

Final Report

The 2004 Customer Satisfaction Survey For Information Return 990/990EZ e-file

*The Return Of Organizations
Exempt From Income Tax*

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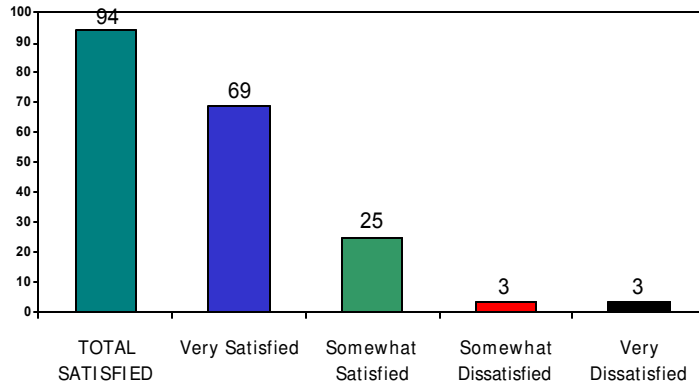
Background, Objectives, Method & Sample Size

- **As e-file products come on line, IRS conducts customer satisfaction research for each product.**
 - **Information Return 990/ 990EZ**, the *US Return of Organizations Exempt From Income Taxes*, is one of the products that can now be e-filed. The advantages of 990/990EZ e-file are its convenience, fast acknowledgment of receipt, and its allowing exempt organizations to file a 990 at a single location using a multi-purpose form. In addition, tax preparation is automated with software that calculates and highlights needed forms/schedules; there are easily understandable error messages; information is quickly available to IRS Customer Service sites; and it provides quick processing, fewer risks of transcription errors, low error rates, and tax information is secure, with only authorized users having access to the system. Any exempt entity who files a 990/990EZ may participate. Tax professionals who plan to participate must complete a new or revised Form 8633, *Application To Participate In The IRS e-file Program*.
- **The purpose of the research was to gauge User satisfaction with Return 990 e-file and look for ways to increase usage among Non-Users; and to provide IRS with quantitative data and analysis to use in making policy decisions related to this return as it moves toward its 80% e-file usage goal.**
- **The survey was conducted in November, 2004, via telephone from Russell's national field facility in Wayne, NJ, with respondents drawn from IRS lists of 990 e-file Users and Non-Users.**
- **The sample consisted of 377 interviews conducted among 990/ 990EZ preparers...**
 - 77 with 990 preparers who are **Users of 990 e-file** (65% of whom were *external* Preparers answering for themselves).
 - And 300 with 990 preparers who are **Eligible Non-Users of 990 e-file** (60% *external* Preparers answering for the filing entity).
 - Sampling Notes: 1) the IRS list used to screen respondents for the User cell was too small to yield a larger ending sample size – as the program grows, future User samples will increase to a more readable target level; 2) neither the User nor Non-User lists separated 990 from 990EZ usage, so Users were asked about the 990 return generally, while Non-Users were asked which they use and then to talk about that specific product – 80% were 990 return users (the rest 990EZ), which is roughly in line with the 75%-25% natural split in usage.

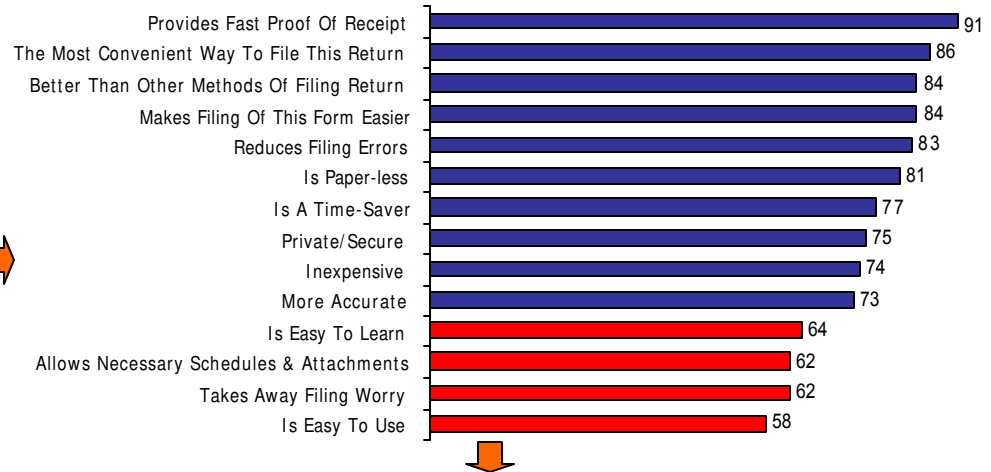
Key Findings

Key Findings From 2004 990/ 990EZ e-file Customer Satisfaction Survey

990/990EZ Satisfaction Is On Par With Other Business e-file Products, Where “Very Satisfied” Averages 70 %



Ratings (in Red) Show Several Points Of Lower Satisfaction



Meanwhile, Among Non-Users, We Learned That...

1. With the product so new, only about 2/3^{rds} of Non-Users are aware of their eligibility to use it – significantly lower than we usually find among Non-Users of Business e-file products. This lack of awareness was reflected in product ratings. However, after hearing the concept of the product, 70% say they're likely to use it – a comparatively strong interest rating.
2. Main stated reasons for non-use were lack of knowledge of the product, followed by lack of demand, software cost/lack of software support, and concern about added work. It's clear that software will be a major barrier to use – with 61% either not using software or using software that is not e-file capable.
3. Assuming the software issue is resolved, e-services should help with this group – 66% say it would make them switch to e-file.
4. Finally, the preferred method of IRS communication with Non-Users is via Mail, while Users prefer electronic communication.



So There Is Clearly Room For Improvement

In addition to the lower ratings above, especially on Ease Of Learning and Ease Of Use, 39% of Users said that 990/990EZ e-file can be improved, mainly through better software, easier Fed-State e-filing, more training/demos, easier data entry, and acceptance of more forms

In Other Learning Among Users...

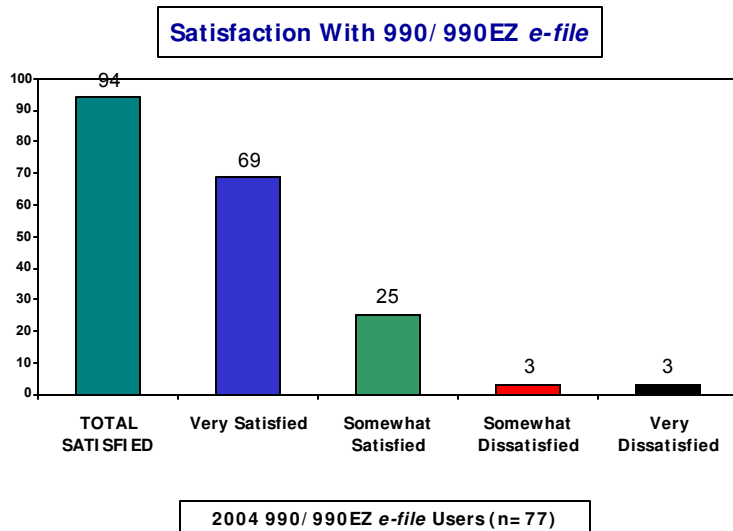
1. The product is still so new that about 8 in 10 do not recall seeing any marketing information about it – though those recalling information said they considered it helpful.
2. Main point of introduction to the product was through Software Companies followed by IRS Marketing/ Communications and irs.gov .
3. And 75% say they use the PIN alternative, while 21% used the Scanned Form 8453 PDF. There was high satisfaction with both options.

Detailed Findings

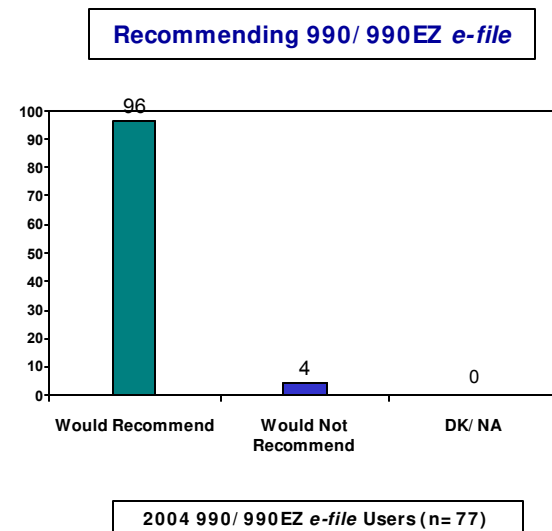
Findings Among Users

Satisfaction & Recommendation of Return 990/ 990EZ *e-file*

- 94% of Users were at least *somewhat satisfied* with the 990/ 990EZ *e-file* program, and the number “very satisfied” (69%) was on par with that of other Business *e-file* products¹ – which generally score at about 70% top-box/ very satisfied (Individual *e-file* products typically score higher at ~ 80% +).



- Virtually all (96%) of the 990/ 990EZ *e-file* Users said they would recommend this method of filing 990s to others.
- This is also typical of the other Business *e-file* products¹.



¹ Other Business *e-file* products in this comparison are Forms 990, 1065, 1041, 1120, and 1120S.

What Users Like About Return 990/ 990EZ e-file

- **Ease and convenience of preparation and filing** are what drive satisfaction with the 990/ 990EZ e-file program.

Reasons For Satisfaction With 990/ 990EZ e-file

	2004 Users
Total 990/990EZ e-file Users Very/Somewhat Satisfied	(72) %
<u>Ease/ Convenience (Net)</u>	<u>67</u>
Less paper/ less paperwork/ paperless	14
Easy/ easy to use/ convenient (unspecified)	13
Don't have to mail it/ go to the post office	7
Acknowledgement of receipt	6
It's efficient	6
Ease of filing/ easier to file (unspecified)	6
 <u>Speed In Preparation/Filing (Net)</u>	 <u>15</u>
Quick/fast/quicker/faster preparation and filing	10
 <u>Like It/Satisfied (Net)</u>	 <u>10</u>
Works great/works well/it works	5
It's better/best	3
 <u>Accuracy (Net)</u>	 <u>8</u>
Accurate/accuracy/more accurate (unspecified)	4
No calculations errors/checks your calculations	3
 <u>Additional Mentions</u>	
Like the price/cost (saves postage, it's free)	4

- Those are coded responses to the left. It helps to also see verbatim response, showing how respondents express their satisfaction.

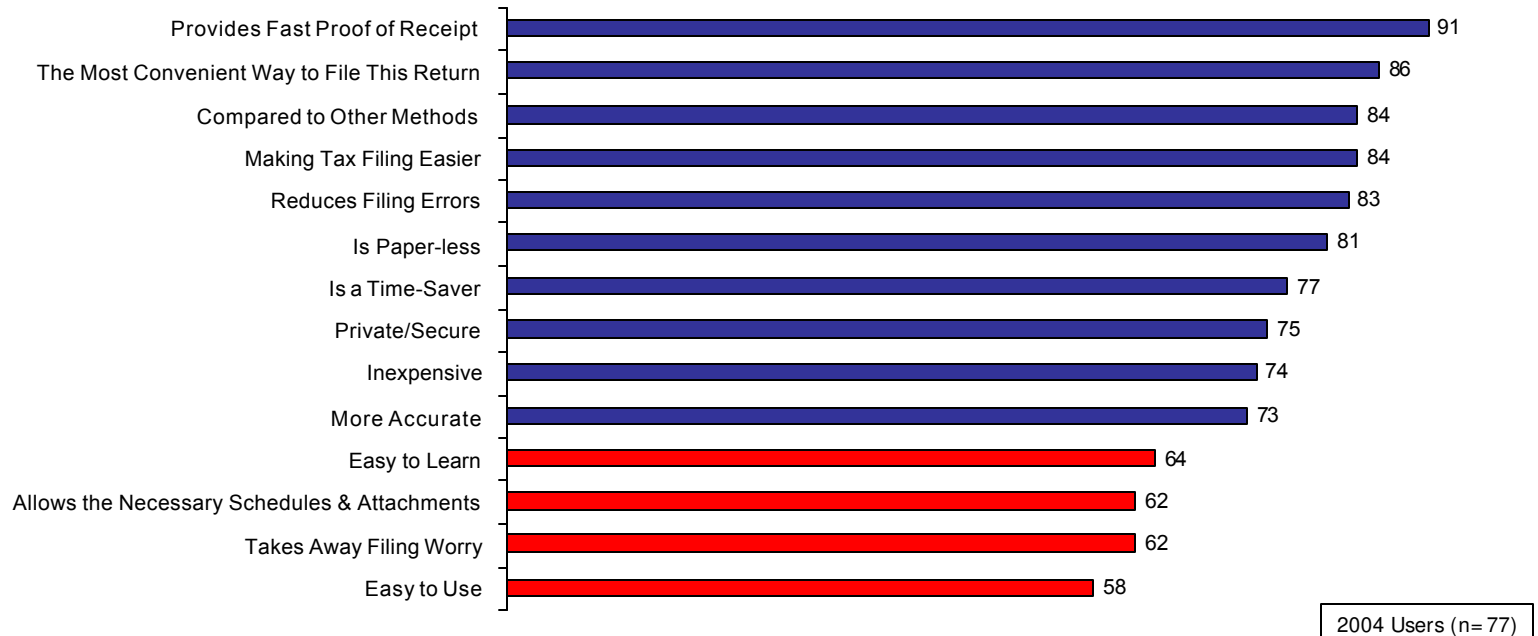
Verbatim Reasons For Satisfaction

Verbatim Only: No Percents/Raw Data

- We didn't have any problems at all. We try to e-file as much as we can. It's efficient and went smoothly. And it's one less form to mail.
- I like that I can save it and come back to it. I also like the prompts that explain everything. Though there was a lot of info to fill out that wasn't previously required.
- We're e-filing in a natural progression. It's faster, reliable, and efficient.
- It's easy and accurate. And it gives proof of receipt notification within 24 hours.
- It makes it so easy to do – it's website based and saved me 2 days work primarily because of ease of data entry. There were clear instructions on where data went. And it removed concerns about calculation errors.
- It happens quickly. It doesn't cost anything. You get a receipt.

Satisfaction With Specific Characteristics Of 990/ 990EZ *e-file*

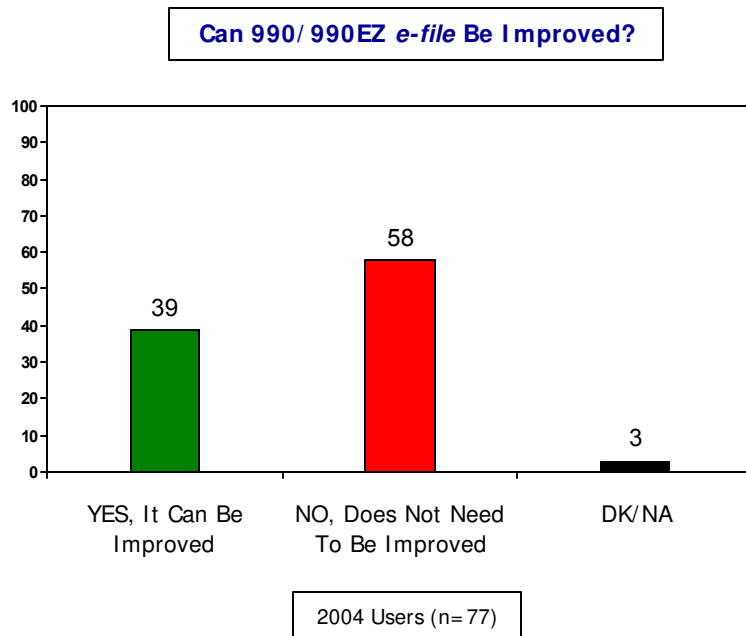
- Using a rule of thumb that a top-box (“very satisfied”) rating of about 70%+ indicates strong satisfaction with a product attribute¹, we see that Users were clearly satisfied with 990/ 990EZ *e-file* providing fast proof of receipt, being convenient, better than other methods, makes tax filing easier, reduces filing errors, being paperless, and other attributes. However, there are four dimensions of this product (*ease of learning, allowing schedules & attachments, taking away filing worry, and ease of use*) that fall below 70% top-box satisfaction and bear attention.



¹ The IRS *e-file* satisfaction rating scale consists of 4 points – Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, and Very Dissatisfied. When we see a 70% top-box (“very satisfied”) rating with this scale, we also generally see most remaining responses in the second box (“somewhat satisfied”) – which tells us that satisfaction is widespread and dissatisfaction very limited. When top-box satisfaction falls below 70%, other responses start to drift into the dissatisfaction range.

Can Return 990/ 990EZ e-file Be Improved?

- Asked directly, 39% of Users said 990/ 990EZ e-file can be improved...
- Which is slightly higher than what we usually see on this measure for other Business e-file products (i.e., the low-to-mid 30% range).



- User suggestions, grouped below, show that the product can be improved in terms of better software, easier Fed-State e-filing, more training/ demos, easier data entry, and acceptance of more forms.

Suggested Points Of Improvement

- Software needs to be integrated with standard non-profit accounting software. Seems like the software company doesn't communicate with the IRS.
- Make state and Federal filing more seamless – though the software company said this would be fixed in '05. Couldn't piggyback state and Fed returns. Fed return is ok, but the state return is cumbersome.
- Reduce amount of non-profit information required. Non-applicable data fields still have to be completed.
- Need a tutoring demo online for first-time users. Need a telephone number to get assistance.
- Simplify responses – need yes/no choices like Turbo Tax. One or two sections were not easy and took me a few hours to figure out.
- Accept all 990's, even those with negative net assets. It should accept supplement information, tax exempt forms and page two. 990T can't be e-filed.

How Were They Introduced To The Product & Main Drivers Of Usage

- We probed Users on how they first learned about electronic filing of Return 990/ 990EZ and found that they were introduced to it mainly through a Software Company, followed by IRS Marketing/ Communications and irs.gov.

How First Learned About 990/ 990EZ e-file

	2004 Users
Total 990/990EZ e-file Users	(77) %
From A Software Company	38
From IRS Marketing/ Communications	26
Via the IRS Website	13
From The Internet (Unspecified)	9
It Was Just A Natural Progression	5
From A (Another) Tax Professional	4
From An IRS Local Office	4
From Previous e-file Usage	4
Contact With IRS Tax Specialist/IRS Employee	1
At An IRS Trade Show	1
From Some Other Source	8
Don't Know/ Don't Recall	1

- We asked them what they learned about the product that made them consider using it and found that ease and convenience were the main drivers, followed by a sense that e-file is the future, other e-file experience, and the speed benefits.

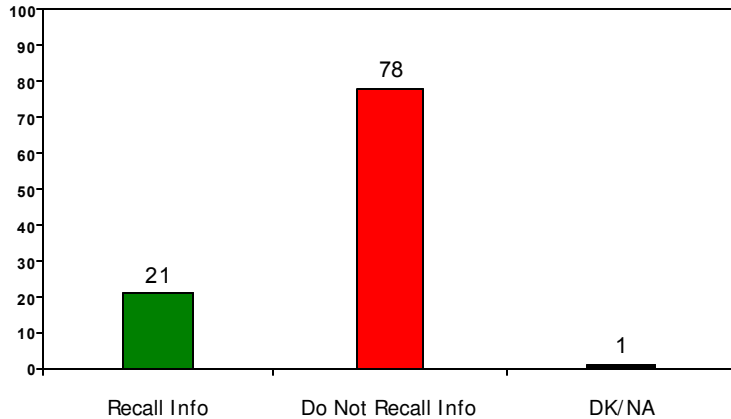
Learning That Moved Users To Usage

	2004 Users
Total 990/990EZ e-file Users	(77) %
<u>Ease/ Convenience (Net)</u>	<u>51</u>
Easier/ easy to use/ convenient (unspecified)	23
Less paperwork/ saves paper/ paperless	17
Don't have to mail it in	6
 <u>It's The Way Of The Future/e-file All I Can (Net)</u>	 <u>22</u>
 <u>Had Experienced Using e-file Already (Net)</u>	 <u>14</u>
Already use e-file/already e-filing other forms	10
Already e-filed form 1040, so I just did these	4
 <u>Speed (Net)</u>	 <u>13</u>
Fast/quick/faster/quicker (unspecified)	5
Saves time/less time consuming/time efficient	4
Quick verification/acknowledgement of receipt	3
 <u>Accuracy/It's More Accurate (Net)</u>	 <u>8</u>

Exposure To Return 990/ 990EZ *e-file* Information

- At this point, only 21% of Users said they recall seeing information related to 990/ 990EZ *e-file* (vs. the 30-50% levels we have seen in other Business *e-file* product satisfaction surveys).
- However, this is also the newest Business *e-file* product and, compared to the others, has had far less marketing.

Recall Of Info About 990/ 990EZ *e-file*



2004 Users (n= 77)

- While based on very small sub-samples, the types of information recalled were mainly *information at irs.gov* and *publications* – thus attribution of information was largely to either *the IRS's website* or *the mail*.
- Importantly, all of the small group of Users recalling information said they considered it helpful.

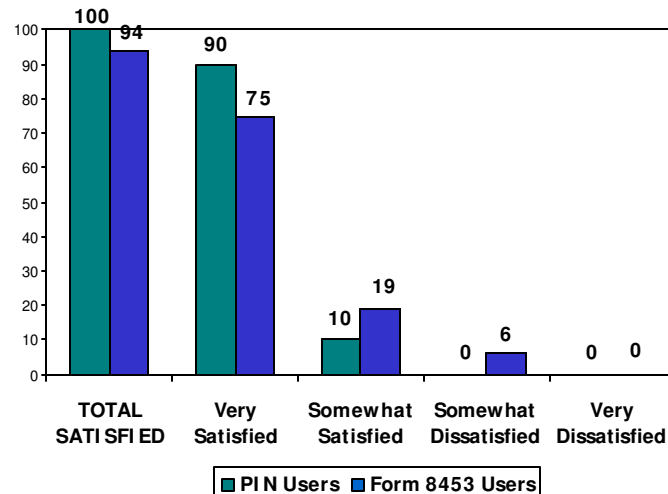
Info Type, Receipt & Helpfulness

	2004 Users (16) %
(NEW BASE: Total Recall 990/990EZ <i>e-file</i> Information)	
Types Of Information Recall Seeing	
Information At The IRS's Website - irs.gov	56
IRS Publications	31
Information From Other Internet Websites	25
RS Marketing Brochures	19
IRS Returns	13
IRS Instructions	13
Information From Software Companies	13
How Information Was Received	
From The IRS's Website - irs.gov	56
In The Mail	56
From Other Internet Websites	13
<u>% Said Information Was Very/ Somewhat Helpful</u>	<u>100</u>

Usage Of & Satisfaction With Signature Alternatives

- 75% of Users used the PIN signature alternative to file their return, while 21% used the Scanned Form 8453 signature document in PDF format. 4% did not know their signature method.
- Satisfaction was high for both options, especially for the PIN (which had 90% top-box satisfaction – “very satisfied”).

Satisfaction With Signature Option Used



- Asked what they liked about each option, the vast majority mentioned its ease or convenience – usually expressed as “it’s easy do”, “easy to use”, or “very convenient”.
- A few of the PIN Users also mentioned its speed benefits, while a few of the 8453 Users also mentioned feeling secure with that method.

Reasons For Satisfaction w/ Signature Method

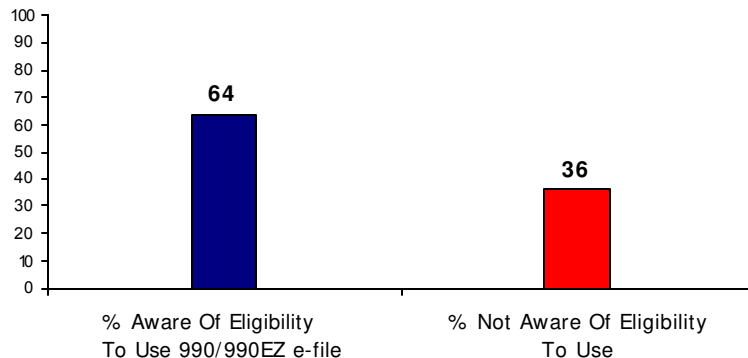
	PIN Users (%)	Form 8453 Users (%)
990/990EZ e-file Users Very/SW Satisfied w/Option	(58)	(15)
<u>Ease/ Convenience (Net)</u>	<u>86</u>	<u>67</u>
Easy to do/ use/ convenient (unspec'd)	50	33
Less paperwork/ saves paper	10	-
No signature	10	-
Just give them the PIN and move on	2	7
Just print it out and sign it	-	13
<u>Speed (Net)</u>	<u>12</u>	-
Fast/quick/faster/quicker (unspecified)	10	-
<u>Additional Mentions</u>		
It's secure	-	13

Findings Among Non-Users

Awareness Of Eligibility & Likelihood Of Using 990/ 990EZ e-file

- Focusing on Non-Users of 990/ 990EZ e-file, we see that only 64% were aware that they *could have* filed 990/ 990EZ electronically.
- This is lower than the 75-85% awareness of eligibility we typically see for other Business e-file products, but understandable given the recency of the product.

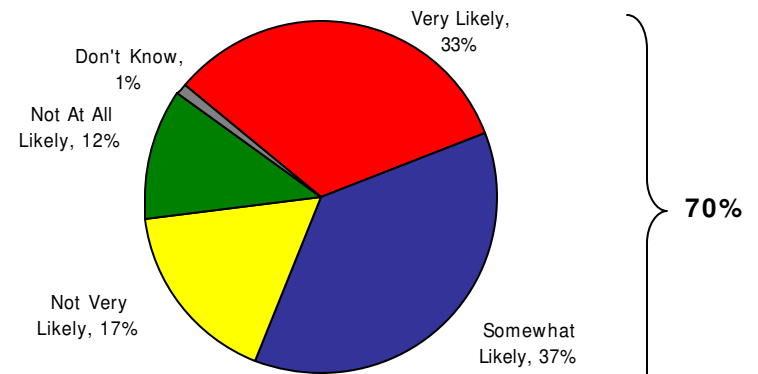
Awareness of Eligibility To e-file 990/ 990EZ



2004 Non-Users (n= 300)

- After being read a description of the 990/ 990EZ e-file product, 70% of Non-Users said they are at least somewhat likely to use it in the future...
- Which is strong compared to other Business e-file products (where likelihood of use among Non-Users tends to be below 70%).

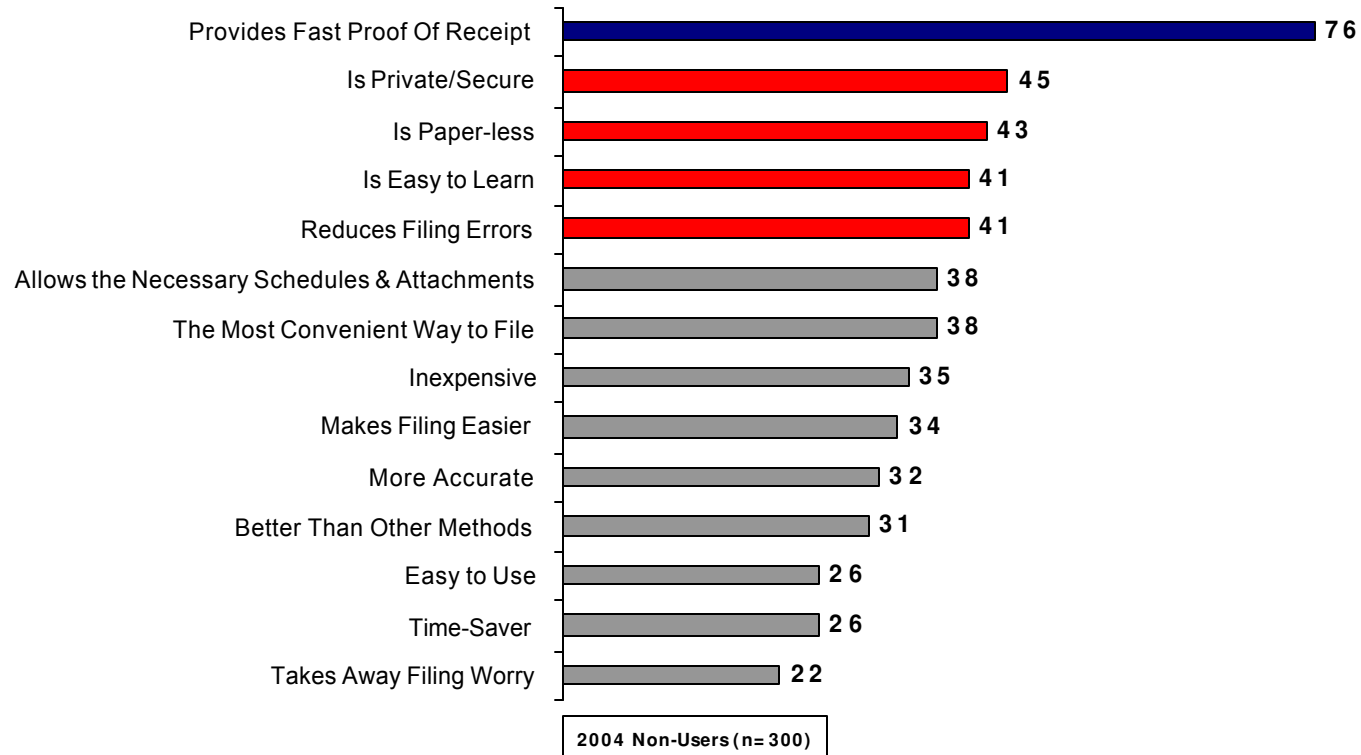
Likelihood of Using 990/ 990EZ e-file



2004 Non-Users (n= 300)

Non-User Perceptions Of 990/ 990EZ e-file

- After hearing a description of the product, Non-Users were asked for impressions of it by rating their agreement with a series of statements.
- Top-box (“agree completely”) ratings show that they basically know (or assume) only that *990/ 990EZ e-file provides fast proof of receipt*. Their impressions of the product are otherwise quite weak, which would be expected given that the product is so new.



Reasons For Non-Usage & What IRS Can Do To Increase Likelihood Of Usage

- The top reason, by far, for non-use of 990/990EZ *e-file* was lack of knowledge of the product.
- This was followed by lack of demand, software cost/ lack of software support, and concern about added work.

Reasons For Non-Usage Of 990/ 990EZ *e-file*

	2004 Non-Users
Total 990/990EZ <i>e-file</i> Non-Users	(300) %
Just don't know enough about it yet	56
My clients don't ask for it or want it	35
The software costs money	33
It's just something else I'd have to learn	33
My software doesn't support it	31
Cautious, waiting to see how it works out for others	26
It's too much work - have enough to do	23
My software package does not offer <i>e-file</i> option	21
No interest in trying it	21
Lack of confidence/ too much can go wrong	20
Lack of confidence in the security	20
Want a bundled suite of standardized SW products	18
The cost of transmission is too high	14
Am not registered/not an ERO	14
Don't have the necessary computer hardware	13
The application process is too difficult/tricky	13

- Non-User suggestions for what IRS can do to increase their likelihood of use were scattered across a wide range of mentions. Top suggestions were to change the program in some way (expand it, simplify it, make it mandatory), lower cost/ provide incentives, and provide more information about it.

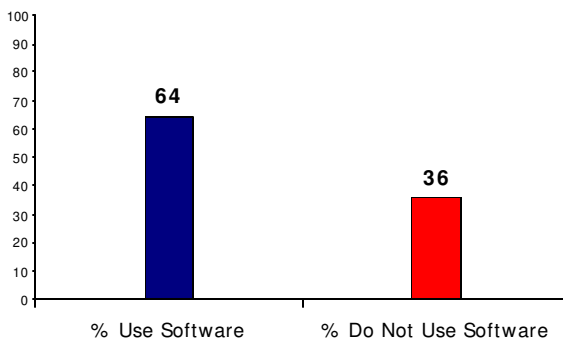
What IRS Can Do To Increase Likelihood Of Usage

	2004 Non-Users
Total 990/990EZ <i>e-file</i> Non-Users	(300) %
<u>Change The Program (Net)</u>	<u>23</u>
Make it mandatory/required	6
Expand it (make all forms <i>e-file</i> , accept form 990T)	4
Simplify It/Make It More Efficient	4
<u>Cost/Incentive (Net)</u>	<u>18</u>
Make it/software free/free online software	5
Make it cheaper/have a discount	3
<u>More Information/Training (Net)</u>	<u>16</u>
<u>Additional Mentions</u>	
If client requested it/it's up to the client	6
Will do it next year/will do it in the future/will use <i>e-file</i>	6
If it was offered through our software company	6
Make people aware of it	4
Nothing/Don't Know	21

The Role Of Software In Non-Usage

- Finally, we asked Non-Users about software used to prepare tax forms and found that only 64% of Preparers use software to file 990/990EZ – far below the 80-95% found among Non-Users of other Business *e-file* products.

Reasons For Non-Usage Of 990/ 990EZ *e-file*



2004 Non-Users (n= 300)

- In addition to the 36% , another 25% (part of the software user group) are using software without an *e-file* option. So, in total, software is an issue for 61% of Non-Users and may be a major barrier to adoption of 990/ 990 EZ *e-file*.

- Specific software packages used for this Return are shown below.

Return Prep Software Used By Non-Users

	2004 Non-Users
Total 990/990EZ <i>e-file</i> Non-Users Using Software	(193) %
Intuit Software (Net)	24
LaCerte	17
Pro Series	7
Intuit	1
Pro System FX	11
Pro System	10
Ultra Tax	8
CCH	8
Creative Solutions	6
QuickBooks	4

- In some good news on this issue, we found that 78% of those using software without an *e-file* option would like their software to offer the *e-file* option for 990/ 990EZ.

	2004 Non-Users
(New Base: Total w/Software Not Having <i>e-file</i> Option)	(76)
% w/ o <i>e-file</i> Option Who Would Like Option	78

**Other Learning From
Both Users And Non-Users**

Communicating With 990/ 990EZ e-file Users & Non-Users

- In survey measures taken of both Users and Non-Users of 990/ 990EZ e-file, we found (as we have in other Business e-file studies) that e-file Users generally prefer receiving product information via e-mail, while Non-Users tend more toward receipt via regular mail.

How Prefer To Receive Info About 990/ 990EZ

	Users (77) %	Non-Users (300) %
Via e-mail	73	56
In The Mail	40	74
From The IRS's Website – irs.gov	30	58
From Software Companies	16	29
From News Articles	8	18
From Contact With IRS Tax Specialist/Employee	3	15
Via Electronic Bulletin Board	1	16

- Respondents were asked if they had tried to access 990/ 990EZ publications or returns via irs.gov and, if so, were asked about their experiences in retrieving these documents from the website. Users were significantly more likely than Non-Users to have accessed docs at the site, but both groups agreed that the docs found on the site *provided enough information, were appropriately detailed, easy to find, and easy to understand.*

Evaluation Of 990/ 990EZ Pubs At irs.gov

	Users (77) %	Non-Users (300) %
% Who Have Tried To Access 990 Publications/ Returns At irs.gov	75	55
(Total Tried To Access 990 Pubs/Returns at irs.gov)	(58)	(166)
% Feel Pubs/ Returns at irs.gov...		
Provide Enough Information	93	83
Are Appropriate In Their Detail	91	84
Are Easy To Understand	83	78
Are Easy To Find	81	84

Rejected 990/ 990EZ e-file Returns

- 23% of Users and 1% (or 3) Non-Users have had 990/ 990EZ e-file returns rejected by the IRS, with the average number of rejects at about 4-5 in each case. Users naturally were far more likely than Non-Users to have made another attempt to electronically file the rejected returns.

How Prefer To Receive Info About 990/ 990EZ

	<u>Users</u>	<u>Non-Users</u>
Total Respondents	(77) %	(300) %
<u>% Who Have Had 990/ 990EZ e-file Rejected By The IRS</u>	23	1
(Total Who Have Had 990/990EZ e-file Rejected By IRS)	(18)	(3)
Mean # of 990/ 990EZ e-file Forms Rejected By The IRS	4.5	4.2
% Who Made Another Effort To e-file 990/ 990EZ	67	33

- The top reasons cited for return rejections were data not matching, missing data, negative amounts, and software problems.
- However, 9 in 10 Preparers of rejected returns were either not discouraged by the rejection or not discouraged enough to not try again.

Course Taken After Rejection

	<u>Users</u>
Total Respondents	(77) %
% Discouraged By Rejection & Did Not e-file After That	11
<u>% Discouraged By Rejection But Did e-file Successfully Afterward</u>	17
<u>% Not Discouraged By Rejection & Continued To e-file 990</u>	72
Don't Know/ Refused To Answer	0

Usage Of & Attitudes Toward e-services

- We asked Users and Non-Users about their usage of, and interest in, e-services.
- In line with what we found among preparers of other Business *e-file* products...
 - Users were more likely than Non-Users to have used e-services...
 - And Users were more likely to consider using e-services in the future.
 - However, after hearing a description of e-services, two-thirds of the Non-Users said they were “very” or “somewhat” likely to switch to filing 990/ 990EZ via e-file in order to gain access to e-services.

Usage Of/ Interest In e-Services

	2004 <u>Users</u> (50) %	2004 <u>Non-Users</u> (180) %
BASE: Total Outside Preparers		
<u>% Have Ever Used e-services (Total)</u>	46	36
As An Individual	30	12
Through An Association Or Employment With A Firm	16	23
<u>% Of Users Who Are Very/ Somewhat Satisfied</u>	91	89
<u>% Of All Respondents Who Definitely/ Probably Will Use e-services</u>	83	60
<u>Non-Users Only:</u>		
<u>% Very/ SW Likely To Switch To 990 e-file For e-services Access</u>	na	66

Characteristics Of Users & Non-Users Of 990/ 990EZ e-file

- Finally, we looked at the characteristics of Users and Non-Users and found that...
 - Most have an Internet connection.
 - Most are CPAs or Accountants rather than Tax Preparers.
 - About two-thirds are external preparers of 990s.
 - The Non-Users file far more 990s on average than Users.
 - About 9 in 10 of both Users and Non-Users also prepare and file Individual returns.
 - 9 in 10 Users are Authorized e-file Providers vs. only about two-thirds of Non-Users.
 - And about 9 in 10 in both groups work in firms where at least one Preparer is doing 100+ Individual returns.

User & Non-User Characteristics

	Users	Non-Users
BASE: Total Respondents	(77)	(300)
	%	%
% With Internet Connection	94	90
Whether A...		
CPA	45	54
Accountant	13	16
Tax Preparer	8	5
Lawyer	3	1
Other	31	24
External Preparer	65	60
Internal Preparer	35	40
(NEW BASE: Total External Preparers)	(50)	(180)
Avg. # 990/ 990EZ Returns Filed Per Year	21.5	62.5
% Who Also File Individual Returns	94	87
% Who Are Authorized e-file Providers	90	67
(NEW BASE: Total External Preparers)	(47)	(156)
% In Firms Where At Least 1 Preparer Files 100+ Individual Returns/ Yr.	87	89

Appendix

Questionnaire Used In Study
(Attached Electronically)