Findings From The 2003 Wave Of *e-file* Taxpayer & Preparer Satisfaction Research

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Background & Purpose
And Methodology

Background & Purpose

- **Each year, the IRS conducts customer satisfaction research <u>among its two main *e-file* marketing targets and their key sub-groups</u>:**

  - <u>Taxpayers</u> -- both Non-Users of *e-file* and specific types of Users.

  - And <u>Tax Preparers</u> -- again, both *e-file* Users and Non-Users.

- **There are <u>two main objectives</u> to this research:**

  - To track levels of customer satisfaction with *e-file* products.

  - And to capture diagnostic information about each product, along with User and Non-User ideas about how these products can be improved.

- **Following are <u>findings from the 2003 wave</u> of the research, with a comparison to findings from the surveys conducted in 2000, 2001 and 2002.**

Methodology

- **Like previous waves, this study was conducted by <u>telephone</u> from RMR's national phone center in Wayne NJ. The study was conducted during the period of <u>April 16 to June 6, 2003</u>, and included:**

    - <u>Taxpayers</u> -- First, we secured a nationally-representative random sample of 1,000 18-64 year-old, employed, 2003 Taxpayers, using an RDD sample of listed and unlisted telephone households. The purpose of the random sample was to provide a representative base of both **_e-file_ Non-Users** (~500, allowing ~170 evaluations of non-usage of each _e-file_ product) and **_e-file_ Users** -- with Users then augmented (from IRS lists) to provide at least directionally readable sub-samples of…

        - **~500 Users of each _e-file_ product** -- Practitioner _e-file_, On-Line Filing, and TeleFile.

        - **100 Free File Users** (via an augment of those found within On-Line Filing).

        - **100 Spanish-Speaking Taxpayers** in the <u>Practitioner _e-file_</u> and <u>On-Line Filing</u> User groups.

    - <u>Preparers</u> -- We also secured nationally-representative samples of **~500** _e-file_ Users and **~500** Non-Users -- all qualifying as active tax return preparers in 2003.

        - In addition, separate samples of **230 H&R Block Preparers** and **~200 Jackson-Hewitt Preparers** were secured to determine levels of satisfaction with _e-file_ among the Big Two -- which have historically been excluded from _e-file_ research, but may be included in the future.

Detailed Findings Among Taxpayers

**Detailed Findings
Among Taxpayers
Who Currently Use
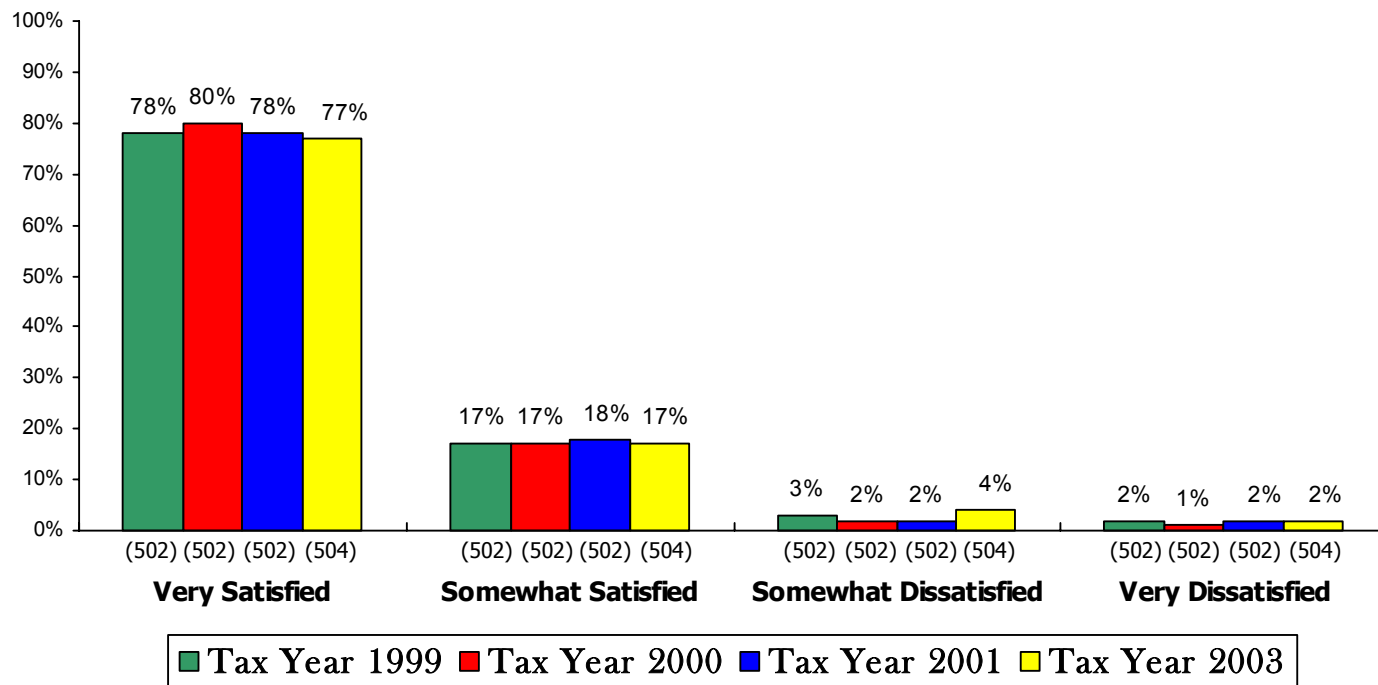*e-file* Products**

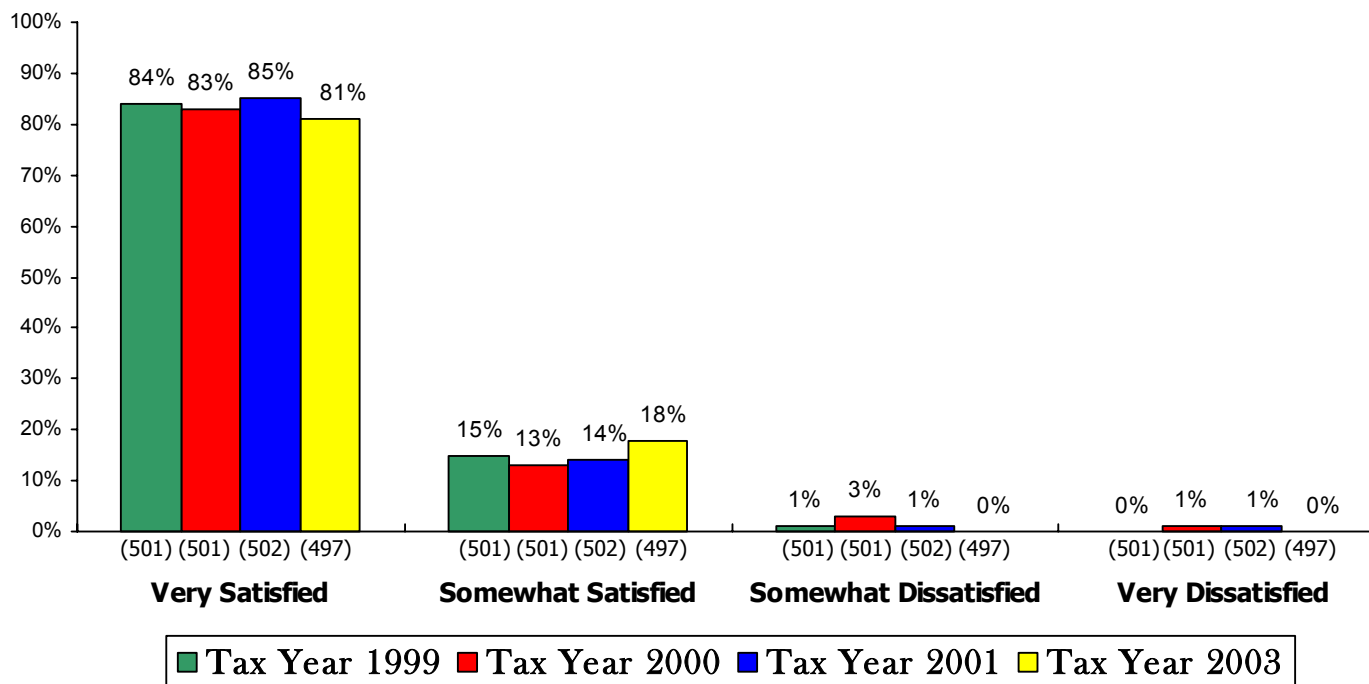# User Satisfaction
With *e-file* Products

Satisfaction With Practitioner *e-file*

- **First, 2003 results show continuing high satisfaction among Users of _Practitioner e-file_ (referred to in the survey as "*Electronic Filing Using A Tax Professional*"), with no significant changes in the high ratings of this product across the past four years of tracking.**

Satisfaction With On-Line Filing (Total)

- **Among Users of _On-Line Filing_, we see a slight decrease in the top-box "very satisfied" rating of that product from last year's high of 85%, though this rating is still high at 81% (and still stronger than that of Practitioner _e-file_), and with virtually all Users still either "very" or "somewhat" satisfied.**

Satisfaction With Specific OLF Products (2003 Only)

- For the first time in 2003, we captured satisfaction levels for the three specific On-Line Filing products – *On-Line Filing with an On-Line Company, On-Line Filing with Software*, and *Free On-Line Filing* (or *Free File*). Among Users of each product, 80%+ are "very satisfied" -- with virtually all either "very" or "somewhat" satisfied.

Legend: ■ OL Filing w/On-Line Company ■ OL Filing w/Software ■ Free File
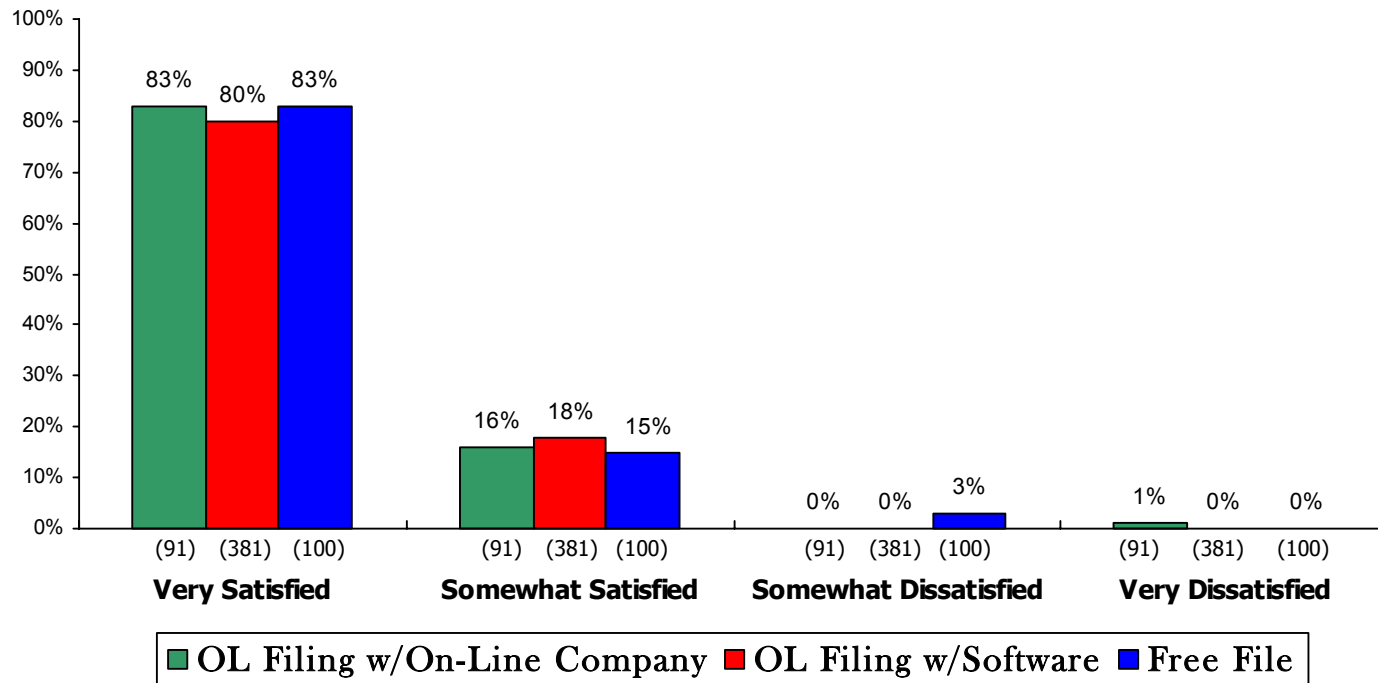
Satisfaction With TeleFile

- **Meanwhile, the percent of Users of _TeleFile_ who are "very satisfied" with that product actually increased and is now at the 90% level.**
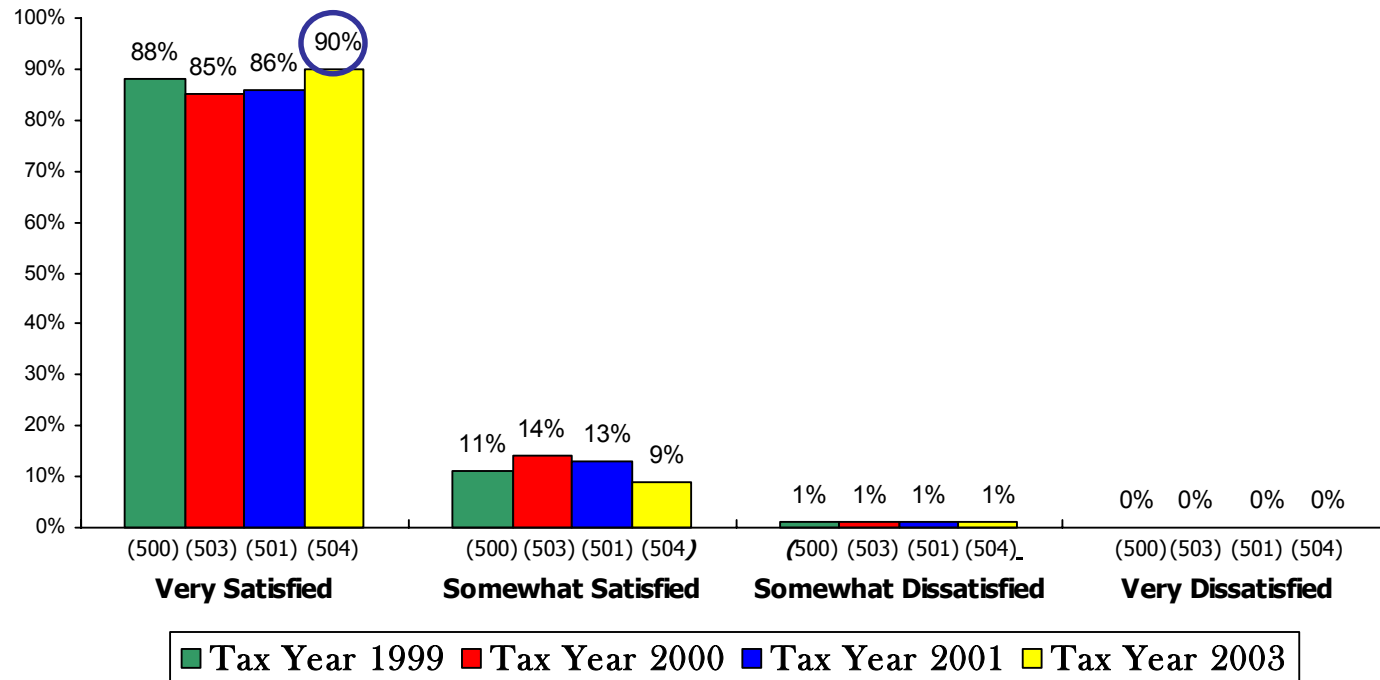
Satisfaction Levels Among Market Segments

- This year, for the first time, satisfaction data can be analyzed by market segments identified in the Attitudinal Tracking Study:

  - <u>Return Type</u> segments (Self-Simple, Self-Complex, Paid-Simple, Paid-Complex)

  - <u>Tech Acceptance</u> segments (Leaders, Followers, Laggards)

  - <u>*e-file* Attitudinal</u> segments (Believers, Skeptics)

  - And <u>Other Special</u> segments, specifically, <u>V-Coders, Lapsed *e-file* Users</u> and <u>Spanish-Language</u> Taxpayers.

- However, base sizes among the ~500 Users of each product (from whom satisfaction data is obtained) are limited in some of these segments, leaving us with readable satisfaction data only among the Return Types, Tech Acceptance segments, and Spanish-Speaking Taxpayers.

Satisfaction By Return Type Segments

- **There are no notable differences in the top-box satisfaction ratings (% "very satisfied") across the Return Types using each product -- and thus no "red flags" around the performance of any *e-file* product among any individual group.**

	Self-Simple %	Self-Complex %	Paid-Simple %	Paid-Complex %
	--------------------Return Types--------------------			
Top Box Satisfaction Levels For...				
(Base: Total Used Practitioner *e-file*)	(0)	(0)	(243)	(246)
Practitioner *e-file*	**na**	**na**	**74**	**80**
(Base: Total Used OL Filing Any Method)	(171)	(320)	(0)	(0)
Total OL Filing Using Any Method	**80**	**82**	**na**	**na**
(Base: Total Used OL Filing w/On-Line Company)	(44)	(47)	(0)	(0)
OL Filing With An On-Line Company	**85**	**81**	**na**	**na**
(Base: Total Used OL Filing w/Software)	(113)	(262)	(0)	(0)
OL Filing With Software	**77**	**82**	**na**	**na**
(Base: Total Used Free File)	(70)	(30)	(0)	(0)
Free File	**81**	**86**	**na**	**na**
(Base: Total Used TeleFile)	(471)	(28)	(0)	(0)
TeleFile	**90**	**85**	**na**	**na**

Satisfaction By Tech Acceptance & Spanish-Speaking Segments

- There are directional differences in satisfaction by Tech Acceptance, with Leaders and Followers more satisfied with Practitioner *e-file* and with Leaders rating OLF higher. TeleFile Users in each segment are about equally satisfied with TeleFile.

- Spanish-Speaking Taxpayers are directionally more satisfied with OLF than other Users, but less satisfied with Practitioner *e-file*.

Top Box Satisfaction Levels For...	----Tech Acceptance Segments----			Spanish-Speaking %	Total Users %
	Tech Leaders %	Tech Followers %	Tech Laggards %		
(Base: Total Used Practitioner *e-file*)	(217)	(100)	(187)	(101)	(504)
Practitioner *e-file*	**78**	**79** →	**73**	**71** ←	**77**
(Base: Total Used OL Filing Any Method)	(400)	(57)	(40)	(102)	(497)
Total OL Filing Using Any Method	**83** →	**74**	**73**	**88** →	**81**
(Base: Total Used OL Filing w/On-Line Company)	(71)	(10)	(10)	(24)	(91)
OL Filing With An On-Line Company	**83**	**88**	**80**	**87**	**83**
(Base: Total Used OL Filing w/Software)	(312)	(44)	(25)	(58)	(381)
OL Filing With Software	**83**	**71**	**69**	**93**	**80**
(Base: Total Used Free File)	(74)	(11)	(15)	(20)	(100)
Free File	**84**	**84**	**72**	**76**	**83**
(Base: Total Used TeleFile)	(241)	(136)	(127)	(11)	(504)
TeleFile	**89**	**89**	**91**	**100**	**90**

CAUTION -- SOME BASE SIZES TOO SMALL FOR ANALYSIS

Diagnostic Measures Among Current Users Of Each *e-file* Product

What Users Like About Each *e-file* Product

- **As in previous waves, virtually every *e-file* User can tell us something they like about the product they use. Top strengths continue to be:**

  - ***Speed (in filing* and *in refund)* for Practitioner *e-file*.**

  - ***Ease/convenience* and then *speed* for On-Line Filing.**

  - **And *ease/convenience* followed by *speed* for *TeleFile*.**

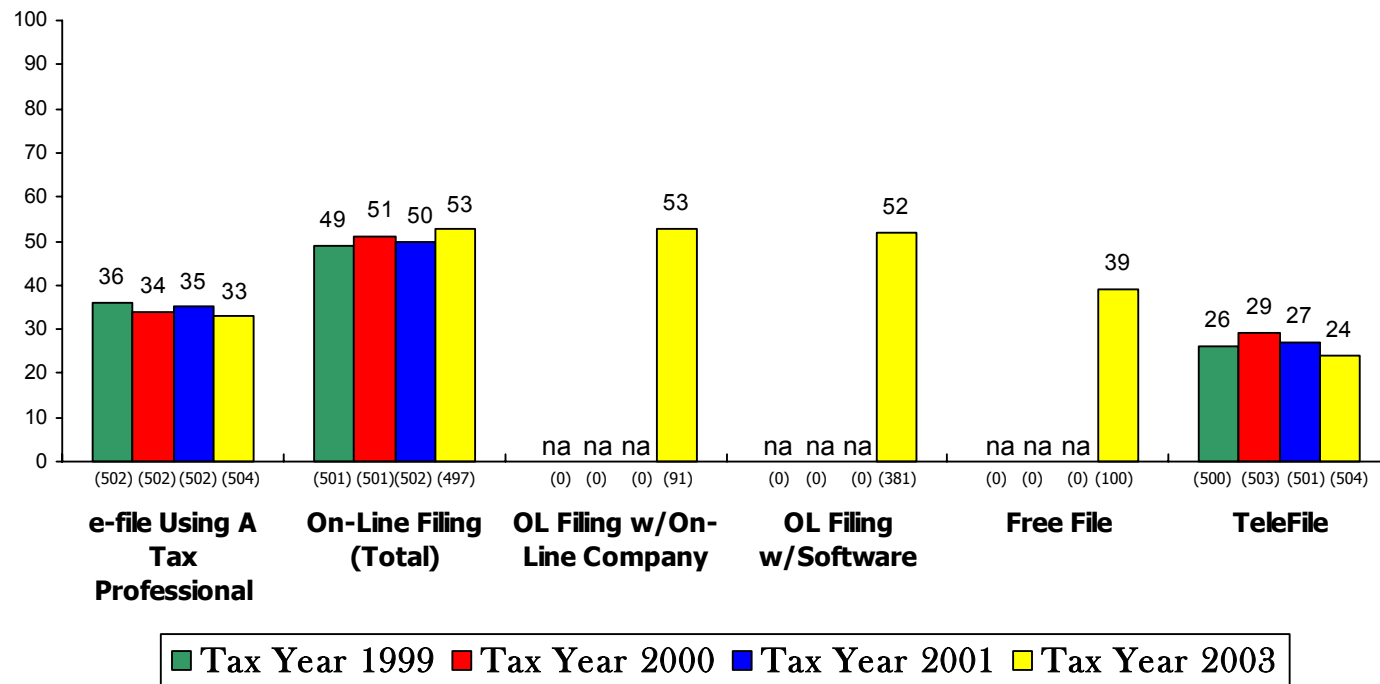|	Total EFUTP Users				Total On-Line Users				Total TeleFile Users			
	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003
BASE:	502 %	502 %	502 %	504 %	501 %	501 %	502 %	497 %	500 %	503 %	501 %	504 %
Total Like Something	**97**	**97**	**97**	**96**	**99**	**99**	**99**	**97**	**99**	**99**	**100**	**99**
Speed (Net)	**69**	**67**	**64**	**63**	**60**	**60**	**55**	**49**	**67**	**65**	**60**	**64**
Quick Refund	**27**	**29**	**26**	**26**	**19**	**17**	**19**	**18**	**22**	**19**	**13**	**21**
Fast/Quick Way To File	**35**	**30**	**35**	**35**	**31**	**31**	**32**	**29**	**40**	**42**	**46**	**42**
Ease/Convenience (Net)	54	47	45	46	**76**	**77**	**75**	**79**	**83**	**85**	**79**	**88**
It's Just Easy/Just Convenient	30	22	27	25	**40**	**37**	**43**	**39**	**60**	**55**	**62**	**56**
Someone Else Does The Work For You	13	11	10	13	5	2	1	1	2	4	2	1
More Accurate (Net)	**15**	**13**	**17**	**19**	**14**	**17**	**13**	**15**	4	6	4	4

What Users Like About The Specific On-Line Filing Methods

- **Focusing just on the three On-Line Filing products, we see that (as with OLF in general) all are "liked" mainly for their _ease/convenience_, followed by their _speed_ (especially Free File).**

	OL Filing With On-Line Company TY 2003 Only	OL Filing With Software TY 2003 Only	Free File TY 2003 Only
BASE:	91 %	381 %	100 %
Total Like Something	**98**	**97**	**98**
Speed (Net)	**57**	**47**	**64**
Quick Refund	**20**	**17**	**20**
Fast/Quick Way To File	**36**	**28**	**42**
Ease/Convenience (Net)	**75**	**80**	**79**
It's Just Easy/Just Convenient	**44**	**37**	**47**
Someone Else Does The Work For You	2	1	1
More Accurate (Net)	20	14	5

Can The *e-file* Products Be Improved?

- **While satisfaction ratings and specific likes are high, there is still some <u>room for improvement</u> of each *e-file* product -- with about one-fourth to one-half of the Users of each product saying there is something about the product that the IRS could improve.**

	e-file Using A Tax Professional	On-Line Filing (Total)	OL Filing w/On-Line Company	OL Filing w/Software	Free File	TeleFile
Tax Year 1999	36 (502)	49 (501)	na (0)	na (0)	na (0)	26 (500)
Tax Year 2000	34 (502)	51 (501)	na (0)	na (0)	na (0)	29 (503)
Tax Year 2001	35 (502)	50 (502)	na (0)	na (0)	na (0)	27 (501)
Tax Year 2003	33 (504)	53 (497)	53 (91)	52 (381)	39 (100)	24 (504)

So, How Can The *e-file* Products Be Improved?

- **Specific suggestions for improvement vary by product:**

  - For <u>Practitioner *e-file*</u>, the main suggestion is to *make it less expensive*.

  - For <u>OLF</u>, top needs are *lower cost, better instructions,* and *generally more simplification*.

  - For <u>TeleFile</u>, the top mentions are to *expand qualification* and *better instructions*.

	Total EFUTP Users				Total On-Line Users				Total TeleFile Users			
	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003
BASE: Total Users Saying Filing Method Can Be Improved	178 %	172 %	173 %	166 %	247 %	256 %	249 %	258 %	128 %	147 %	134 %	118 %
Total Making Some Specific Suggestion	**77**	**77**	**80**	**91**	**84**	**86**	**83**	**92**	**86**	**80**	**78**	**90**
Make It Less Expensive	29	18	23	**20**	13	15	15	**13**	0	0	0	0
Speed Up The Process Generally	11	8	9	5	4	6	4	6	7	9	6	2
Faster Refunds	8	8	6	7	2	3	4	1	6	4	5	8
Simplify It Generally	6	5	3	7	13	10	7	**9**	11	7	5	4
Cut Down On The Length Of The Forms	4	3	3	5	3	4	2	3	1	7	0	1
Expand Qualification -- Include More People	2	1	1	1	3	1	2	1	17	12	10	**16**
Better/Clearer Instructions	2	6	2	5	7	10	5	**13**	2	4	5	**10**
Faster Submission Process	2	7	2	2	3	6	2	3	4	4	1	3
Need More Help/Advice With Method	0	0	8	3	0	0	8	5	0	0	9	1

And How Can The Specific OLF Methods Be Improved?

- **For the three products within On-Line Filing, while base sizes are sometimes small, the top suggestions are:**

  - For both <u>OLF With An On-Line Company</u> and <u>OLF With Software</u>: *lower cost*, *speed up the process*, *provide better instructions*, and *generally more simplification*.

  - For <u>Free File</u>: *provide better instructions*, *more simplification*, and *speed up the process*.

	OL Filing With On-Line Company TY 2003 Only	OL Filing With Software TY 2003 Only	Free File TY 2003 Only
Base: Total Users Saying Filing Method Can Be Improved	46	197	41
	%	%	%
Total Making Some Specific Suggestion	**90**	**93**	**81**
Make It Less Expensive	**16**	**13**	**0**
Speed Up The Process Generally	**11**	**5**	**10**
Better/Clearer Instructions	**10**	**12**	**14**
Simplify It Generally	**10**	**9**	**11**
Need More Help/Advice With Method	9	3	4
Expand Qual. -- Include More People	4	1	0
Cut Down On The Length Of The Forms	4	2	8
Faster Submission Process	3	3	0
Faster Refunds	0	1	0

Product Ratings

- **Another way to assess product performance is through User ratings of satisfaction with various product dimensions. These show:**

  - High satisfaction for all products in terms of <u>accuracy</u>, <u>filing speed</u>, <u>ease of use</u> (though less so for Practitioner *e-file* and OLF), <u>comparison to other filing methods</u>, <u>refund speed</u> (up this year for all three) and <u>privacy/security</u>.

  - And lower satisfaction with (or lower recognition of) <u>the electronic payment option</u> for all products, along with low ratings of Practitioner *e-file* and OLF on <u>length of tax package</u> and <u>cost</u> (especially this year).

	Total EFUTP Users				Total On-Line Users				Total TeleFile Users			
	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003
BASE:	502	502	502	504	501	501	502	497	500	503	501	504
	%	%	%	%	%	%	%	%	%	%	%	%
Top Box Ratings (Very Satisfied)												
Accuracy	81	81	83	83	86	87	86	87	82	80	84	86
Filing Speed	83	84	85	82	92	91	89	89	92	91	93	93
Easy/As Little Hassle As Possible	**76**	**77**	**78**	**78**	**74**	**71**	**77**	**74**	90	89	88	90
Compared To Other Filing Methods	74	73	77	75	88	87	88	85	86	84	82	83
Refund Speed	71	74	67	**72**	77	74	75	**81**	75	76	69	**79**
Privacy/Security	68	72	71	72	67	70	68	74	79	75	79	81
Make Tax Payment Electronically	62	58	51	**60**	55	57	54	**66**	53	52	48	52
Length Of Your Tax Package	48	47	46	47	40	46	45	47	66	62	63	65
Inexpensive	40	38	41	**34**	67	65	68	**55**	94	95	96	94

RMR

Specific OLF Product Ratings

- **Looking at the same ratings for the three OLF products, we see the same general strengths and improvement needs, though with these distinctions:**

  - OLF With An On-Line Company has notably higher ratings on _refund speed_.

  - While it and OLF With Software are both rated lower in terms of _cost_.

  - OLF With Software also has notably low ratings in terms of _length of tax package_.

	OL Filing With On-Line Company TY 2003 Only	OL Filing With Software TY 2003 Only	Free File TY 2003 Only
BASE:	91	381	100
	%	%	%
Top Box Ratings (Very Satisfied)			
Accuracy	92	86	85
Filing Speed	91	88	89
Easy/As Little Hassle As Possible	82	72	78
Compared To Other Filing Methods	85	84	77
Refund Speed	**91**	79	82
Privacy/Security	76	73	76
Make Tax Payment Electronically	72	64	66
Length Of Your Tax Package	54	**45**	60
Inexpensive	**61**	**52**	94

User Recall & Perceived Helpfulness Of IRS Publications, Forms and Instructions

Recall & Helpfulness of IRS Publications/Forms/Instructions

- **Recall of IRS pubs/forms/instructions remains at low levels for both Practitioner *e-file* and OLF -- which is not surprising, since Users of these two methods do not receive method-specific materials from the IRS. Among TeleFile Users, recall and perceived helpfulness of IRS materials are still strong.**

	Total EFUTP Users				Total On-Line Users				Total TeleFile Users			
	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003
BASE:	502 %	502 %	502 %	504 %	501 %	501 %	502 %	497 %	500 %	503 %	501 %	504 %
Recall Of Publications/Forms/Instructions												
Recall Pubs/Forms/Instructions	33	29	29	30	51	49	51	41	66	71	66	65
Do Not Recall Them	62	66	66	67	47	46	45	55	30	26	32	31
Helpfulness Of Pubs/Forms/Instructions												
Base:	(167)	(144)	(146)	(149)	(254)	(244)	(254)	(203)	(331)	(358)	(330)	(329)
Very Helpful	38	35	30	44	39	30	36	33	73	72	71	70
Somewhat Helpful	41	34	37	33	39	43	35	42	23	22	25	27
Not Very Helpful	8	10	6	8	9	14	13	13	2	2	2	2
Not At All Helpful	7	10	14	12	8	6	7	8	1	2	1	1
Don't Know/Don't Recall	6	10	13	4	5	8	9	5	1	2	1	1

Recall & Helpfulness For The OLF Products

- **As with OLF overall, <u>recall and helpfulness ratings of IRS publications, forms or instructions</u> are also low among Users of each OLF product.**

	OL Filing With On-Line Company TY 2003 Only	OL Filing With Software TY 2003 Only	Free File TY 2003 Only
BASE:	91	381	100
	%	%	%
Recall Of Publications/Forms/Instructions			
Recall Pubs/Forms/Instructions	49	39	47
Do Not Recall Them	48	57	47
Helpfulness Of Pubs/Forms/Instructions			
Base:	(44)	(147)	(47)
Very Helpful	36	33	47
Somewhat Helpful	44	40	39
Not Very Helpful	11	13	8
Not At All Helpful	7	9	2
Don't Know/Don't Recall	2	6	5

Our First Look At
Free File Usage
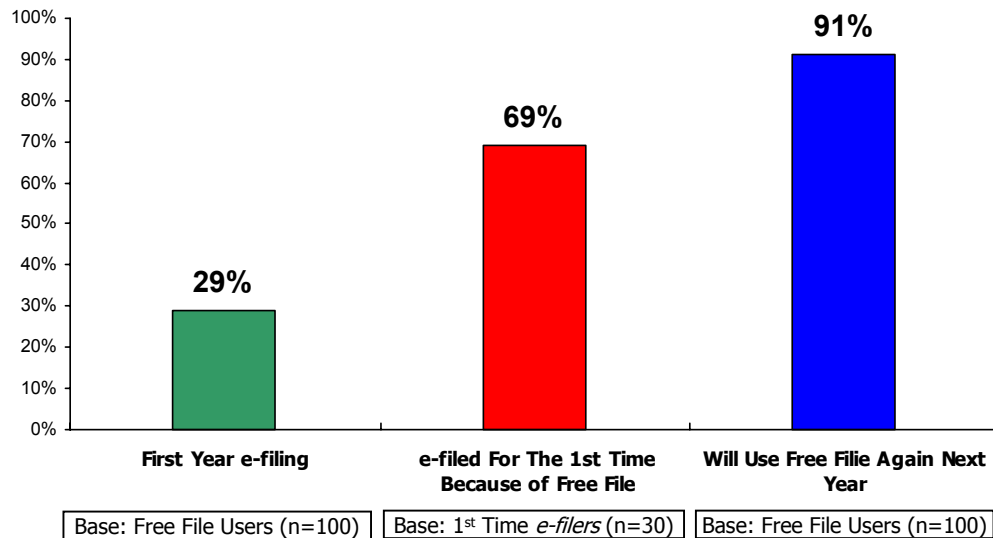
Free File

- **This year, for the first time in Customer Satisfaction Tracking, we interviewed a sampling of Free File Users and found that:**

  - 29% of them say this was the first time that they had *e-filed*, with two-thirds of these saying they *e-filed* for the first time because Free File was available.

  - Importantly, 91% say they will use this method again next year.

  - They learn about Free File mainly on-line or through word of mouth.

Base: Free File Users (n=100) Base: 1st Time *e-filers* (n=30) Base: Free File Users (n=100)

| **Leading Sources Of Free File Awareness**	
Base: Free OL Filers	(100)
The Internet (ns)	**21**
Family	**14**
Friends	**14**
IRS Website/IRS.gov	**13**
Mail	7
Flyer/Pamphlet/Booklet	7
Work/Colleagues	**6**
Word of Mouth	**6**
Back of Tax Papers/Forms	4

Repeat Usage & Migration

Repeat Use of Specific *e-file* Products

- **Claimed repeat usage of all *e-file* products <u>increased</u> this year (and significantly so for OLF and TeleFile), following decreases for all products in last year's study.**
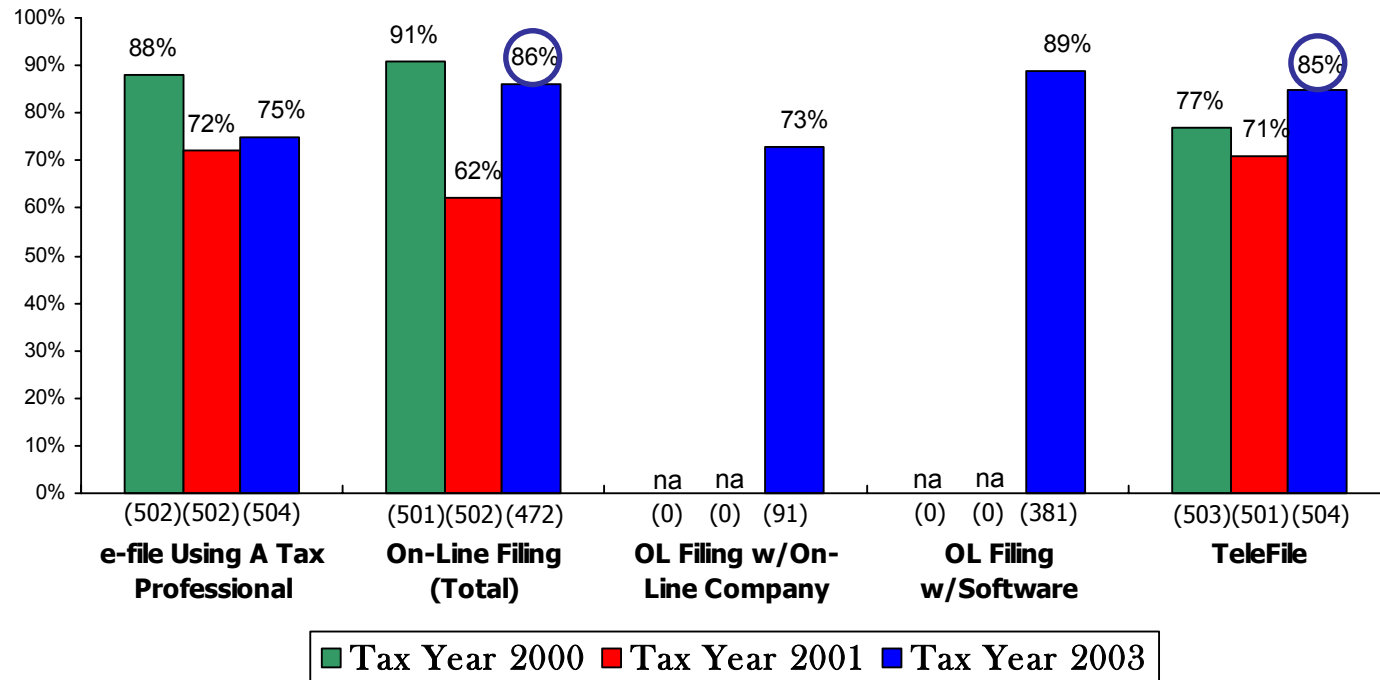
Why Don't TeleFile Users Migrate To Other *e-file* Methods?

- **Similar to past years, they <u>like TeleFile</u> and feel that…**

  - Practitioner *e-file* costs too much and *their tax situation doesn't justify paying for it*.

  - And <u>On-Line Filing</u> *requires a PC that they don't have access to* and they're concerned about *its security*.

	Why Not Use *EFUTP*?				**Why Not Use *On-Line*?**			
	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003
BASE: Total TeleFile Users	500 %	503 %	501 %	504 %	500 %	503 %	501 %	504 %
Total Making Some Suggestion	85	86	84	89	87	87	87	87
Prefer TeleFile/Faster/Easier/Like To Do It Myself (Net)	**31**	**26**	**28**	**35**	**21**	**22**	**23**	**36**
Dislike The Optional Product (Paid Prep/On-Line) (Net)	27	32	32	30	16	18	16	12
Don't Trust It/Lack Of Security	1	1	1	0	**8**	**10**	**9**	**6**
It's Too Complicated/Intimidating	0	0	0	0	3	4	3	2
It Costs Money/You Have To Buy Something	**26**	**30**	**31**	**30**	2	4	4	3
Did Not Have Access To A PC Then	0	0	0	0	**31**	**30**	**26**	**18**
Was Not On-Line/On Internet At The Time	0	0	0	0	5	5	5	4
Was Not Aware Of It At The Time	2	2	3	1	8	7	7	6
My Tax Situation/Refund Amt. Doesn't Justify Using It	**19**	**14**	**22**	**19**	4	1	3	5
Don't Know	15	14	16	11	13	13	13	13

Detailed Findings
Among Taxpayers Who
DO NOT Currently Use
e-file Products

Likelihood Of Use Of *e-file* Among Non-Users
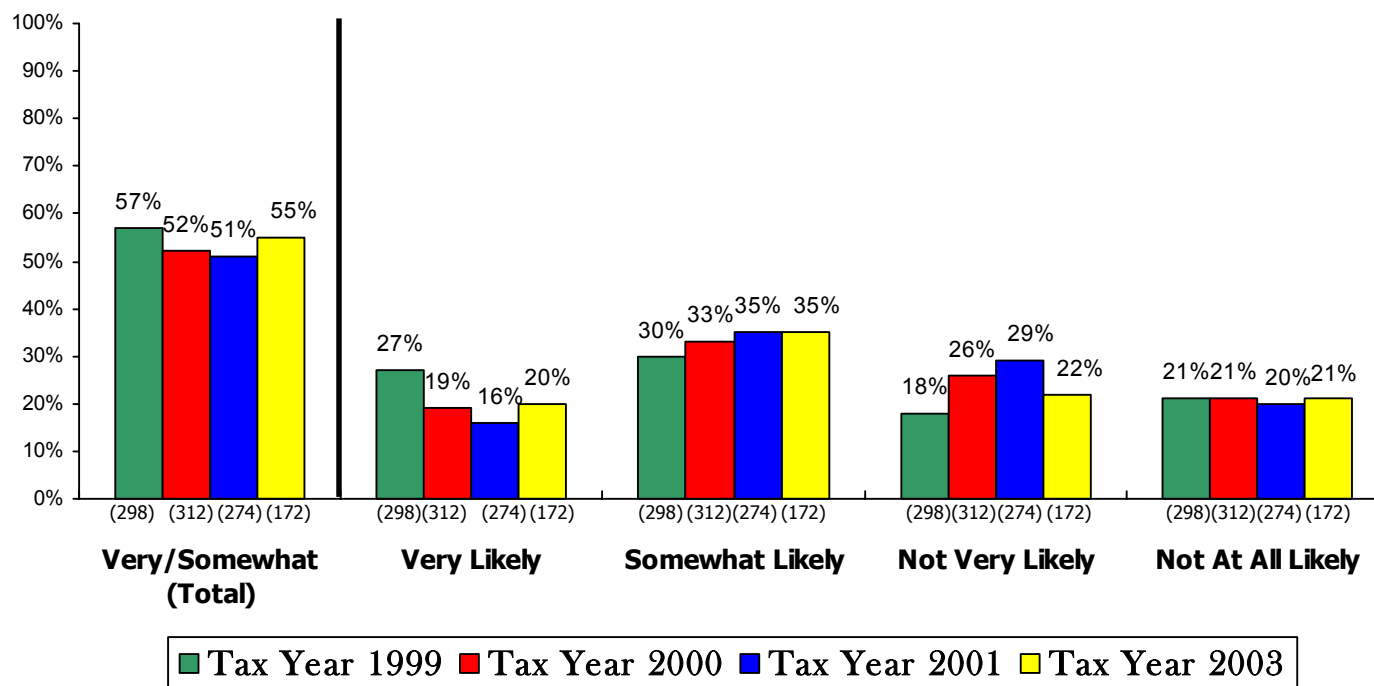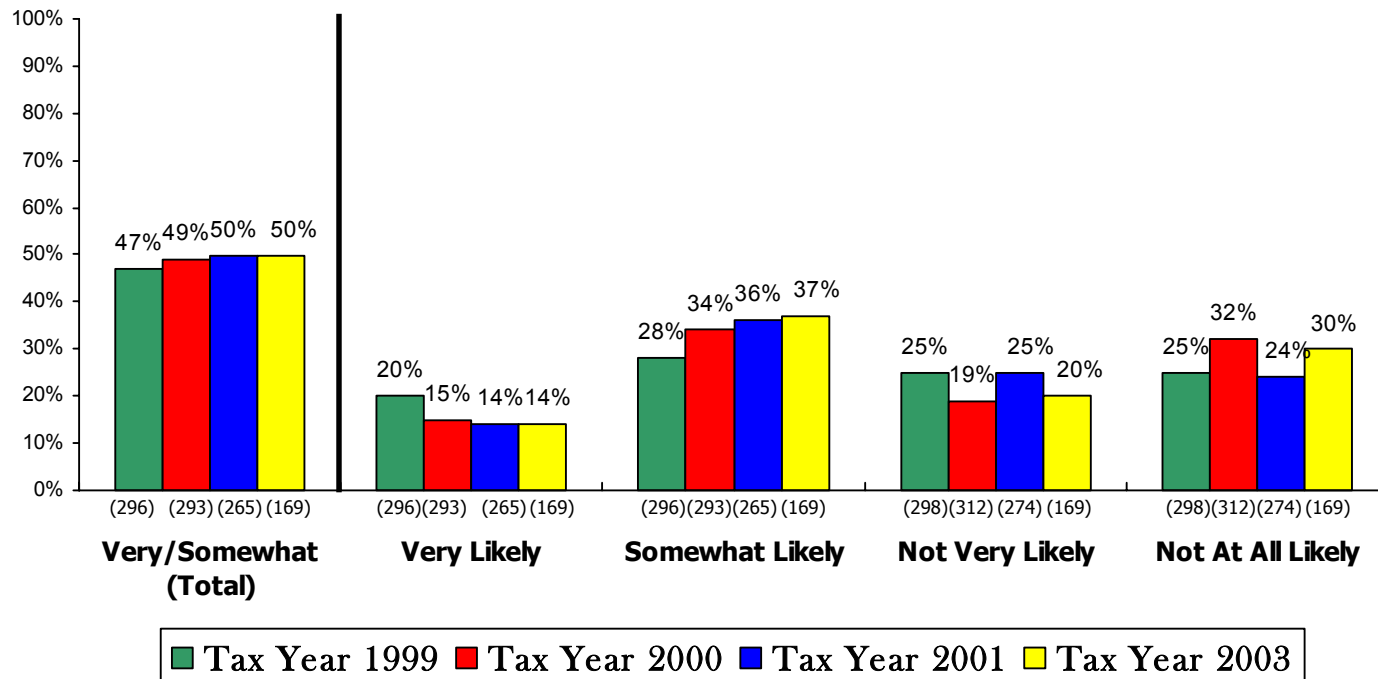
Likelihood Of Using Practitioner *e-file*

- **Each year we expose qualified Non-Users to descriptions of the *e-file* products and ask their likelihood of use. For <u>Practitioner *e-file*</u>, the proportion of Non-Users saying they would be "very" or "somewhat" likely to use reaches 55% this year -- after having been slightly lower in the past two years.**


Chart: Likelihood of Using Practitioner e-file

	Very/Somewhat (Total)	Very Likely	Somewhat Likely	Not Very Likely	Not At All Likely
Tax Year 1999 (298)	57%	27%	30%	18%	21%
Tax Year 2000 (312)	52%	19%	33%	26%	21%
Tax Year 2001 (274)	51%	16%	35%	29%	20%
Tax Year 2003 (172)	55%	20%	35%	22%	21%

Legend: ■ Tax Year 1999 ■ Tax Year 2000 ■ Tax Year 2001 □ Tax Year 2003

Non-User Likelihood Of Using On-Line Filing

- **For <u>On-Line Filing</u>, likelihood of use is unchanged at 50%.**

Bar chart: Non-User Likelihood Of Using On-Line Filing

Very/Somewhat (Total)
- Tax Year 1999 (296): 47%
- Tax Year 2000 (293): 49%
- Tax Year 2001 (265): 50%
- Tax Year 2003 (169): 50%

Very Likely
- Tax Year 1999 (296): 20%
- Tax Year 2000 (293): 15%
- Tax Year 2001 (265): 14%
- Tax Year 2003 (169): 14%

Somewhat Likely
- Tax Year 1999 (296): 28%
- Tax Year 2000 (293): 34%
- Tax Year 2001 (265): 36%
- Tax Year 2003 (169): 37%

Not Very Likely
- Tax Year 1999 (298): 25%
- Tax Year 2000 (312): 19%
- Tax Year 2001 (274): 25%
- Tax Year 2003 (169): 20%

Not At All Likely
- Tax Year 1999 (298): 25%
- Tax Year 2000 (312): 32%
- Tax Year 2001 (274): 24%
- Tax Year 2003 (169): 30%

Legend: ■ Tax Year 1999 ■ Tax Year 2000 ■ Tax Year 2001 □ Tax Year 2003

Non-User Likelihood Of Using Free File

- **In past years, the third ETA product covered here was TeleFile, but it was replaced in the Non-User evaluation this year by Free File. This product has likelihood of use of 60% -- higher than that of Practitioner *e-file* (55%) and On-Line Filing (50%).**
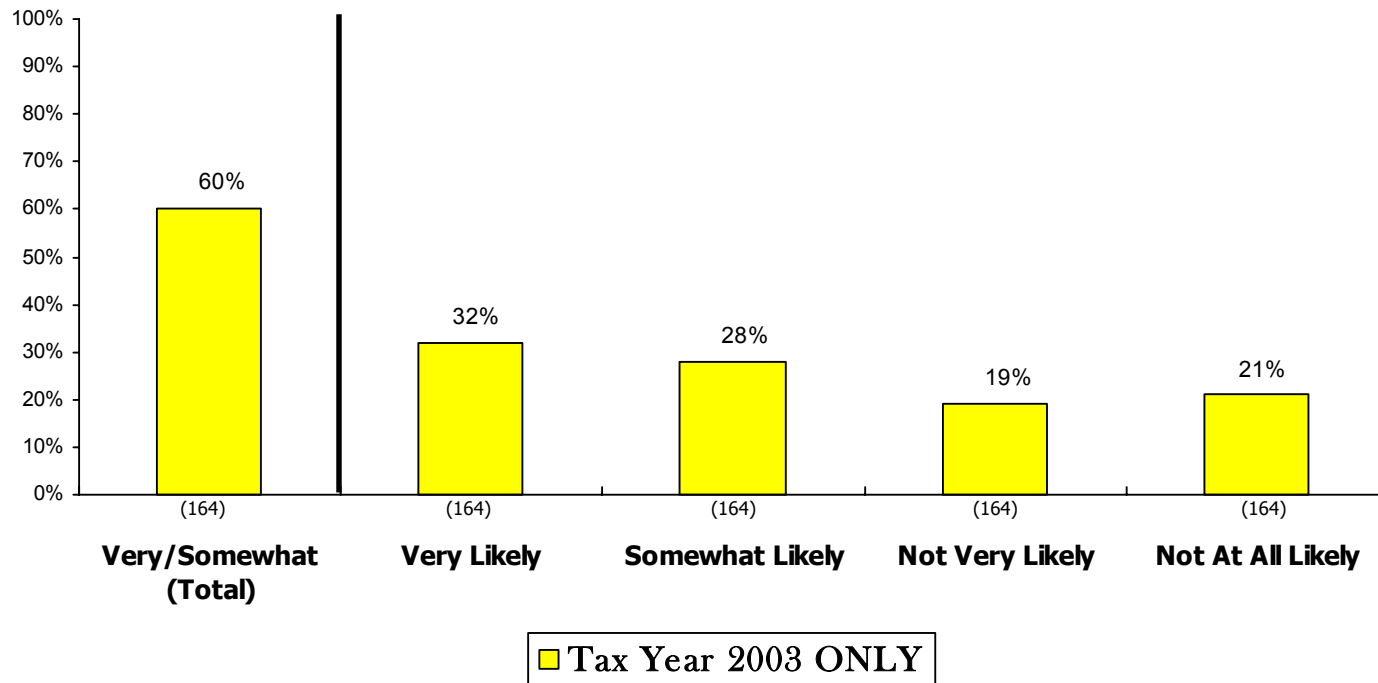
Non-User Reasons
For Not *e-filing*

Non-Users' Top Reasons For Not *e-filing*

- **With 50% or more of the Non-Users saying they are likely to use each *e-file* product, we look at their main voluntary reasons for not using *e-file* to see what's preventing them from using it. Unlike past years, we see no outstanding barrier here -- the top mention is "doesn't apply to my tax situation" (at just 15%) and there is significantly lower mention this year of being *more comfortable with paper* filing methods.**

| BASE:	TY 1999 TOTAL NON-USERS 668 %	TY 2000 TOTAL NON-USERS 657 %	TY 2001 TOTAL NON-USERS 593 %	TY 2003 TOTAL NON-USERS 505 %
Doesn't Apply To My Tax Situation	17	7	11	**15**
My Preparer Did Not Offer It As A Choice	14	10	12	11
e-file Is Too Expensive	12	12	11	11
Prefer/More Comfortable With Paper Alternatives (Net)	**21**	**23**	**22**	10
Concerned About The Lack Of Privacy/Security	13	12	11	9
Don't Have Computer Equipment (PC/Modem/etc.)	7	8	9	8
I Didn't Know I Could File Electronically	7	3	4	6

Post-Exposure Perceptions Of *e-file* Among Non-Users

- **Non-User ratings of each product (based on the description we read) show that while they're very accepting of the idea of <u>Free File</u>, they have concerns about the other products -- specifically, concerns about...**

  - Practitioner *e-file* being *better than other methods* and its *cost*.

  - And <u>OLF's</u> *ease of use, privacy/security*, and being *better than other methods*.

	Total Rated EFUTP				Total Rated On-Line				Total Free File
	TY 1999	TY 2000	TY 2001	TY 2003	TY 1999	TY 2000	TY 2001	TY 2003	TY 2003 Only
BASE: Total Non-Users Rating Each Product	298 %	312 %	274 %	172 %	296 %	293 %	265 %	169 %	164 %
% Agree Completely/SW That Product Would Be...									
A Way To File Return Quickly	88	90	89	87	80	86	88	81	90
Able to Make Tax Payment Electronically	80	78	81	86	76	78	68	74	87
A Way To Get Your Refund Faster	87	86	89	83	84	87	83	83	88
An Accurate Way To File Taxes	84	85	85	83	73	81	77	75	85
Easy/With Little Hassle	77	80	79	74	**62**	**69**	**63**	**58**	83
A Private/Secure Way To File Taxes	69	64	70	75	**52**	**54**	**59**	**51**	72
Better Than Other Methods Of Filing	**60**	**54**	**60**	**62**	**59**	**52**	**56**	**50**	75
An Inexpensive Method Of Filing	**50**	**49**	**53**	**55**	73	76	77	68	89

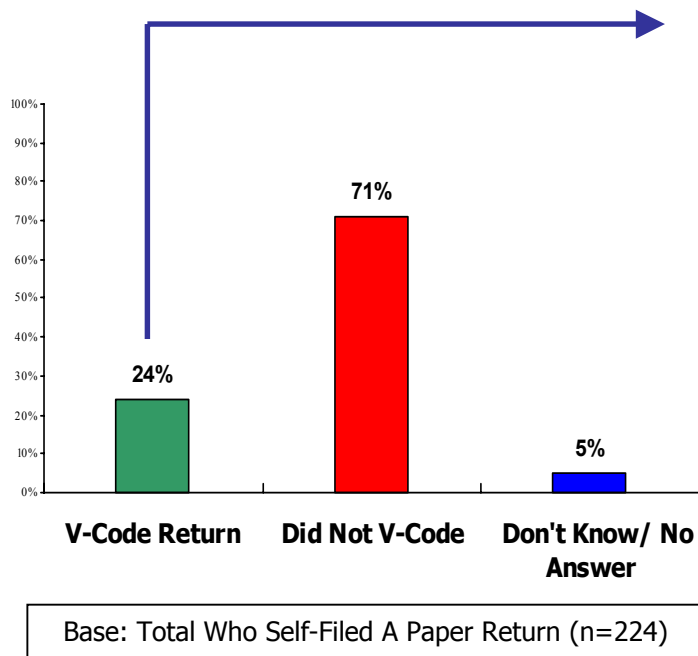# Were Non-Users Given The Opportunity *e-file* By Their Tax Pro?

- **This year, for the first time, we asked Non-Users who had gone to a Preparer whether <u>their Preparer offered them the opportunity to *e-file*</u>. Over half say they were <u>not</u> offered *e*-file, while 31% *were* offered the opportunity to *e-file*, but turned it down (the rest did not recall).**
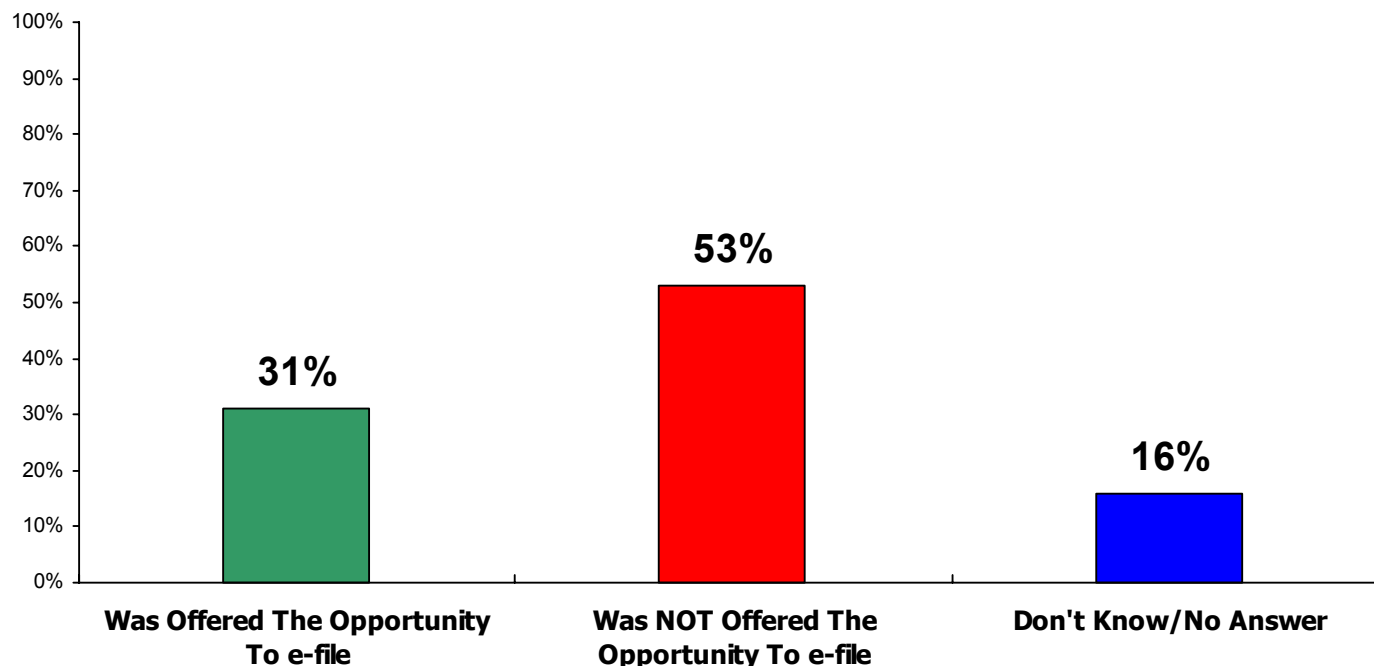
Base: Total Who Filed A Paper Return Using A Tax Professional (n=281)

Why Are V-Coders Not Taking The Extra Step?

- **Among Self-Paper filers, <u>24% were V-Coders</u> (off a bit from the 28% in 2002). Though base sizes are small, we see that V-Coders' top reasons for not transmitting electronically are similar to those of last year –** *cost concerns, preferring paper and mail, privacy/security concerns,* **and** *not thinking of e-file.*

Base: Total Who Self-Filed A Paper Return (n=224)

Bar chart values: V-Code Return 24%, Did Not V-Code 71%, Don't Know/No Answer 5%

Reasons For V-Coding Instead Of *e-filing*

Base: V-Coders	TY 1999 (64) %	TY 2000 (70) %	TY 2001 (72) %	TY 2003 (53) %
Cost/Price (Net)	<u>**19**</u>	<u>**18**</u>	<u>**22**</u>	<u>**23**</u>
Have To Pay A Filing Charge	**15**	**11**	**10**	**19**
It Costs Money	3	1	0	4
Lack Of Internet Access/ Transmission Software (Net)	<u>20</u>	<u>14</u>	<u>1</u>	<u>4</u>
Other Mentions				
Didn't Think Of Filing Electronically	**15**	**14**	**8**	**11**
I Had Security/Privacy Concerns	**11**	**15**	**14**	**13**
I Just Prefer To Use Paper & Mail	**9**	**3**	**15**	**13**
It Is Not Easy To *e-file*/Software Difficult	1	8	8	4
Don't Trust Accuracy Of PC/Transmission	0	0	7	0
Don't Know How To Transmit/*e-file*	0	0	11	0
I Owe Money/Have A Balance	0	3	4	8

Non-User Awareness & Trial of Free File
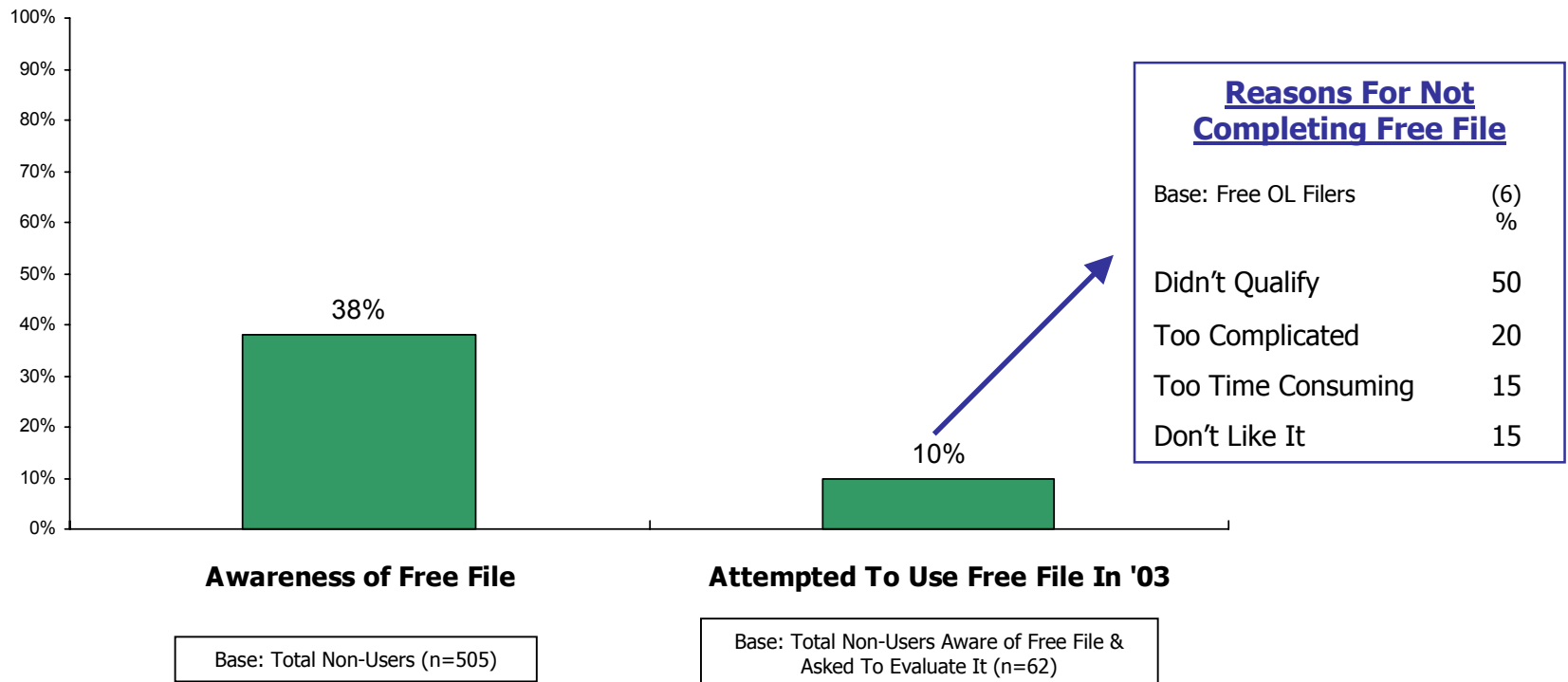
Awareness & Attempted Trial Of Free File Among Non-Users

- **38% of Non-Users <u>were aware of Free File</u> at the time of the survey. Among those aware and asked to evaluate Free File (just 62 people), 10% (or 6 people) <u>had attempted to use Free File</u> this year but did not complete the process (with 3 of them saying they found they did not qualify).**

Reasons For Not Completing Free File

Base: Free OL Filers	(6) %
Didn't Qualify	50
Too Complicated	20
Too Time Consuming	15
Don't Like It	15

Awareness of Free File

Base: Total Non-Users (n=505)

Attempted To Use Free File In '03

Base: Total Non-Users Aware of Free File & Asked To Evaluate It (n=62)

Possible Barriers To Free File

- **Those 62 people aware of and asked to evaluate Free File were asked <u>why they chose not to use the product</u>. The top reasons (highlighted below) relate to a <u>preference for or greater comfort with another method</u> and finding that Free File <u>is not applicable to them</u> (they did not qualify or their return was too complex).**

	TY 2003
BASE: Non-Users Aware Of Free File & Asked To Evaluate It	62
	%
Benefits Of Preferred Alternative (Net)	**25**
It's Habit/Makers Me Feel More Comfortable/Secure	**11**
Easier/More Convenient/Less Complicated	8
Preferred Alternative (Non-Electronic) Method Used (Net)	**22**
Preferred Using Tax Preparer	**13**
Non-Applicability Of Process/Benefits (Net)	**23**
I Did Not Qualify	**11**
My Return Was Too Lengthy/Complex	**9**
Drawbacks of Free File (Net)	15
Security Concerns	9
Did Not Understand/Have Sufficient Information	9
Don't Know/Know Answer	21

Comparing *e-file* Users and Non-Users
On Other Taxpayer Survey Measures

Reasons For Using A Tax Professional

- **Each year, we ask Taxpayers in the Total Random Sample who use a Practitioner why they do not prepare and file their own return. Responses (with top mentions highlighted below) have been similar from year, with few differences between *e-file* Users and Non-Users.**

	Total Random Sample				2003 *e-file*	
	TY 1999	TY 2000	TY 2001	TY 2003	Users	Non-Users
BASE: Used A Tax Professional To File Taxes	560	601	607	600	319	281
	%	%	%	%	%	%
It's Easier/Less Hassle/Faster (Net)	**37**	**30**	**31**	**27**	**29**	**24**
Easier/Less Hassle Than Doing It Myself	**12**	**8**	**13**	**17**	**20**	**14**
Taxes Are Just Too Complicated/Difficult To Do Myself	10	12	5	6	4	9
Faster Than Doing It Myself	3	3	3	5	7	2
Makes You Feel Secure/Assured/Comfortable (Net)	**23**	**27**	**24**	**26**	**29**	**23**
You Have An Assurance Of Accuracy	**12**	**13**	**9**	**10**	**13**	**6**
Familiar With Them/Comfortable/Used Them For Years	3	6	7	5	3	6
Preparer's Have Knowledge/Info That I Don't (Net)	**18**	**24**	**22**	**22**	**24**	**20**
I Don't Know/Understand How To Do It Myself	**7**	**7**	**7**	**10**	**11**	**9**
They Have The Knowledge/Know What They're Doing	2	5	5	8	9	6
My Tax Return Is Too Complex To Do Myself	7	13	11	6	3	10
Don't Know/No Answer	8	12	9	16	17	14

Internet Access

- **We also look at Internet access year-to-year and among Users and Non-Users. This year's results show continued growth in Internet access among Taxpayers, with virtually no difference here by Users vs. Non-Users (which tells us that lack of access is not a main driver of non-usage).**

	------Total Random Sample------				Tax Year 2003	
	TY 1999	TY 2000	TY 2001	TY 2003	Users	Non-Users
BASE: Total Respondents	1000	1000	1000	1000	495	505
	%	%	%	%	%	%
Household Ownership Of A PC With Modem						
HH Has A PC With Modem	**69**	**73**	**76**	**80**	**80**	**80**
HH Does Not Have A PC With Modem	31	27	24	20	20	20
Household Internet Access						
Among Taxpayers With A PC & Modem (n=)	(701)	(736)	(755)	(806)	(400)	(406)
Have HH Access To Internet Via PC	**92**	**94**	**94**	**93**	**94**	**92**
Do Not Have Access To Internet Via PC	8	6	6	7	6	7
Extrapolating Internet Access Data						
To All Taxpayers (n=)	(1000)	(1000)	(1000)	(1000)	(495)	(505)
Have HH Access To Internet Via PC	**63**	**69**	**71**	**75**	**76**	**74**
Do Not Have Access To Internet Via PC	37	31	29	25	24	26

Tax Filing Dynamics

- **The total filing dynamics data show one major change from last year -- growth in electronic Bal Due payments and refunds. These measures also show that Non-Users tend to file more complex returns, are more likely to be Bal Dues, and are less likely to use electronic payment/refund methods.**

	Total Random Sample		--Tax Year 2003--	
	TY 2001	TY 2003	Users	Non-Users
BASE: Used A Tax Professional To File Taxes In 2003	1000	1000	495	505
	%	%	%	%
Additional Forms/Attachments Filed				
Forms 2106 – The Business Expense Form	13	12	10	14
Schedule "C"	14	13	8	17
Schedule "E"	6	7	5	8
Schedule "F"	2	3	2	4
Schedule "EIC"	na	3	3	3
Results Of Tax Filing				
Balance Due To The IRS	22	20	13	26
Received A Refund	72	73	81	66
Had A Zero Balance	4	3	2	3
Had Paid The Balance Due				
Automatic Withdrawal from Checking/Savings	3	8	19	3
Credit Card	2	3	1	4
Wrote A Check	91	83	77	86
Method Of Receiving Refund				
Direct Deposit	29	42	59	27
Received A Check From The IRS	68	53	39	67

User vs. Non-User Demographics

- **Total Sample results continue to show differences between *e-file* Users and Non-Users, with Non-Users being somewhat older, more upscale and educated, and more likely to be married -- thus the more complex returns we saw in filing dynamics.**

| | --TY 1999-- | | --TY 2000-- | | --TY 2001-- | | --TY 2003-- | |
	Users	Non-Users	Users	Non-Users	Users	Non-Users	Users	Non-Users
BASE:	332	668	343	657	407	593	495	505
	%	%	%	%	%	%	%	%
Gender								
Male	45	52	40	47	47	48	48	52
Female	55	48	60	53	53	52	52	48
Age								
Average Age	37	(41)	37	(42)	38	(43)	40	**(42)**
Average HH Size	3.0	3.0	2.9	2.9	3.0	2.8	3.0	2.9
% With Children	54	48	54	47	56	44	47	43
% Married	47	(64)	48	(65)	53	(62)	52	**(62)**
% With College Education	50	(69)	59	(64)	59	(65)	58	**(68)**
Median HH Income (000)	$39	($54)	$41	($58)	$45	($54)	$46	**($52)**

**Summary Of Learning
From The Taxpayer
Satisfaction Study**

What Did We Learn About <u>Taxpayers <i>& e-file</i></u>?

Overall, Satisfaction Study results among Taxpayers show...

1. <u>**Continued high satisfaction among Users of each *e-file* product**</u> -- with virtually all at least "somewhat" satisfied and with high levels of top-box, "very satisfied" of...

    ▪ <u>77% for Practitioner *e-file*</u> (higher among Tech Leaders and Followers but lower among Spanish-Speaking Taxpayers).

    ▪ <u>81% for OLF</u> (higher among the Tech Leader and Spanish-Speaking segments) -- with each OLF variant also at 80%+, including Free File at 83%.

    ▪ <u>And 90% (an all-time high) for TeleFile</u>.

2. <u>**Results also show improved levels of Repeat Usage this year vs. last**</u>.

3. <u>**However, there are still areas of improvement indicated for each product**</u> -- specifically...

    ▪ <u>**For Practitioner *e-file***</u> -- *make it <u>less expensive</u>*.

    ▪ <u>**For On-Line Filing**</u> -- *<u>lower the cost</u>, <u>improve instructions</u>, and <u>simplify it</u>*.

    ▪ <u>**And for TeleFile**</u> -- *<u>expand the qualification</u> for it and <u>improve its instructions</u>*.

What Did We Learn About <u>Taxpayers</u> <u>*& e-file*</u>? (Cont'd.)

4. <u>**Among Non-Users**</u>, we found that…

- <u>**50% or more are interested in each *e-file* product**</u> (with a high of 60% for Free File -- measured this year in place of TeleFile).

- <u>**But, while Non-Users are clearly interested in Free File, they have substantial concerns about the other two *e-file* products**</u> -- concerns about:

    - <u>Practitioner</u> *e-file* being *better than other methods* and its *cost*.

    - And concerns about <u>OLF's</u> *ease of use, privacy/security*, and being *better than other methods*.

5. As these concerns/barriers to use are addressed, <u>**it must be kept in mind that *e-file* products have clear perceptual strengths among both Users and Non-Users which should be supported**</u>:

- **Speed in Filing**

- **Faster Refunds**

- **And Accuracy**

Detailed Findings
Among Practitioners

Analyzing The Practitioner Audience

- **In our review of satisfaction findings among Practitioners, we will focus first on Preparers who are Users of *e-file* and then on Non-Users.**

- **However, we'll also take a look at satisfaction among several sub-groups identified as opportunity segments in the Practitioner Attitudinal Study (to be presented later). These segments are:**

  - Low-Volume Users (those who file less than 50% of their Individual returns electronically). We'll compare them to the High-Volume Users (those filing 50% or more of their Individual returns electronically).

  - And the three Tech Acceptance segments:

    - Tech Leaders (Preparers who embrace and are enthusiastic about technology).

    - Tech Followers (who generally trust technology but are not early triers).

    - Tech Laggards (Preparers who do not reject technology per se, but have limited trust in it).

- **Finally, we'll review satisfaction data among the two cells of Big Two Preparers mentioned earlier.**

Findings Among Practitioners Who Use *e-file*

User Satisfaction
With *e-file* Products
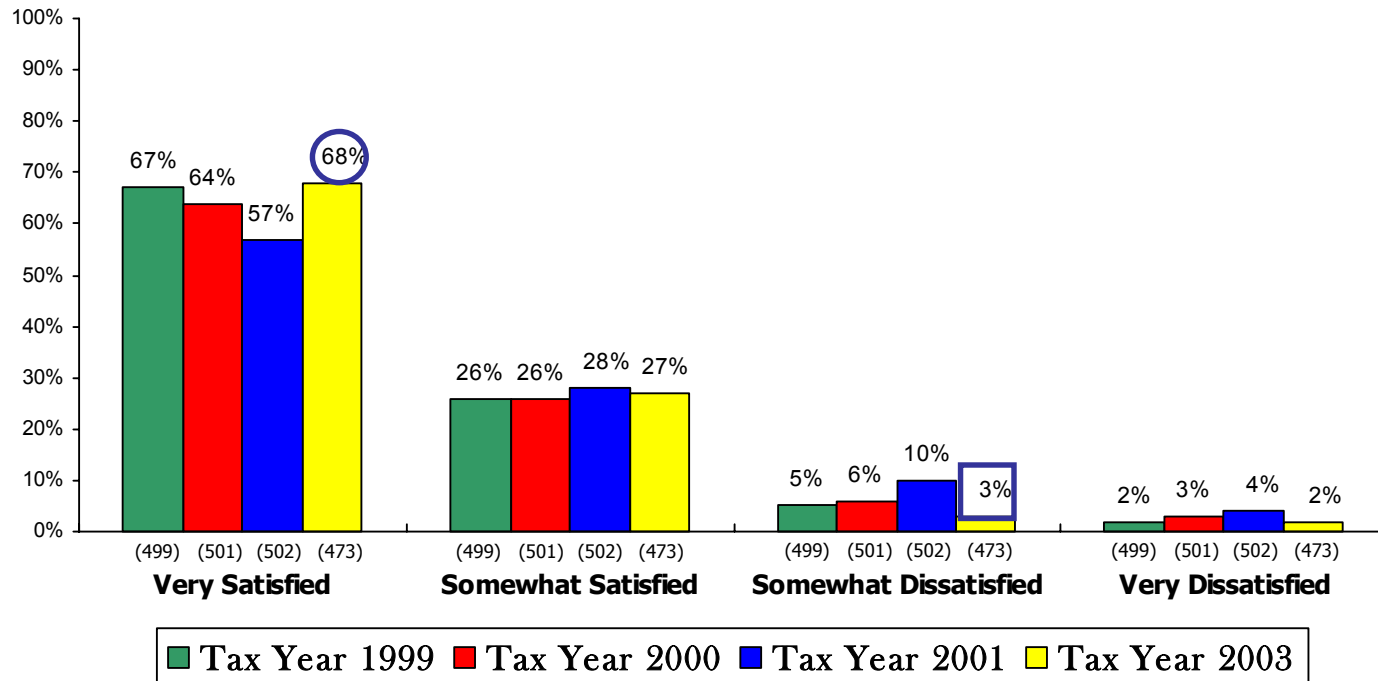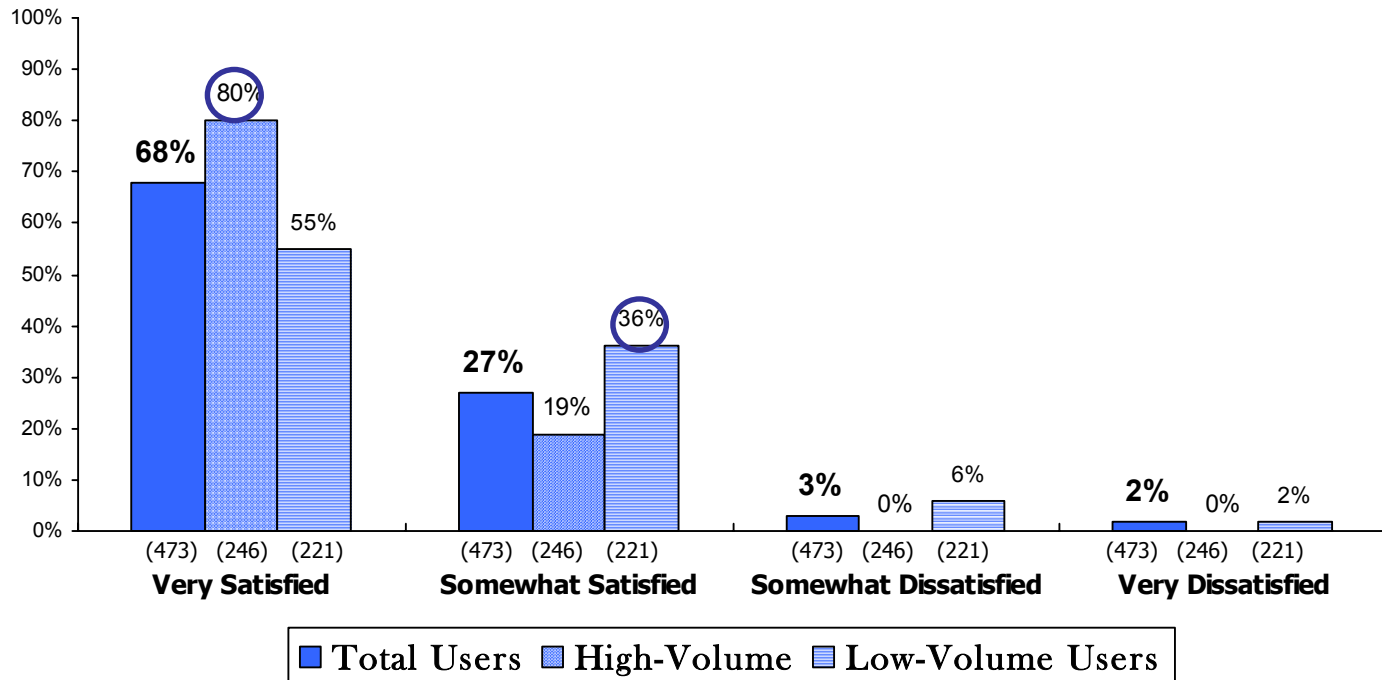
Satisfaction With IRS *e-file*

- **Nearly all Users this year (95%) are at least somewhat satisfied with IRS *e-file*, and we see significant movement vs. last year <u>out of</u> the "somewhat dissatisfied" rating <u>and into</u> the top-box ("very satisfied") rating.**


	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied
Tax Year 1999	67%	26%	5%	2%
Tax Year 2000	64%	26%	6%	3%
Tax Year 2001	57%	28%	10%	4%
Tax Year 2003	68%	27%	3%	2%

(499) (501) (502) (473)

Satisfaction With IRS *e-file* (Cont'd.)

- **Analysis of the satisfaction rating by *e-file* usage volume shows clearly stronger satisfaction among the High-Volume Users compared to Low-Volume Users -- especially in the top-box ("very satisfied") rating point.**

Satisfaction With **IRS *e-file*** (Cont'd.)

- **And, analysis of satisfaction among the three <u>Tech Acceptance segments</u> shows that <u>the more tech-forward the Preparer is, the higher his/her level of satisfaction with IRS *e-file*</u>.**
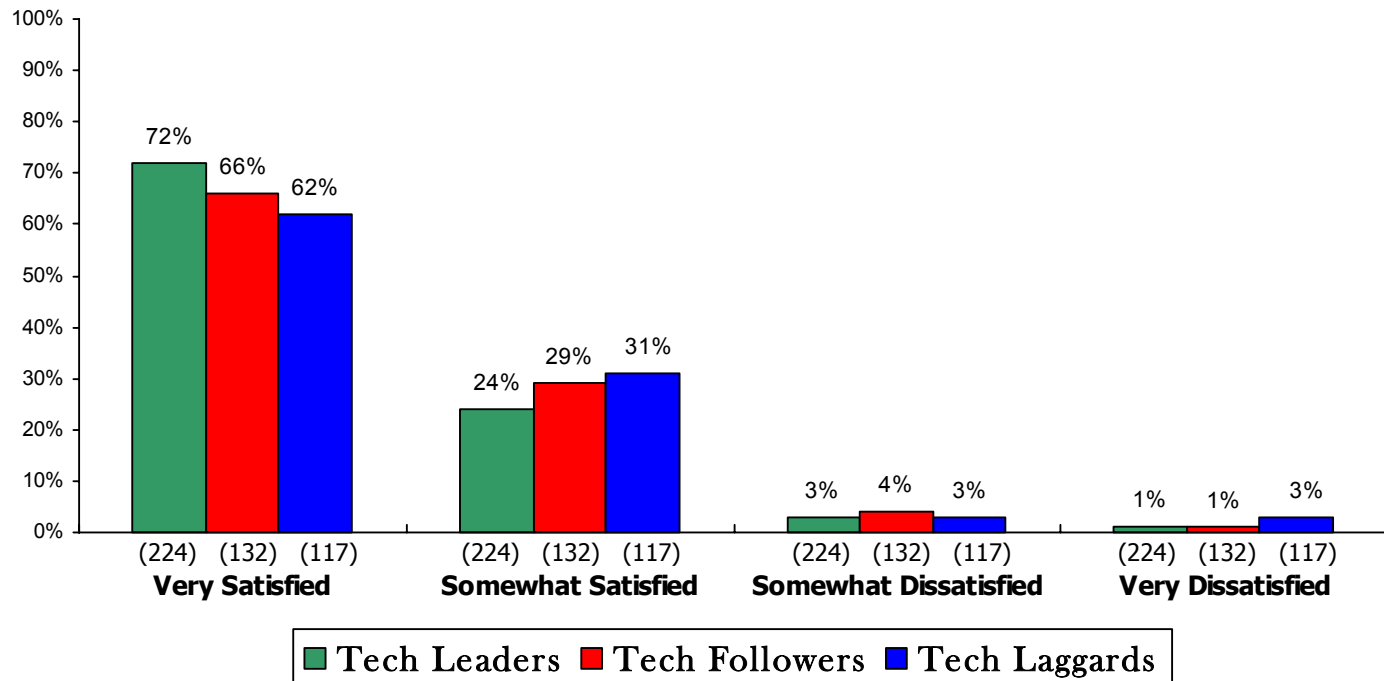
Why Low-Volume Users *e-file* Less

- **We asked Low-Volume *e-file* Users why they do not file more Individual returns via *e-file* and, in their responses, we see what we often find among *Non-Users* in other studies -- that <u>they blame it on their clients</u>, saying that clients don't want it, don't ask for it, have to pay taxes (and don't want to hurry that), and that clients do not want to pay extra for it.**

	Low-Volume Users (221) %
BASE:	
Clients Did Not Ask/Don't Want/Request	**44**
No Hurry to Pay Money Owed/No Refund Due	**15**
Clients Prefer Paper	**12**
Clients Don't Want To Pay For It	**9**
Return Is Too Lengthy/Inconvenient	6
Takes More Time/Doesn't Save Time	6
Still Learning It/Just Started Using It	5
Have to Pay Extra Charge/Fee	3

Most Helpful Service Or Support IRS Could Provide

- **Roughly half of all Users (High and Low-Volume) suggest additional IRS services or support for *e-file*. However, the only specific suggestions with more than a scattering of mentions are to better explain rejections and errors.**

	Total Users	High-Volume Users	Low-Volume Users
BASE:	473	246	221
	%	%	%
IRS Could Provide Additional Service Or Support	**50**	**54**	**47**
Services (Net)	**17**	**16**	**18**
800-# Hotline	2	1	3
Web/Internet Contact	2	2	3
Address/Phone Contacts	2	2	1
Let Us Know When We Are Getting Refunds	3	3	3
Interpersonal Support (Net)	**8**	**11**	**6**
Quick Response Time	2	2	2
Better Explanation Of Rejections	**7**	**(9)**	**4**
Better Explanation/Clear Explanation Of Errors	**4**	**5**	**3**
Accept All/More Forms	3	3	4
None/Nothing	30	31	29
Don't Know/No Answer	20	15	(24)

RMR

What IRS Can Do To Make It Easier To Resolve Problems

- **Roughly half of all Users say that <u>problem resolution can be improved</u>, and made suggestions such as clarification of rejections, simplification of codes, and additional ways to contact the IRS for service and support.**

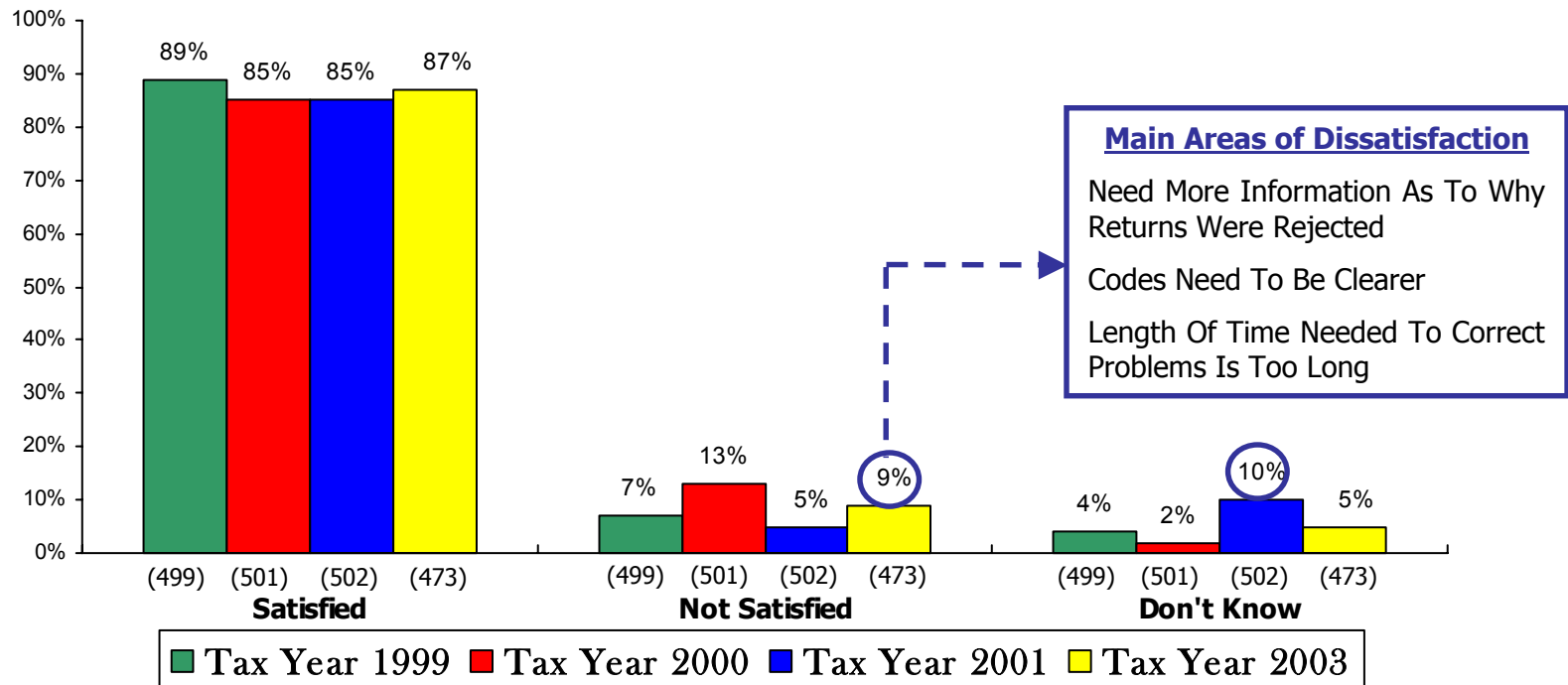|	Total Users	High-Volume Users	Low-Volume Users
BASE:	473	246	221
	%	%	%
Product Resolution Can Be Improved	**51**	**52**	**50**
Clarification			
Better Explanation/Clarification Of Rejections	7	7	6
Clarify/Simplify Codes	5	5	5
Communication/Customer Service			
Increase/Install More Phone Lines (Can't Get Through)	5	2	7
Provide Personal/Local Contact	5	7	2
Provide 800-Number	4	5	4
Prefer To Deal With A Human Being	3	5	2
Increase Direct/One-On-One Contact	2	1	2
Be Allowed To Talk To IRS W/o Permission From Taxpayer	3	4	2
Quick Response Time	2	2	2

What Brings Them Into The *e-file* Program, Keeps Them In

● **Among all Users, we see (as in the past) that the attributes that bring Preparers into the program keep them in it -- ease/convenience, speed, customers liking *e-file*, reducing paperwork, etc. Interestingly, <u>High-Volume Users' reasons</u> for joining and staying in the *e-file* program <u>relate more to *e-file's* benefits</u>, while <u>Low-Volume Users' reasons are externally driven</u> -- by their customers and by a feeling that "it's the future".**

|	Brings Users To The *e-file* Program			Keeps Users In The *e-file* Program		
	Total Users	High Volume Users	Low Volume Users	Total Users	High Volume Users	Low Volume Users
BASE:	473	246	221	473	246	221
	%	%	%	%	%	%
Customers Like Service/Request It	**15**	**9**	**(22)**	**26**	**19**	**(34)**
Provides Good Customer Service	2	2	2	3	3	2
Ease/Convenience	**19**	**(26)**	**10**	**27**	**(35)**	**19**
Like The Speed Of The Process	**14**	**(19)**	**7**	**13**	**16**	**10**
Like The Speed & Accuracy Of The Refunds	**19**	**19**	**19**	**24**	**25**	**23**
It's The Future	**15**	**11**	**(20)**	**9**	**6**	**(12)**
Helps Me Keep Up With Competition	**8**	**7**	**9**	**6**	**6**	**5**
Increases Revenue	4	5	3	2	3	1
Reduces Supply Costs/Paperwork w/ Repeat Customers	**15**	**(22)**	**7**	**18**	**(22)**	**13**
Like The Accuracy Of The Software	7	(11)	4	7	(10)	5
IRS Influences	10	7	(14)	5	3	6
Company Policy	5	5	5	4	3	5

RMR

Satisfaction With IRS Tracking Of Reject Rates

- **Users' level of <u>satisfaction with IRS tracking of reject rates remains steady</u>. As in previous years, the main reason for dissatisfaction is the desire for more information on why returns were rejected.**

Main Areas of Dissatisfaction

Need More Information As To Why Returns Were Rejected

Codes Need To Be Clearer

Length Of Time Needed To Correct Problems Is Too Long

	Satisfied	Not Satisfied	Don't Know
Tax Year 1999	89% (499)	7% (499)	4% (499)
Tax Year 2000	85% (501)	13% (501)	2% (501)
Tax Year 2001	85% (502)	5% (502)	10% (502)
Tax Year 2003	87% (473)	9% (473)	5% (473)

Satisfaction With The Suitability Process

- **User <u>satisfaction with the suitability process is also statistically stable</u>, and with no differences by volume of *e-file* usage. The reasons for being less than "very satisfied" are again diffuse, with the top reasons being EFIN activation and transmission problems (but at only 5% mentions).**
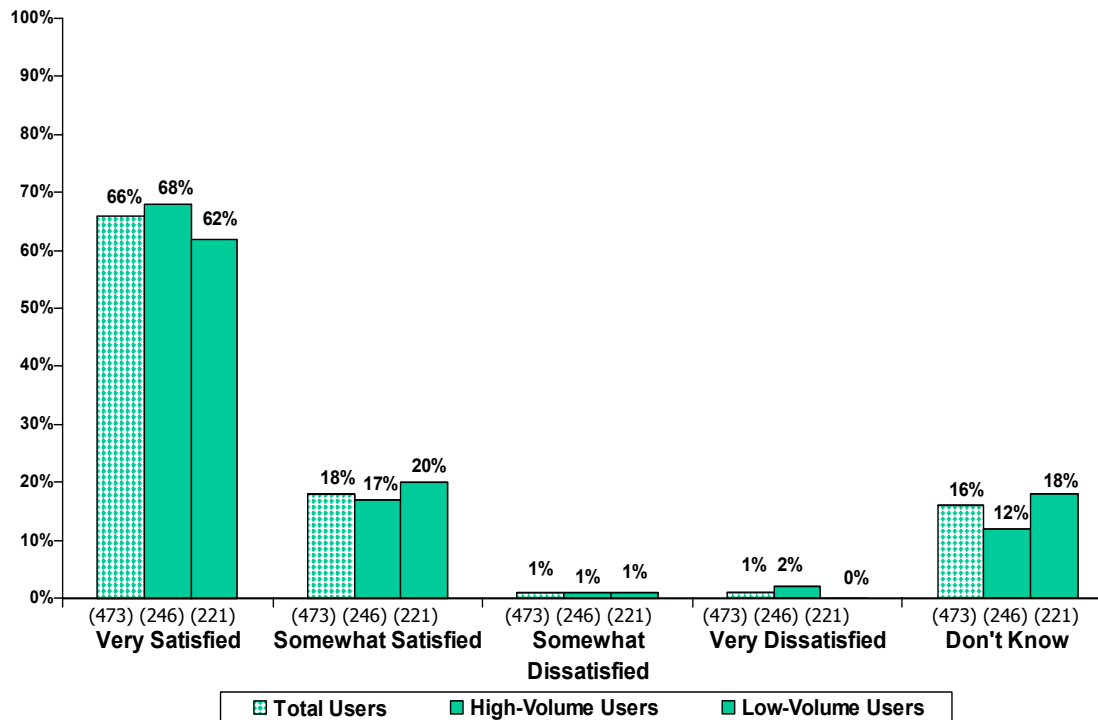

Main Reasons Why Not "Very" Satisfied In 2003

	Users Less Than Very Satisfied
BASE:	74 %
Didn't Know EFIN Was Activated Until January Processing Start-Up	5
Knew EFIN Was Activated, But Could Not Transmit	5
All Other Reasons	51
Don't Know/No Answer	34

Evaluation Of *e-file* Technical Support & IRS Assistance

- **Most Users are also <u>satisfied with IRS' technical support and assistance</u>, with 2 out of 5 users being "very satisfied". One-third of Users are unable to evaluate the IRS on this measure (higher among Low-Volume Users).**
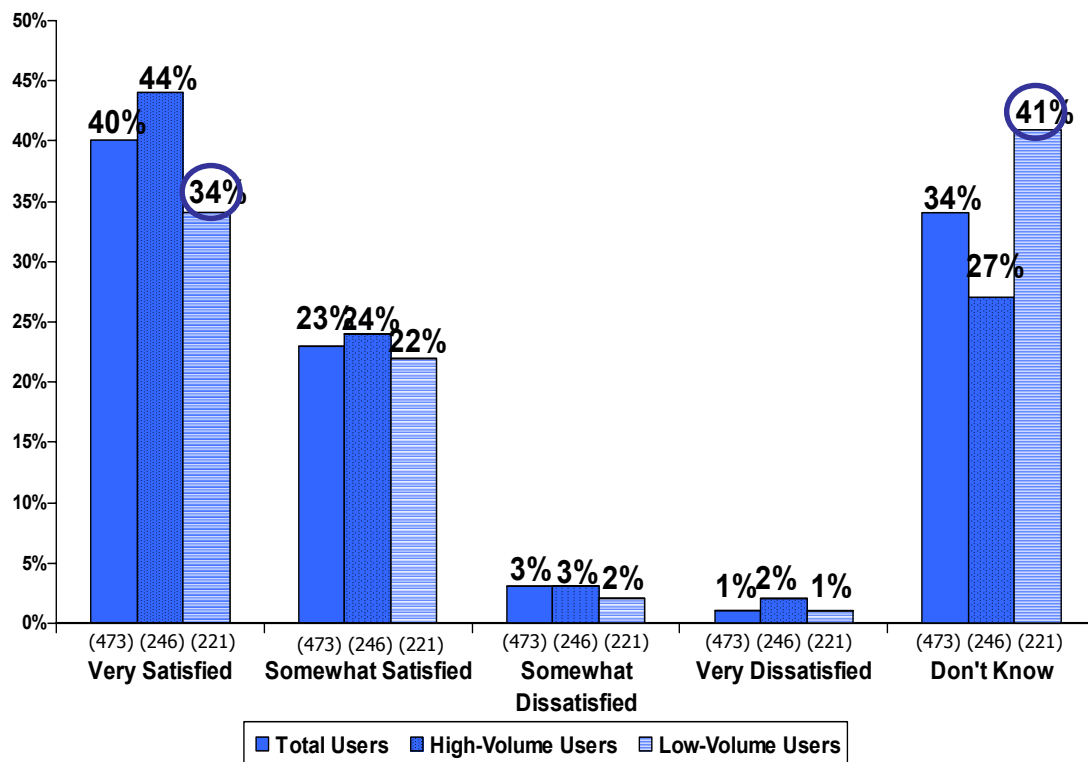
Service Or Support That Would Be Most Helpful

- An 800-number hotline
- Web/phone contacts
- Refund notification
- Explain rejections/errors in more detail

What IRS Can Do To Make It Easier To Resolve Problems

- Provide more interpersonal support and communications
- Provide more contact information
- Let us know when we are getting the refunds
- Accept more/all forms
- Explain rejections/errors in more detail

Chart data:

	Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied	Don't Know
Total Users (473)	40%	23%	3%	1%	34%
High-Volume Users (246)	44%	24%	3%	2%	27%
Low-Volume Users (221)	34%	22%	2%	1%	41%

Whether Or Not Practitioner Is An ERO

- **78% of Users claim that they are Electronic Return Originators (or EROs), though this is <u>sharply higher among the High-Volume Users</u>.**

- **Within each usage volume group, <u>the proportion of EROs who are new applicants in 2003</u> is virtually identical.**

	Total Users	High-Volume Users	Low-Volume Users
BASE:	473	246	221
% Who Are EROs	**78**	**94**	**62**
(NEW BASE: Users Who Are ERO's)	(368) %	(230) %	(136) %
New Applicant In *e-file* Program In 2003	**8**	**9**	**7**
Not A New Applicant	**92**	**92**	**93**

Recall & Reaction To Form 8633

- **Recall and reaction to Form 8633 was asked only among EROs this year. Among the EROs, we see that 73% <u>recall Form 8633</u> -- with 90% saying they <u>did not need assistance with it</u> and 80% <u>having no suggestions for improving the form</u>. 85% say they are <u>willing to put their e-mail address</u> on the form.**

	e-file Users TY 2003
BASE:	368
	%
Recall Form 8633	**73**
NEW BASE -- RECALL FORM:	(272)
Average # Minutes It Took To Complete Form	**~37 mins**
<u>% Did Not Need Assistance With "How To Complete The Form"</u>	**<u>90</u>**
<u>% Needed Assistance With "How To Complete The Form"</u>	**9**
Needed Help With Transmission Information	4
Needed Help With Drop-Off Collection Points	2
Needed Help With "Principals Of Your Firm Or Organization"	2
<u>No Suggestions For Improvement In Form 8633</u>	**<u>80</u>**
<u>Suggestions For Improvement In The Form</u>	**<u>20</u>**
Explain/Define Terms More	2
Shorten/Simply The Format	2
Simple/More Concise Wording, Language	4
Send Form Electronically	0
<u>Willing To Put e-mail Address On Form 8633</u>	**<u>85</u>**

Usage Of Tax Preparation Software

- *e-file* **Practitioners use a variety of software packages, with <u>LaCerte</u> being the most popular, especially among Low-Volume Users -- Drake is more popular among High-Volume Users.**

	Total Users	High-Volume Users	Low-Volume Users
BASE:	473 %	246 %	221 %
LaCerte	21	14	(29)
Drake	13	(20)	5
Pro Series (Unspecified)	7	7	7
ATX	6	5	8
Prosystem Fx	6	5	7
Intuit Pro Series	6	7	5
CCH Pro System	5	2	(6)
Intuit's Turbo Tax	2	1	2

Findings Among Practitioners Who Do Not Use *e-file*

Previous Usage Of *e-file* & Reasons For Reverting To Paper

- **Most Non-Users have never used *e-file*. Among those who have used it previously, lack of client interest, the amount of time required, and expense are cited as the main reasons they reverted back to paper filing.**
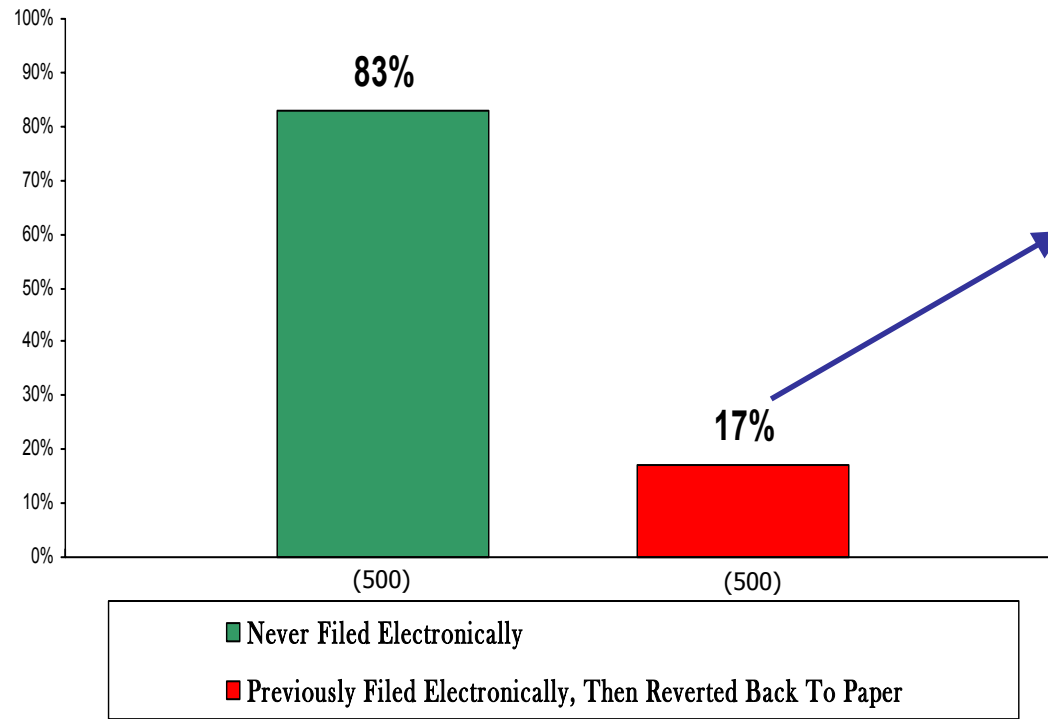
Main Reasons Stopped Filing Electronically

	Non-Users Who Previously Filed Electronically
BASE:	87
	%
Clients not interested	29
Too time consuming	22
Too expensive	20
Too complicated	15
Cost Of Software	9
Cost Of Transmission	9

Chart:
- 83% — (500)
- 17% — (500)

Legend:
- ■ Never Filed Electronically
- ■ Previously Filed Electronically, Then Reverted Back To Paper

Specific Dislikes Of The *e-file* Program

- **We asked Non-Users why they dislike the *e-file* program and, as in previous waves, the dominant reasons relate to them believing *e-file* <u>involves too much work or is complicated/difficult to learn</u> and claiming a <u>lack of client demand</u>.**

BASE:	TY 1999 *e-file* NON-USERS 358 %	TY 2000 *e-file* NON-USERS 180 %	TY 2001 *e-file* NON-USERS 500 %	TY 2003 *e-file* NON-USERS 500 %
<u>Dislike Something</u>	**<u>72</u>**	**<u>74</u>**	**<u>74</u>**	**<u>(84)</u>**
<u>Too Much Work/Too Difficult</u>	**<u>26</u>**	**<u>33</u>**	**<u>22</u>**	**<u>27</u>**
Causes Too Much Work	12	6	7	10
It's Too Complicated/Difficult	11	8	4	4
It's Difficult To Get Started/To Learn How To Do It	3	4	3	5
It's Too Time-Consuming	0	0	8	8
My Clients Don't Ask For/Want It	**10**	**8**	**(14)**	**9**
The Fees Are Too Expensive	5	3	9	7
It's Not User-Friendly/Full Of Problems	4	2	1	--
There's Trouble In Transmissions	4	0	1	(3)
The Software Costs Too Much	3	1	2	4
Not Suitable For My Type Of Client	2	5	2	5

Suggested Ways The IRS Can Increase Usage Of *e-file*

- **Three-fourths of Non-Users have suggestions for the IRS in terms of how to encourage more *e-file* use. And, while specific suggestions are diffuse, a few emerge as more important: *simplify the process*, *eliminate or reduce the costs associated with the program*, and *provide more information*.**

|	TY 2003 *e-file* NON-USERS
BASE:	500 %
IRS Could Do Something	**74**
Simplify It/Make It Easier/More User-Friendly	**13**
Add Ability To Do All Returns/Forms On *e-file*	6
Eliminate Signature Requirement	3
Eliminate Extra Cost/Charge	**6**
Give Incentives	6
Reduce Software Price (Overpriced)	3
Provide More Information	**6**
Provide Training/Seminars	6
Address Security Issues	5
Make It Mandatory	4

Suggested Services/Support That Would Be Most Helpful

- **Similar to suggestions for increasing usage,** Non-User suggestions for helpful IRS services/support include *simplifying the process, eliminating/ lowering the costs associated with the program,* and *providing more information* would be most helpful to them.

	TY 2003 *e-file* NON-USERS
BASE:	500
	%
Something Would Be Helpful	**40**
Simplify Filing Process (Eliminate Steps)	**7**
Make It Paperless	3
Reduce The Amount Of Paper	3
Provide More Information	**2**
Provide Training/Workshops	2
Provide Website Service	1
Security/Privacy Assurances	2
Reduce/Lower Cost	**3**
Quicker Returns	3

Reactions To Possible Incentives To Use Of *e-file*

- **Interest in <u>purely functional/practical incentives</u> -- such as <u>electronic power of attorney</u> and <u>electronic account inquiry & resolution</u>, increase significantly this year. Emotional incentives, such as recognition/ certificates/awards, remain less motivating.**


Legend: ■ TY 2001 Non-Users (N=500)　■ TY 2003 Non-Users (N=500)
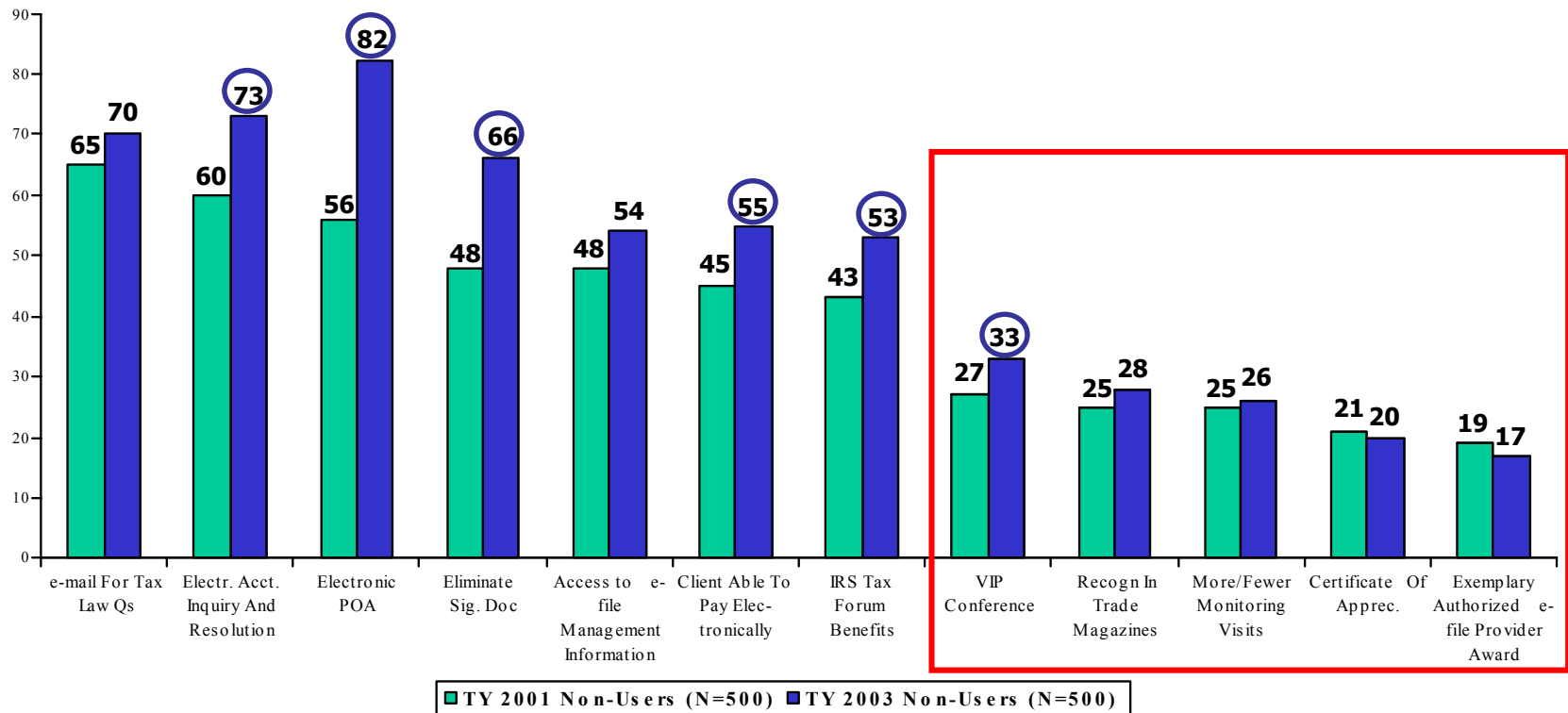
Other Measures Among All Practitioners
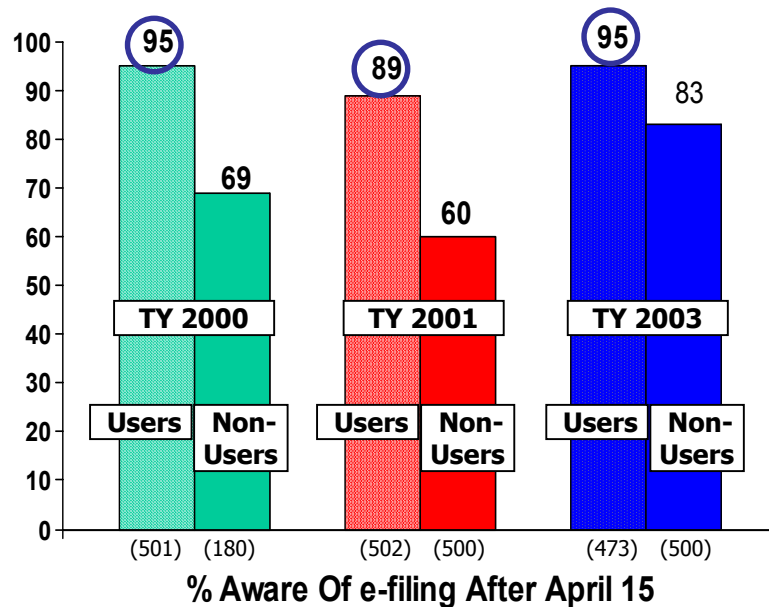
Awareness Of The Details Of The *e-file* Program

- **As we found last year, <u>Users are significantly more aware than Non-Users</u> <u>that they can *e-file* after April 15th</u> and <u>that they can file complex returns</u> using *e-file.* The gaps between Users' and Non-Users' level of knowledge, though, are decreasing.**

% Aware Of e-filing After April 15

% Aware Of e-filing Complex Returns
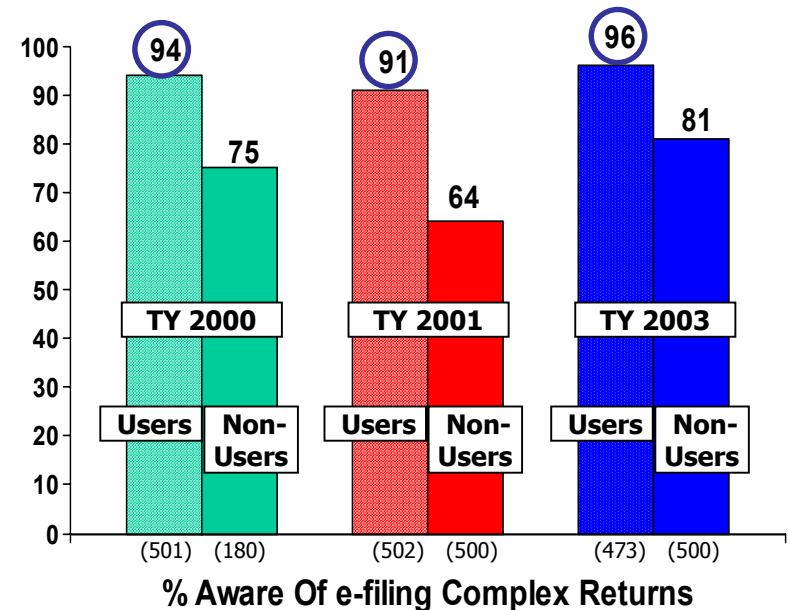
Awareness Of The Details Of The *e-file* Program

- **High- and Low-Volume Users have similar levels of knowledge about the *e-file* program.**

	Total Users	High-Volume Users	Low-Volume Users
BASE:	473 %	246 %	221 %
% Aware Of *e-filing* After April 15th	**95**	**97**	**94**
% Aware Of *e-filing* Complex Returns	**96**	**96**	**96**
% Aware That Nearly All Individual Tax Returns Can Be Filed Using *e-file*	**96**	**98**	**96**

Awareness & Interest In On-Line Registration

- **While roughly one quarter of both Users and Non-Users are aware of the upcoming <u>on-line application capability</u>, Users are significantly more interested in using it -- with High-Volume Users especially interested.**

	Total Users	High-Volume Users	Low-Volume Users	Non-Users
BASE: Users Who Are EROs Who Recall Form 8633 & Non-User Non-EROs	272 %	174 %	97 %	494 %
Aware That They Will Be Able to Apply And/Or Revise Their Applications For The _e-file_ Program Via On-Line Web-Based Application Within Next 9 Months	**27**	**28**	**24**	**26**
Interest In Using The On-Line Application Method In The Future	**87**	**90**	**83**	**54**

RMR

IRS Contact Preferences

- **This year, about two-thirds of both Users and Non-Users say they <u>prefer to be contacted by the IRS</u> via *remote contact through a Practitioner or call site* as opposed to *walk-in/face-to-face contact*.**

	----TY 1999----		----TY 2000----		----TY 2001----		----TY 2003----	
	Users	Non-Users	Users	Non-Users	Users	Non-Users	Users	Non-Users
BASE:	499 %	358 %	502 %	180 %	501 %	500 %	473 %	500 %
Type Of IRS Contact Preferred								
Remote Contact Through A Practitioner Or Call Site	57	62	65	65	57	53	66	65
Walk-In, Face-To-Face Contact	11	9	12	17	12	(17)	12	12
No Preference	32	29	23	18	31	31	22	22

Customer Communications Regarding *e-file*

- **The vast majority of Users (80%+ each year) say their clients request electronic filing (vs. only about half of Non-Users). 86% of Users say they offer *e-file* without the customer requesting it and 58% say they offer *free electronic filing for Individual returns.***

	----TY 1999----		----TY 2000----		----TY 2001----		----TY 2003----	
	Users	Non-Users	Users	Non-Users	Users	Non-Users	Users	Non-Users
BASE:	499	358	502	180	501	500	473	500
	%	%	%	%	%	%	%	%
Do Taxpayers Request								
e-file/Electronic Filing Services	(87)	63	(86)	57	(80)	37	(81)	55
Among Users Only:								
Is _e-file_ Offered w/o Request?								
Yes	83	na	82	na	80	na	86	na
No	17	na	18	na	20	na	14	na
Among Users Only:								
Do You Offer Free Electronic								
Filing For Individual Returns	51	na	45	na	43	na	58	na

Customer Communications Regarding *e-file*

- **High- and Low-Volume Users have <u>similar levels of customer request of *e-file* and are equally likely to offer *e-file* without the customer asking for it</u>.**

- **However, the <u>Low-Volume Users are much less likely</u> to offer *free electronic filing for Individual returns*.**

	Total Users	High-Volume Users	Low-Volume Users
BASE:	473	246	221
	%	%	%
Do Taxpayers Request			
***e-file*/Electronic Filing Services**	81	82	81
Among Users Only:			
Is *e-file* Offered w/o Request?			
Yes	86	89	84
No	14	11	16
Among Users Only:			
Do You Offer Free Electronic			
Filing For Individual Returns	58	(76)	39

H&R Block and Jackson-Hewitt Practitioners

H&R Block and Jackson-Hewitt

- **As expected, virtually all of the Preparers we interviewed from the Big Two tax prep firms say they are Users of *e-file*. So, we'll focus here on how they compare to our sample of Total *e-file* Users representing the universe of non-Big Two Practitioners.**

- **First, all H&R Block and Jackson-Hewitt Practitioners say they are at least somewhat satisfied with *e-file* -- similar to what we find among Total Users. However, when you look at the top-box ("very satisfied"), you see that there is <u>far strong satisfaction among Big Two Preparers</u> than other Preparers.**

	Total Users	H&R Block	Jackson-Hewitt
BASE: *e-file* Users	473	228	197
	%	%	%
Very/Somewhat Satisfied With *e-file*	**95**	**100**	**100**
Very Satisfied	**68** ←	**86**	**88**
Somewhat Satisfied	**27**	**15**	**12**

- **While company policy plays a significantly more important role in their initial and continued participation in the *e-file* program, the H&R and J-H Preparers are also <u>more likely to cite *e-file* benefits of speed and accuracy</u> as reasons to join and stay in the program.**

	Total Users	H&R Block	Jackson-Hewitt
BASE: *e-file* Users	473	228	197
	%	%	%
What Brings Users To *e-file* Program			
Company Policy	**5**	47	55
Like Speed Of The Process	14	26	21
Like Accuracy Of Software	7	16	8
What Keeps Users In *e-file* Program			
Company Policy	**4**	36	22
Like Speed Of The Process	13	29	34
Like Accuracy Of Software	7	20	14

H&R Block and Jackson-Hewitt (Cont'd.)

- **Finally, in other differences we found among these segments, we see that the Big Two Preparers are <u>more satisfied with the IRS tracking of reject rates</u> and <u>less likely to say that they are EROs</u> (with someone else in their firm holding this responsibility).**

	Total Users	H&R Block	Jackson-Hewitt
BASE: *e-file* Users	473	228	197
	%	%	%
Very/Somewhat Satisfied With IRS Tracking Of Rejection Rates	**87**	**(93)**	**(96)**
% Who Are EROs	**(82)**	**12**	**--**

Summary Of Learning From The Practitioner Satisfaction Study

RMR Russell MARKETING RESEARCH

What Did We Learn About *Practitioners & e-file*?

1. **First, we learned that satisfaction with IRS *e-file* has increased significantly among Users over the past year** -- with 95% now at least somewhat satisfied vs. 85% before (and with top-box, "very satisfied", up from 57% to 68%).

   - We also learned that satisfaction varies by market segment, **with High-Volume *e-file* Users more satisfied than Low-Volume Users** and **with satisfaction higher among those Practitioners who are more tech-forward**.

   - In line with the high overall satisfaction, we see **strong satisfaction with all elements of the program** -- tracking of reject rates, suitability, and IRS technical support.

2. **As in past waves of the Customer Satisfaction Study, we find that the attributes which bring Preparers into the program are the same attributes which keep them in it** -- ease/convenience, speed, customers liking *e-file*, reducing paperwork, etc.

   - It is worth noting again that **High-Volume Users' reasons** for joining and staying in the *e-file* program **relate more to *e-file's* specific product benefits**, while **Low-Volume Users' reasons are driven more by customer demand and a sense that *e-file* "is the future"** (the latter being a point which might be useful in marketing to the Low-Volume segment).

What Did We Learn About <u>Practitioners *& e-file*</u>? (Cont'd.)

3. <u>Among both the Low-Volume User segment and Non-Users, a critical barrier to use/greater usage is *lack of demand for e-file from customers*</u>.

    - While the IRS can <u>create some customer demand</u> via its communications efforts, it also <u>needs to spur Preparers into helping to create the demand</u>...

        - By finding ways to <u>encourage them to offer *e-file*</u> (and perhaps *free* electronic filing).

        - Some of the <u>incentives-to-use explored here had high acceptance among Non-Users</u> -- the top ones being Electronic Power of Attorney and Electronic Account Inquiry & Resolution.

        - Incentives should also help <u>alleviate a major Non-User dislike of *e-file*</u> -- their perception that taking on *e-file* <u>involves too much work and time</u>.

        - In addition, the fact that about <u>20% of Non-Users are still not aware of *e-filing* after April 15th or *e-filing* of complex returns</u> suggests the need for more communication of these and other *e-file* benefits.

4. <u>Finally, comparing H&R and J-H Preparers to our national sample of other *e-file* Users, we see that these Preparers are more strongly satisfied with *e-file* and more keenly aware of its benefits</u> -- both points to be taken into account when considering whether to merge H&R and J-H Preparers with the rest of the Practitioner universe.