. The e-file fee that we have to pay has to be passed on to the clients -- they don’t like that.”*
 - ◆ *“Make it mandatory. It’s not that we’re really afraid, it’s that we’re lazy to even begin it.”*
 - ◆ *“Give me a level of reassurance that the data won’t be corrupted. That you would have [confirmation] that things were transmitted and received... What if things get lost, if there are problems?”*
 - ◆ *“We actually signed up for it last year, and the information package we received was not helpful at all, so we decided not to do it.”*
 - ◆ *“It’s not a question of convincing clients, some of my clients don’t want it. Other clients say they can’t e-file because of a complicated return.”*
 - ◆ *“Compensate us. They’re saving money, not us. We should have a monetary incentive, and don’t force it down someone’s throat.”*

Probing V-Coding Non-Users (Cont'd.)

- Surprisingly, almost 9 out of 10 of the V-Coders here said they think they will start using e-file, and over half said they would start "next tax season". However, keep in mind that these V-Coders were aware of IRS sponsorship of the survey and they might be overstating their intended usage -- the resistance to usage that we saw in other question areas would suggest that conversion of this group will take longer than they say here.

Base: Total Respondents

Total
V-Coding
Non-Users

75
%

Do You Think That You Will Ever Start Using e-file?

Yes

88

No

9

Don't Know/Never Thought About It

3

When Do You Think That Might Be?

Specific Times (Net)

70

Next tax season

55

In 2 years

6

Maybe 3-4 years

5

When it's mandated

15

One day (unspecified)

5

When clients ask for it

5

All other miscellaneous mentions

12

Don't know

3

Probing V-Coding Non-Users (Cont'd.)

- In our final probe of V-Coders, we asked if their clients ever ask about e-file and what they tell them. 89% say they are asked about *e-file* (which may indicate that there's more demand from their customers than they indicated earlier) and when they are asked, they tell clients mainly that they don't offer it (but will soon), and if necessary, the client can go elsewhere for *e-file*.

Base: Total Respondents

Total
V-Coding
Non-Users
75
%

Do Any Of Your Clients Ever Ask You About e-file?

Yes	89
No	11

And What Do You Tell Them About e-file?

I tell them...

<u>Positive (Net)</u>	25
It's good for quick returns/Get their money faster/Quicker	19
It produces fewer technical errors than paper	3
<u>Neutral (Net)</u>	54
I will eventually offer it/next year, in the future/available soon, but not yet	24
Can go to someone else who e-files -- H&R Block or others	21
<u>Negative (Net)</u>	60
I don't e-file/Don't offer it	42
e-file costs more money	9
Client's/Your return is too complex	9

Probing Further Among Lower- and Higher-Usage Preparers

- For the *e-file* Users (Lower-Usage and Higher-Usage Preparers), we had a different set of probes. The first asked if type of return affected their use of *e-file* (in the case of Lower-Usage) or the lack of use by other Preparers (in the case of the Higher-Users). About one-third of each group said return type does affects usage, with notable mentions of *e-file* not being appropriate for Bal Dues and Low-Interest Taxpayers (especially among Lower-Usage Preparers), Businesses (among Higher-Usage Preparers) and Complex returns (among both groups).

	Lower Usage Preparers	Higher Usage Preparers
Base: Total Respondents	75 %	75 %
<u>Does Type Of Return Handled By Preparers Affect Lack Of Use Of <i>e-file</i>?</u>		
Yes	31	32
No/Don't Know	69	68
<u>What Types Of Returns Are (You) (Non-Users) Not <i>e-filing</i>?</u>		
People who owe money/have to mail a check don't want to <i>e-file</i>	28	15
People getting small refunds don't want to <i>e-file</i>	5	3
People who can wait for their refunds	4	7
Clients who are not interested in <i>e-filing</i>	23	-
Complex returns	11	15
Elderly/Older people	9	7
People who aren't comfortable with technology for security reasons	8	8
People who have a lot of additional forms/Multiple schedules attached	4	8
Corporations/Businesses less likely to <i>e-file</i>	3	17
Wealthier clients are less likely to <i>e-file</i>	1	5

Probing Lower-Usage and Higher-Usage Preparers (Cont'd.)

- We asked the Lower- and Higher-Usage Preparers what it would take to get them (or other Preparers) to e-file or e-file more often. The main suggestions were similar across the two groups, with top mentions being “convince the Taxpayer”, “provide benefits/incentives”, “make it easier/less complicated”, “reduce the cost”, and provide “more advertising, promotion, and education”.

	Lower Usage Preparers	Higher Usage Preparers
Base: Total Respondents	75	75
	%	%
<u>What Do You Think It Would Take For The IRS To Convince (You) (Non-Users/Lighter-Users) To Use e-file (Use It More)?</u>		
<u>It's up to the client/Need to convince the taxpayer</u>	28	11
<u>Provide Benefits/Incentives (Net)</u>	23	29
Compensate Preparers/Provide bonus/Pay them to e-file	5	19
Give Taxpayers a credit	8	7
Give us/them the software for free/Software is too expensive	-	5
<u>Make It Easier/Less Complicated (Net)</u>	21	21
Eliminate signature requirement	8	-
Reduce extra steps needed to e-file	7	4
Tell them it is easy	-	7
<u>Reduce Cost/Make It Free (Net)</u>	20	23
<u>More advertising/Promotion/Education</u>	13	27
Make it mandatory	5	12
Emphasize faster refunds	3	9

Probing Lower-Usage and Higher-Usage Preparers (Cont'd.)

- In our final probe of Users, we also asked if their clients ever ask them about *e-file* and what they tell them. Virtually all Lower-Usage Preparers and three-fourths of Higher-Usage say they are asked about *e-file* (with Higher-Usage Preparers more likely to be *e-filing* by rote). When asked, both groups are overwhelmingly positive, talking about *e-file's* "speed", "ease/convenience", "availability", "accuracy", and "security".

	Lower Usage Preparers	Higher Usage Preparers
Base: Total Respondents	75 %	75 %
<u>Do Any Of Your Clients Ever Ask You About <i>e-file</i>?</u>		
Yes	95	77
No	5	23
<u>And What Do You Tell Them About <i>e-file</i>?</u>		
<u>Positive (Net)</u>	90	97
Speed	55	76
Ease/Convenience	31	32
It's available here/We can do it	31	7
Accuracy	16	31
Security	16	35
I tell them it's a great/good way to file	9	13
I explain what <i>e-file</i> is	7	13
<u>Neutral -- tell them about its advantages & disadvantage (Net)</u>	16	12
<u>Negative -- tell them about its cost/price (Net)</u>	25	4

Among All Preparers: Benefits Of *e-file*

- The single most important benefit of *e-file* was “speed” (and this was mainly “refund speed” -- except to the Higher-Usage Preparers, who also had high mentions of “speed of submission” and “speed of acknowledgement”). Other top benefits were “accuracy”, being “paperless”, and notably for just the Higher-Usage Preparers, “ease of use” for both the Taxpayer and Preparer.

	Total Preparer <u>Targets</u>	V-Coding Non-User <u>Preparers</u>	Lower <i>e-file</i> Usage <u>Preparers</u>	Higher <i>e-file</i> Usage <u>Preparers</u>
Base: Total Respondents	225	75	75	75
	%	%	%	%
<u>Benefits Of <i>e-file</i></u>				
<u>Speed/Faster (Net)</u>	87	77	91	93
Speed in refund	76	67	80	80
Speed in submission of return	28	16	21	48
Speed of acknowledged receipt of the return	19	5	12	40
<u>Accuracy (Net)</u>	45	29	41	63
It's a more accurate way to file	33	20	28	49
Not as many errors	20	16	20	23
Eliminates IRS transcription errors	12	7	13	15
Not as many problem returns	9	3	12	11
<u>It's Paperless</u>	42	37	37	51
<u>Ease Of Use</u>	36	13	25	69
It's easier for me/the Preparer	24	7	12	52
It's easier for the client	18	7	8	39
It's easier to input client data electronically than to transcribe by hand	8	3	3	17
No postage/Saves on postage	13	12	9	17
Security	11	3	11	19

Among All Preparers: *e-file* Information Sources

- Finally, we asked all Preparers where they would go for information about *e-file* and about their visits to irs.gov. As we saw in the Preparer Attitudinal Study, the IRS website was, by far, the primary source of *e-file* information in each segment (highest among the Higher-Usage Preparers). We also saw that, the greater the use of *e-file*, the greater the frequency of visits to irs.gov.

Base: Total Respondents	Total Preparer Targets	V-Coding Non-User Preparers	Lower <i>e-file</i> Usage Preparers	Higher <i>e-file</i> Usage Preparers
	225	75	75	75
	%	%	%	%

If Looking For Information About *e-file*, Where Would You Go?

IRS.gov/The IRS' Website	66	65	57	76
Trade Pub/Trade Magazine/Publication, Magazine Of An Organization	8	9	8	7
Call IRS	8	7	5	11
A Book	5	3	5	7
Another Preparer/Co-Workers	5	9	4	5
Mail	3	4	4	1
Tax software	3	3	1	4
Local IRS office	3	1	3	4
IRS (unspecified)	3	3	3	3
The Website Of My Trade Association/Organization	2	1	1	3
Seminar	2	5	-	-

<u>Among Those Ever Visiting irs.gov, Average # Visits Per Week</u>	<u>5.2</u>	<u>3.5</u>	<u>4.8</u>	<u>7.4</u>
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**De-Brief Of Russell's 1-On-1
Interviewers On The Nature
Of The Taxpayer-Preparer
Relationship**



Interviewer Impressions Of The Taxpayer-Preparer Relationship

- **One of the objectives of the study was to develop a better understanding of the nature of the Taxpayer-Preparer relationship. In addition to exploring this issue in the detailed survey measures earlier, Russell Research assembled its qualitative staff of 10 interviewers who conducted these one-on-one interviews and de-briefed them about their own impressions of that relationship.**
 - While the Taxpayers in this study represented just a minority of total Taxpayers (POS e-file Rejectors only) and the Preparers represented most but not all Preparers (just the e-file Users and V-Coders -- the non-V-Coding Non-Users were excluded), results of the study still provide insights into the Taxpayer-Preparer relationship.
 - Across the 150 one-on-one interviews with this particular Taxpayer segment and the 225 interviews with Preparers, we see a strong common thread: that the relationship is built on trust stemming from a foundation of respect, teamwork, and often a long relationship between the Preparer and the Taxpayer or even the Taxpayer's family. The relationship is, to be sure, mainly a casual one, but it is still closer than most business relationships, with Taxpayers relying heavily on the expertise of the Preparer and a sense of trust that their Preparer is working in their best interest. There were notable variations though, with a more personal bond evident between Taxpayers using a smaller, independent Preparer as opposed to a Preparer in a larger chain. With a small-firm Preparer, the relationship is often one of closer friendship, while with a larger firm or chain, the trust is still there but the dynamic is more professional, more "corporate", and not as close. Following are some of the observations of each interviewer when we put to them the question: "what is the nature of the Taxpayer-Preparer relationship?"

Interviewer Impressions (Cont'd.)

- ◆ Interviewer #1 -- It's mainly a casual relationship, but I found that many of the Taxpayers I talked to said they had gone to the same Preparer for most of their working life. In talking to Preparers, I also heard that the client's entire family and sometimes past generations of the same family came to them for tax advice and return preparation. A few of these relationships extended outside of the office, with some Preparers being neighbors, friends, sometimes even family.
- ◆ Interviewer #2 -- In general, the Taxpayers I spoke with were very trusting of their Tax Preparers -- especially if the Preparer was an independent, small company type. Their general feeling about their Preparer was that this was someone they could respect, trust, and rely on. This relationship seems to start on a professional level and progresses through the years as both parties work together and come to know each other.
- ◆ Interviewer #3 -- Most of the time, the Taxpayers had absolute trust and confidence in their Preparers. Their Preparer's advice is respected and welcomed and they feel like the Preparer is a part of their "team". It was interesting, in smaller communities, the relationship seemed more personal than in larger areas. The same held true for different sized Preparers -- the smaller the firm, the more personal the relationship seemed to be.
- ◆ Interviewer #4 -- I found that most Taxpayers see their Preparers as people who are knowledgeable and trustworthy. When asked to complete the sentence, "My Tax Preparer is someone who...", at least every other response seemed to be "someone I can trust". But the relationship ranged from those who had very involved relationships (calling their Preparer frequently for advice/guidance) to those who saw their Preparer only once a year. Across all, though, there seemed to be very high trust.
- ◆ Interviewer #5 -- The Taxpayers I talked with almost always described their Preparer as a knowledgeable, helpful, and trustworthy individual. They also felt confident that the Preparer would get them what was due back to them. Many Taxpayers said they go to the same Preparer over many years.
- ◆ Interviewer #6 -- The relationship between the Taxpayer and Preparer did not seem to go so far as being a "best friend" relationship, yet it was a relationship built on the payer's trust in the professional. And it seemed rare to find a Taxpayer who did NOT say that their relationship with their Preparer had evolved positively over time.

Interviewer Impressions (Cont'd.)

- ◆ Interviewer #7 -- *I found the relationship between the Preparer and the client to be very personal (sometimes the Preparer will describe clients as “like family”). Many Preparers stated that they represent the client’s best interest while maintaining their own integrity in executing tax laws, and if they had any problems or questions, the Preparer would phone the IRS right in front of the client. This thing of integrity seems important to most of the Preparers I talked to. That’s why they say they confirm and verify information and make sure client’s have proper ID, birth certificates, social security cards, etc.*
- ◆ Interviewer #8 -- *“The relationship between the Tax Preparer and Payer goes past just being a business arrangement. Many Preparers told me how they start their appointments talking to their clients about children and other milestones in their lives and that they do this because they are both interested and want to have a full understanding of the client’s situation. Some say clients actually confide very personal matters to them. Many of those I interviewed told me that they are in contact with their clients several times throughout the year. They notify clients on tax law changes and how they can take advantage of positive changes and how to help in negative situations. And some send information to clients towards the end of the year to prepare them for the following filing season, or they will phone a client.*
- ◆ Interviewer #9 -- *I think you can sum up the Tax Preparer’s relationship with the Payer by saying that the Preparer knows he or she is seen as all-knowledgeable about tax laws and rules -- what’s acceptable and what’s not. -- and honors that trust. Once the trust is there, the relationship just continues to grow to the point where many Taxpayers rely on the Preparer to not only do their taxes correctly but make the right financial decisions on their behalf.*
- ◆ Interviewer #10 -- *According to the Tax Preparers, the nature of their relationship with the Taxpayers who come to them is basically a close-knit one. Many stated most of their clients are “like family”. They come back year after year. They keep in touch throughout the year. For the most part, the Preparers seem to truly like, enjoy, and respect their clients. Many clients bring in photos of family, etc. Some pride themselves in the fact that they do not need to advertise because most of their clients come back year after year. Clients also highly recommend them to new clients.*