

Findings From The 2003 *e-file* Practitioner Attitudinal Tracking Study

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Background, Objectives And Methodology



Research Background

- In 2000, realizing the importance of Practitioners to increasing *e-file* usage, the IRS initiated research to better understand Practitioners, how they operate and think, and how to reach them with communications.
- The first step in the research (in 2001) examined Practitioners from the point of view of the leading trade groups, the Big Two tax prep firms, and the top accounting firms. While that study provided some insight, it highlighted knowledge gaps that could be filled only through a survey among Practitioners themselves.
- The Practitioner Attitudinal Tracking Study was designed to fill in these gaps, with a benchmark wave in 2002 and then annual tracking thereafter.
- The 2002 benchmark wave was conducted among Practitioners in the IMF Masterfile who prepare 5+ returns. However, since then, the IRS decided to limit the study to Practitioners who “prepare 50 or more returns” (with smaller volume Practitioners now considered outside the reach of IRS communications).
- Note: The 50+ criteria was further narrowed to 100+ following the July 2003 research integration session, and all data from the 2003 study have been re-tabulated and reported here. While this report focuses on the 100+ Volume Practitioners, it also provides a comparison to the 50-99 segment that will be eliminated from future research.

Research Background (Cont'd.)

- **As a result of the initial change in Return Volume criteria (from 5+ to 50+), the IRS decided to conduct a new benchmark among Practitioners in 2003. In addition to re-benchmarking, the IRS wanted to:**
 1. Determine whether Practitioners from H&R Block and Jackson-Hewitt should be included in the Random Sample in future waves or kept separate as a unique audience.
 2. And compare Preparers from the BMF Masterfile with Preparers in the Random Sample from the IMF database.
 3. And, in this final report, to focus on the 100+ Volume Practitioners but also provide a comparison to the 50-99 Volume Preparers.

- **Otherwise, the overall purpose of the study this year is the same as that of the original benchmark:**
 - To fill in knowledge gaps and build a more complete picture of the Practitioner universe;
 - And to establish baseline levels of understanding of Practitioners for use in tracking IRS e-file marketing and communications efforts as the IRS moves toward its 80% e-file goal.

Research Objectives

- **This report is organized to address the specific objectives of the study, which are:**
 - To profile the 100+ Return Volume Practitioners (vs. the 50-99 segment) demographically and firmographically and learn how they operate.
 - To learn their usage of and attitudes toward e-file -- specifically, to determine why *e-file* is perceived by Practitioners as primarily a method of filing *Individual Returns*, with low association with *Business Returns*.
 - To segment Practitioners by their attitudes toward and usage of technology.
 - To determine if there are high-opportunity segments in terms of increasing *e-file* usage.
 - To learn more about how to communicate with Practitioners generally and with the high-opportunity segments specifically.
 - To determine how to treat H&R and J-H Preparers -- study them separately or include them in future random samples of Practitioners.
 - And, finally, to survey Preparers From The BMF Masterfile and compare them to IMF Practitioners.

Research Methodology

- **The new Benchmark Wave of the study was conducted...**
 - In March and April 2003, by telephone from RMR's New Jersey research center.
 - The sample sizes were as follows (after moving any H&R and J-H Preparers occurring in the Random Sample from that sample to the special cells for those groups):
 - 782 Random Sample Practitioners (from the IMF Masterfile) -- 685 being Practitioners with 100+ return volume and 97 with return volume of 50-99.
 - 367 H&R Block Preparers
 - 205 Jackson-Hewitt Preparers
 - 200 BMF Preparers (from the BMF Masterfile)
 - All samples were drawn on a random selection basis from lists provided by the IRS's St. Louis CRG unit, with all samples except the BMF cell screened to exclude smaller-volume Preparers (those preparing less than 50 returns per year) as well as non-professionals (working at VITA sites and other non-profit tax prep entities). Otherwise, to qualify, Practitioners simply had to be active tax return preparers.

Executive Summary And Conclusions



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Summary & Conclusions

1. **Results of the re-analysis of 2003 data, focusing on the 100+ Volume Practitioners**, shows that **the 100+ universe can be profiled** as follows:

- **Demographically**, the **100+ Practitioners** are typically in their early 50's and skewed Male.
- **Professionally**, they start their tax prep careers in their early 30's, after having trained mainly via courses in tax preparation. 57% of them belong to a trade group and 81% attend professional meetings, conventions, or seminars. Most (76%) approach tax prep work as an occupation (i.e., not seasonal) and they file a median of 225 returns/year.
 - 79% of these returns are Individual (46% *e-filed*) and 21% are Business (22% *e-filed*).
- **Business-wise**, about half work in firms, and among these firms...
 - Two-thirds say tax prep is their primary service. They have a median of about 8 active Preparers (doing mainly Individual returns) and they have been in business an average of 32 years.
 - 71% of these firms advertise, mainly through newspapers and direct mail, with roughly half of them advertising only during tax season and roughly half advertising throughout the year.

Summary & Conclusions (Cont'd.)

2. Looking at Practitioner Usage Of & Attitudes Toward e-file and still focusing on the 100+ Return Volume universe, we see that:

- Among the 66% who had used e-file in the previous tax year, virtually all *e-filed* Individual Returns, and about half also *e-filed* Business Returns.
- 58% have never used e-file for Business returns -- mainly because they think *e-file* is not appropriate or that it is too difficult and time-consuming.
- Another 26% have never used e-file for Individual returns -- mainly because clients don't ask for it, it's too costly, it's too difficult/time consuming, and the ERO registration process is too difficult.
- When we asked Practitioners to name the key benefits of e-file, the top mention, by far, was speed (about half of this being speed in refund and half speed in filing). There was lower mention (and less recognition) of the benefits of accuracy and ease of use – especially among the Non-Users.

Summary & Conclusions (Cont'd.)

3. **In assessing opportunities for increasing *e-file* usage among 100+ Volume Practitioners,** the Tech segmentation proved fruitless, with too few differences in *e-file* usage between segments to indicate any opportunity for one segment over the others. So, we looked to behavioral segments and identified the following 2 groups (with over half of all return volume) as having potential.
- **Non-Users of *e-file*** – who account for 29% of return volume. In marketing to them, keep in mind that compared to *e-file* Users, they are...
 - Older, more Male-skewed, more likely to be Independents or in smaller firms, and more likely to be involved in AICPA and State trade groups. They also have far less belief in the main *e-file* benefits of Speed, Accuracy, and Ease Of Use.
 - **Low-Volume Users of *e-file*** -- They *e-file* less than 50% of their total returns, and represent 19% of all return volume. In marketing to them, keep in mind that compared to High-Volume *e-file* Users, they are...
 - More Male-skewed, likely to be Independents/in small firms, and involved in tax prep longer. They are less likely to *e-file* Individual returns, because they say "clients don't ask for it"; and are far less likely to *e-file* Business returns, because of skepticism about *e-file*'s appropriateness for Business returns.

Summary & Conclusions (Cont'd.)

4. **We also looked for opportunities for communicating with the 100+ Return Volume Preparers** – among the total audience and the Non-User and Low-Volume User opportunity segments. We learned that:
- **The IRS website is critical to communication with all Practitioners, including the two high-potential segments.** It is, by far, the top source for information about tax preparation in general and e-file specifically.
 - **The trade press also offers a communication opportunity,** especially among the high-opportunity Non-Users and Low-Volume Users. One trade pub stood out above the others – the *Journal of Accountancy*.
 - **Other communications opportunities identified were:**
 - 1) **Firms with Intranets** (especially among Non-Users and Low-Volume Users, who have frequent use of company Intranets);
 - 2) And **meetings/conventions/seminars** focused on tax prep work (about 80% of all groups attend such meetings).

Summary & Conclusions (Cont'd.)

5. On the issue of how to treat H&R Block and Jackson-Hewitt Practitioners in future waves, we found that...

- There are major demographic, professional, and e-file related differences between Big Two Practitioners and all other 100+ Volume Practitioners. And, since Big Two Preparers comprise a large share of Total Practitioners (at least 23%, according to random sampling), adding them and their different characteristics and attitudes into future Preparer random samples will impact the composition and learning from those studies.

6. Comparing the sample of Practitioners from the BMF Masterfile with the sample of 100+ Preparers from the IMF Masterfile, we found that the BMF Preparers are...

- Similar to the 100+ IMF Preparers demographically, but are more involved in their industry -- being more likely to be: full-time preparers, involved in trade groups, and attending tax meetings/seminars/etc. They are also more likely to work in firms -- firms with greater return volume and more focus on Business returns.
- While more of the BMF Preparers say they use *e-file*, their share of returns that are e-filed is very similar to that of the 100+ IMF Preparers.
- The best methods of communication with BMF Preparers are also different -- with better reach to this audience via trade groups, tax prep meetings, e-mail and company websites.

Summary & Conclusions (Cont'd.)

7. Finally, while the focus of this and future reports on Practitioners has changed to the 100+ universe, we took one final look at the 50-99s who are being removed from the study and found that they...

- Are somewhat less Male-skewed than the 100+ and have a different geographic dispersion pattern (with more of the 50-99s coming from Area 2 and fewer coming from Area 6).
- Professionally, they tend to be more seasonal than the 100+, are newer to tax prep work, and are mainly independents. They are also less likely to belong to a trade/professional group and attend tax prep-focused meetings less frequently (including the Nationwide Tax Forums).
- Their firms generate fewer returns, are less likely to advertise, but are otherwise similar to the firms of the 100+ Practitioners.
- The 50-99s personally prepare far fewer returns than the 100+, and do less e-filing of both Individual and Business returns. While their attitudes toward e-file are similar to those of the 100+ universe, they do less Fed-State e-filing, as well as far fewer EITC returns.
- Importantly, this segment has a much stronger reliance on the IRS website than the 100+ Practitioners -- which means that **the IRS can continue to communicate with this group, even though future marketing programs are focused on the 100+ Practitioners.**

Detailed Findings



**Profiling The
Practitioner Universe
(With A Focus On Those With
100+ Return Volume)**



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Demographics, Professional Characteristics, and Firmographics



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Demographic Profile Of U.S. Practitioners

- Demographically, the **100+ Volume Practitioners** have an **average age of 53**, **skew Male**, and are **similar to Taxpayers in geographic dispersion** -- with differences on these measures between Practitioners who use *e-file* and those who do not.
- By comparison, the **50-99 Volume Practitioners** skew somewhat less Male and have a different geographic dispersion pattern.

	100+ Volume Practitioners	Tax- payers	100+ Practitioners:		50-99 Volume Practitioners
			<i>e-file</i> Users	<i>e-file</i> Non-Users	
BASE:	685	1000	565	120	97
	%	%	%	%	%
Age					
Average Age (Mean)	53.1	41.2	52.5	54.5	53.1
Gender					
Male	58	49	54	66	55
Female	42	51	46	34	45
AREA					
Area #1 -- Northeast	11	11	11	10	16
Area #2 -- Mid-Atlantic	17	17	14	24	22
Area #3 -- Southeast	12	16	12	13	9
Area #4 -- Great Lakes Region	22	17	24	17	21
Area #5 -- Mid-America	17	16	21	11	14
Area #6 -- West (Excl. CA10)	11	10	9	15	7
Area #7 -- California	10	12	10	10	11

*e-file
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toward
Area 5.*

Professional Characteristics

- The **100+ Volume Practitioners** tend toward tax prep work as a full-time occupation, have been in tax prep work an average of 20 years, trained mainly via tax prep courses, and are as likely to work in a firm as not. Again, there are differences by *e-file* usage.
- Meanwhile, the **50-99 Volume Practitioners** are more seasonal than full-time, are somewhat newer to tax prep work, and tend to be mainly independents.

With an average age of 53, most start tax prep work in their early 30's.

	100+ Volume Practitioners	e-file Users	e-file Non-Users	50-99 Volume Practitioners
BASE:	685 %	565 %	120 %	97 %
<u>Involvement In Tax Preparation</u>				
It's A Full-Time Occupation	45	39	56	24
It's One Of My Occupations, And I Do Other Kinds Of Work	31	32	30	29
It's Something I Only Do During Tax Season	24	29	14	47
<u>Average # Years Involved In Tax Preparation</u>	20.4	18.7	23.8	19.2
<u>How Did They Train For Tax Preparation?</u>				
Learned From Another Tax Professional	29	29	29	27
Took Courses About Tax Preparation	63	70	50	68
Trained As A CPA/Accountant	46	36	67	38
Some Other Type Of Training/Self-Taught	8	7	8	6
<u>Independent vs. Working In A Firm</u>				
Work Alone As An Independent	52	49	57	60
Work With A Firm	36	39	30	25
Both Independent & Work With A Firm	12	12	13	15

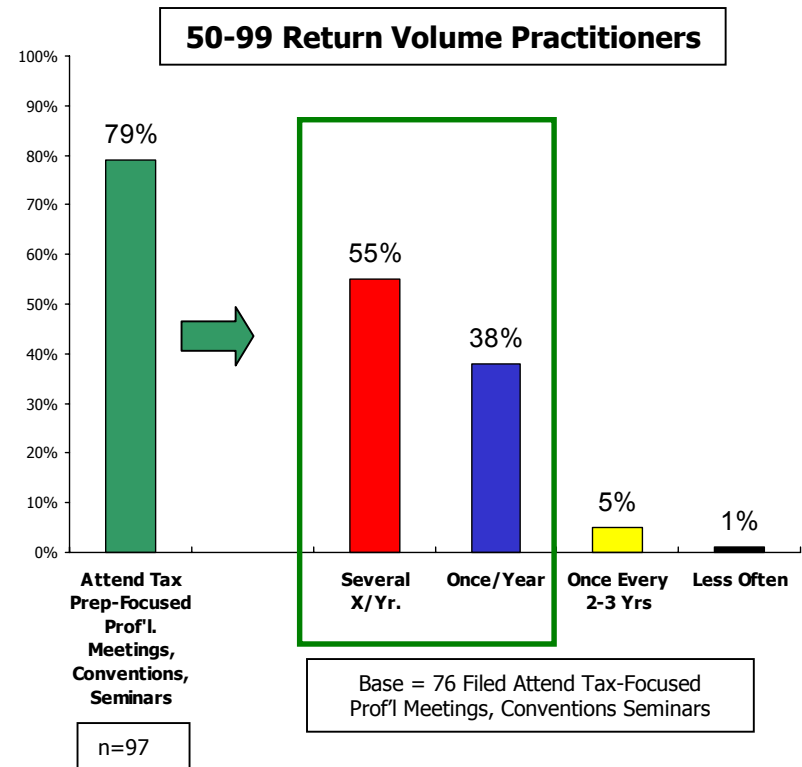
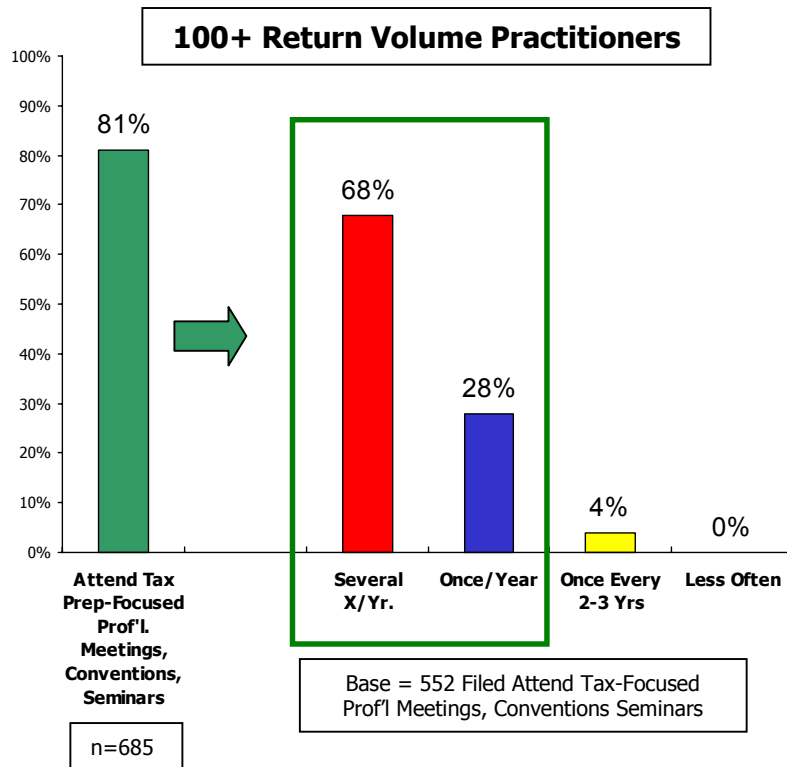
Professional Life

- Over half of the 100+ Practitioners belong to a professional organization -- with the leading trade groups being state-level associations and AICPA. Non-Users of *e-file* are more likely to be involved in trade groups than Users.
- The 50-99 Volume Practitioners are far less likely to belong to a trade group, though state groups and AICPA are the leaders here, too.

	<u>100+ Volume Practitioners</u>	<u>e-file Users</u>	<u>e-file Non-Users</u>	<u>50-99 Volume Practitioners</u>
BASE:	685 %	565 %	120 %	97 %
<u>Membership In Trade/Professional Organizations</u>				
	<u>57</u>	<u>51</u>	<u>70</u>	<u>40</u>
	<u>22</u>	<u>18</u>	<u>28</u>	<u>14</u>
	<u>21</u>	<u>13</u>	<u>36</u>	<u>14</u>
Groups With 1%+ Mentions	NATP (National Association Of Tax Practitioners)	12	8	8
	NAEA (National Association Of Enrolled Agents)	8	9	5
	NSA (National Society Of Accountants)	4	4	6
	APA	1	*	*
	American Assn. Of Attorneys-CPAs	1	1	1
<u>Total Do Not Belong To Any Organization</u>	<u>43</u>	<u>49</u>	<u>30</u>	<u>60</u>

Professional Life (Cont'd.)

- 81% of **100+ Practitioners** attend tax prep-focused professional meetings, conventions, or seminars and 68% of that 80% attend such meetings several times a year.
- Similarly, 79% of **50-99 Practitioners** attend tax prep meetings, though less frequently than the larger volume Preparers.



Business Approach

- **71% of the 100+ Volume Preparers in firms say their firms advertise, though this is sharply lower among e-file Non-Users at 58% (who are more likely to be year-round advertisers and not just during tax season). The primary ad vehicles are Newspapers and Direct Mail.**
- **By comparison, the 50-99 Practitioners are somewhat less likely to advertise and, when they do, have a different mix of media vehicles.**

	<u>100+ Volume Practitioners</u>	<u>e-file Users</u>	<u>e-file Non-Users</u>	<u>50-99 Volume Practitioners</u>
BASE: Total Work With A Firm	337	285	52	43
	%	%	%	%
<u>% Who Say Their Firm Advertises</u>	71	77	58	63
<u>When They Advertise</u>				
BASE: Firm Ever Advertises	(249)	(219)	(30)	(31)
Throughout The Year	46	41	64	39
Only During Certain Months (i.e., tax season)	52	57	36	57
Don't Know	2	2	0	4
<u>Advertising Media Used</u>				
BASE: Firm Ever Advertises	(249)	(219)	(30)	(31)
Newspapers	67	70	60	82
Direct Mail	59	63	47	43
Radio	47	51	33	57
Television	41	48	20	54
Internet	37	40	30	46
Magazines	37	43	20	39
Yellow Pages	11	10	13	7

Firmographics -- Size, Focus & Age Of **Firms** Represented Here

- About half of the **100+ Practitioners** work in **firms**, with these firms **focused mainly on tax preparation**. The **median** number of Preparers per firm is **7.5** – with over two-thirds of them doing mainly **Individual Returns**. Note: Firms with **e-file Non-Users** were less focused on tax prep work, and were smaller firms with more business accounts -- presumably they include more accounting firms.
- The **50-99 Volume Practitioners** work in firms that are generally similar to the firms of the **100+ audience**.

	100+ Volume Practitioners	e-file Users	e-file Non-Users	50-99 Volume Practitioners
BASE: Total Work In A Firm	337	285	52	43
	%	%	%	%
<u>% Whose Firm's Primary Service Focus Is Tax Preparation</u>	67	73	52	68
<u>Median # Of Active Tax Preparers In Firm</u>	7.5	10.4	5.2	8.5
<u>% Of Preparers In Firm Focused On...</u>				
Individual Returns	69	72	59	68
Business Returns	31	28	41	32
<u>Avg. # Years Firm Has Been In Business</u>	32.3	31.9	33.1	31.5
<u>Avg. # Years Firm Involved In Tax Prep</u>	32.0	31.4	33.1	32.9

Firmographics -- Volume Of Returns From Firms In The Study

- The firms of the **100+ Practitioners** represented here generated **a median of 2,250 returns** during the 2002 tax season. With 7.5 Practitioners per firm, this means that each preparer **working in a firm** is preparing an average of **300 returns per year** (with *e-file* Non-Users reporting lower volume than Users).
- The firms of the **50-99 Practitioners** generate fewer returns overall and fewer returns per Preparer.

	100+ Volume Practitioners	<i>e-file</i> Users	<i>e-file</i> Non-Users	50-99 Volume Practitioners
BASE: Total Work In A Firm	337	285	52	43
	%	%	%	%
<u># Returns From Firm Last Tax Season</u>				
50-99	1	1	0	8
100-499	17	13	25	24
500-999	20	16	29	15
1,000-9,999	32	32	33	24
10,000-99,999	6	7	2	7
100,000-999,999	6	7	4	8
1 Million Or More	3	4	1	2
Don't Know	16	20	12	13
Median # Returns From Firms	2,250	3,900	850	900
Median # Returns Per Practitioner In Firm (e.g., 2,250/7.5)	300	375	163	106

NOTE: Since respondents were surveyed in March-April, prior to the end of tax season, when answering questions about number of returns, they were asked about their 2002 filings for Tax Year 2001.

Volume & Type Of Returns Prepared By **All Practitioners**

- Looking next at **all 100+ Volume Practitioners** (those in firms **plus** independents), we see that the **median # of returns filed per Preparer in 2002 was 225**. 79% of these were Individual Returns (with 46% of them *e-filed*) and 21% were Business Returns (with only 22% of them *e-filed*).
- Among the **50-99 Practitioners**, there are comparatively fewer returns per Preparer, somewhat more Business returns, and less *e-filing* of both Individual and Business returns.

	100+ Volume Practitioners	<i>e-file</i> Users	<i>e-file</i> Non-Users	50-99 Volume Practitioners
BASE:	685	565	120	97
	%	%	%	%
<u># Returns Personally Prepared Last Tax Season</u>				
100-199	39	35	46	-
200-299	22	22	23	-
300 or More	39	43	31	-
Median # Returns From Each Practitioner	225	250	200	65
<u>Share Of Total Returns That Were...</u>				
Business Returns	21	18	27	25
Individual Returns	79	82	73	75
<u>Share Of Ind. Returns That Were <i>e-filed</i> (mean %, n=684)</u>	46	69	0	37
<u>Share Of Bus. Returns That Were <i>e-filed</i> (mean %, n=580)</u>	22	33	0	14

Practitioner Attitudes Toward
and Involvement In *e-file*



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Overall Usage Of *e-file*

- After weighting of data for *e-file* usage among the **100+ Volume Practitioners**, we had **66% who were *e-file* Users** -- with virtually all of them *e-filing* Individual Returns, though about half of them (or 31% of all 100+ Preparers) had also *e-filed* Business Returns.
- As we've seen in other Practitioner research, usage of *e-file* (for both Business and Individual returns) skews higher among those preparing more returns and among younger Practitioners.
- Among the **50-99 Volume Practitioners**, far fewer (48%) were *e-file* Users -- overall and for both Business and Individual return.

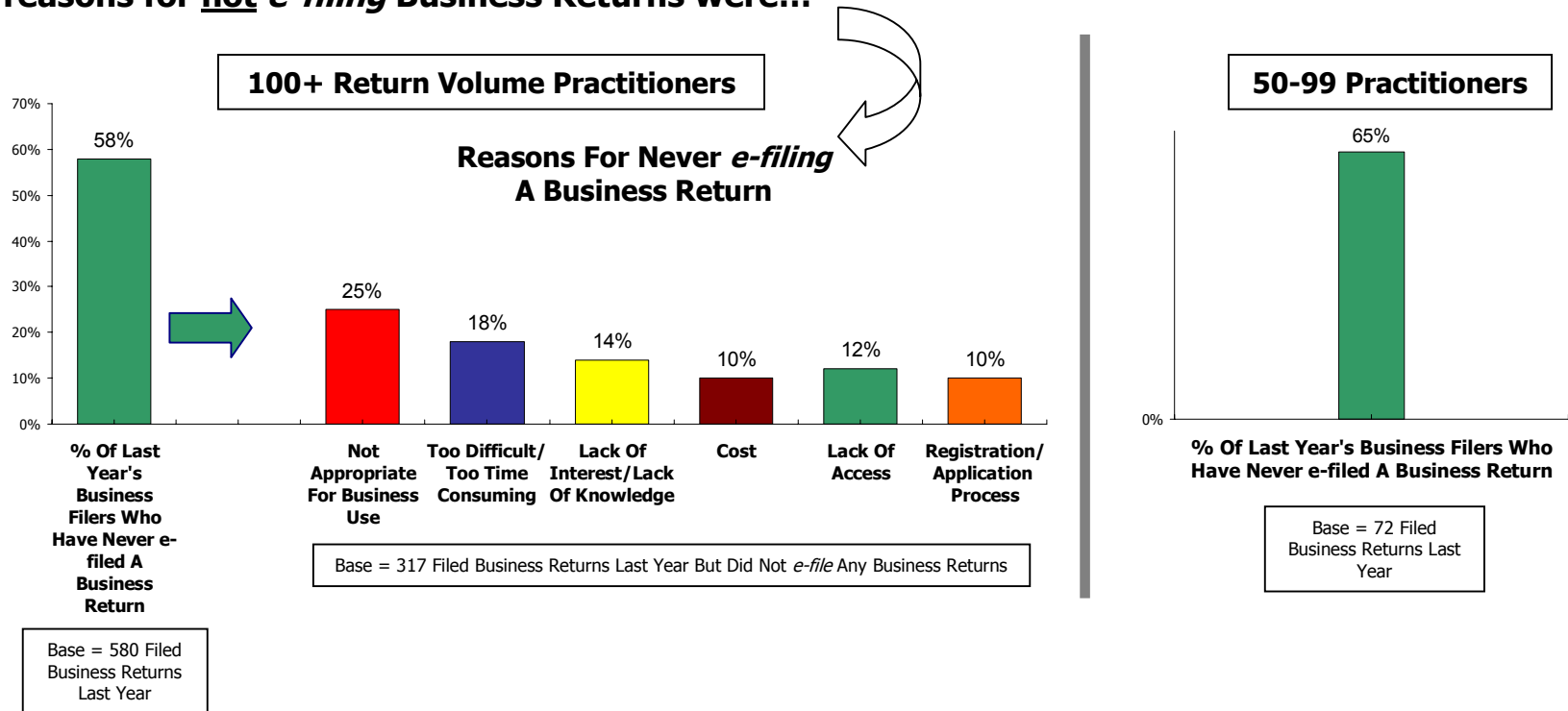
	100+ Volume Practitioners	# Returns Last Year			-----Age-----			50-99 Volume Practitioners
		100-199	200-299	300+	<46	46-55	56+	
BASE:	685	254	151	280	168	231	282	97
	%	%	%	%	%	%	%	%

Usage Of *e-file*

Net % Who Used <i>e-file</i> Last Year	66	60 → 65 → 73	71	69	62	48
Used <i>e-file</i> Last Year For Business Returns	31	26 → 32 → 35	30	33	30	20
Used <i>e-file</i> Last Year For Individual Returns	65	60 → 63 → 72	70	68	61	47

Use Of Business *e-file* And Reasons For Non-Usage

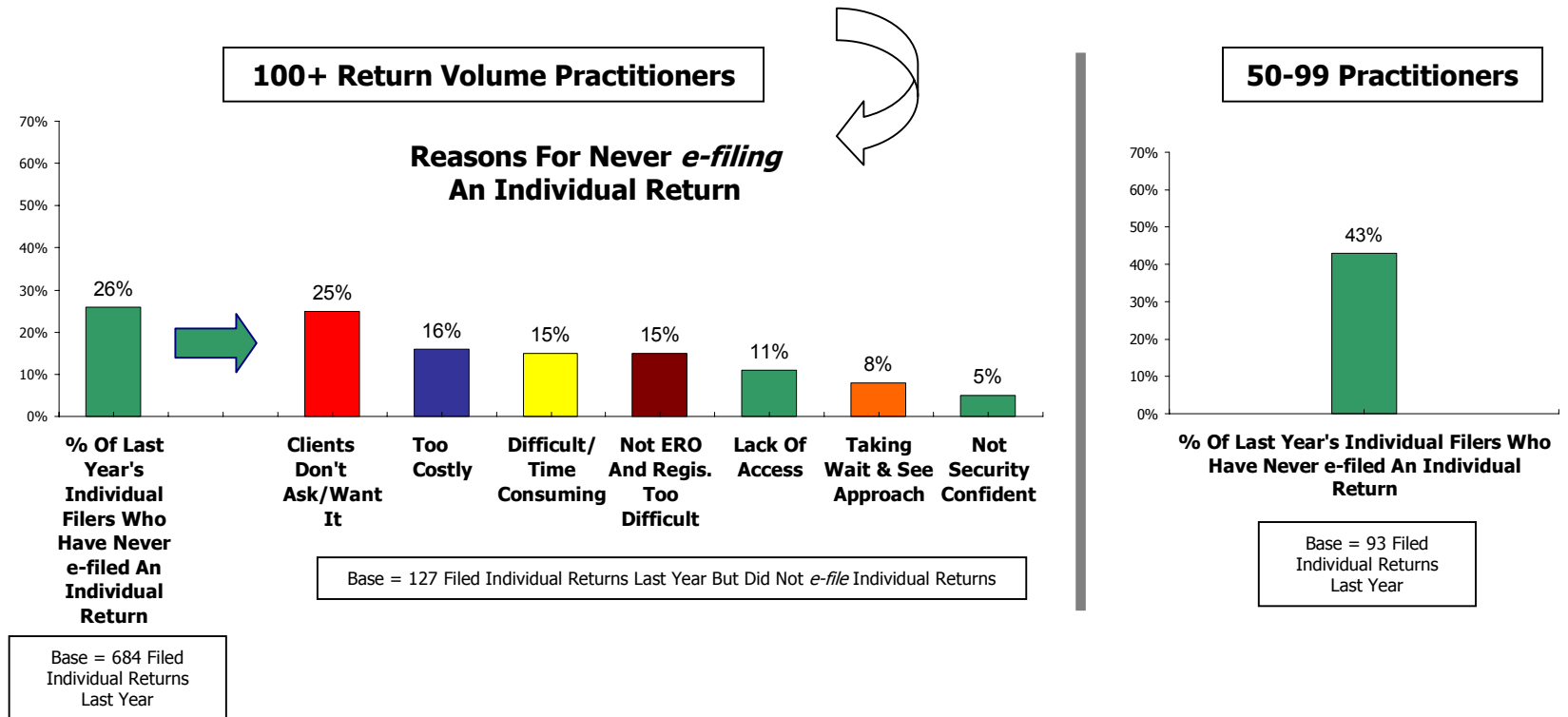
- Among those who claimed they file Business returns, 58% of the **100+ Practitioners** (and 65% of the **50-99s**) said they have never *e-filed* a Business return. Among the **100+**, main reasons for not *e-filing* Business Returns were...



- Asked directly how appropriate *e-file* is for Business returns, 55% of the **100+** (and 57% of the **50-99s**) said *very appropriate*, with all others having some hesitation.

Use Of Individual *e-file* And Reasons For Non-Usage

- Among those filing Individual returns, 26% of the **100+ Practitioners** (and 48% of the **50-99s**) said they had never used *e-file* for Individual returns. Why not? Among the **100+ Practitioners**, top reasons for not *e-filing* Individual returns were...



Benefits Of *e-file*

- Asked to name the benefits of *e-file*, both the 100+ and 50-99 Practitioners focused on its Speed (in refund and filing), with far less acknowledgement of *e-file's* Accuracy, Ease Of Use, and Paperless benefits – especially among Non-Users.

	100+ Volume Practitioners	<i>e-file</i> Users	<i>e-file</i> Non-Users	50-99 Volume Practitioners
BASE:	685 %	565 %	120 %	97 %
<u>Leading Benefits Of <i>e-file</i></u>				
<u>Speed/Faster</u>	<u>71</u>	<u>77</u>	<u>60</u>	<u>68</u>
Speed In Refund	45	49	38	41
Speed In Submission Of Return	41	44	33	41
Speed Of Acknowledged Receipt Of Return	20	25	10	20
<u>Accuracy</u>	<u>39</u>	<u>45</u>	<u>25</u>	<u>36</u>
It's a More Accurate Way To File	25	30	14	31
Not As Many Errors	17	18	16	12
<u>Ease Of Use</u>	<u>29</u>	<u>35</u>	<u>18</u>	<u>23</u>
It's Easier For Me/The Preparer	16	20	9	8
It's Easier For The Client	9	10	7	10
<u>Paperless Filing Using A PIN</u>	<u>15</u>	<u>17</u>	<u>10</u>	<u>19</u>
<u>Clients Like It</u>	<u>5</u>	<u>6</u>	<u>4</u>	<u>3</u>

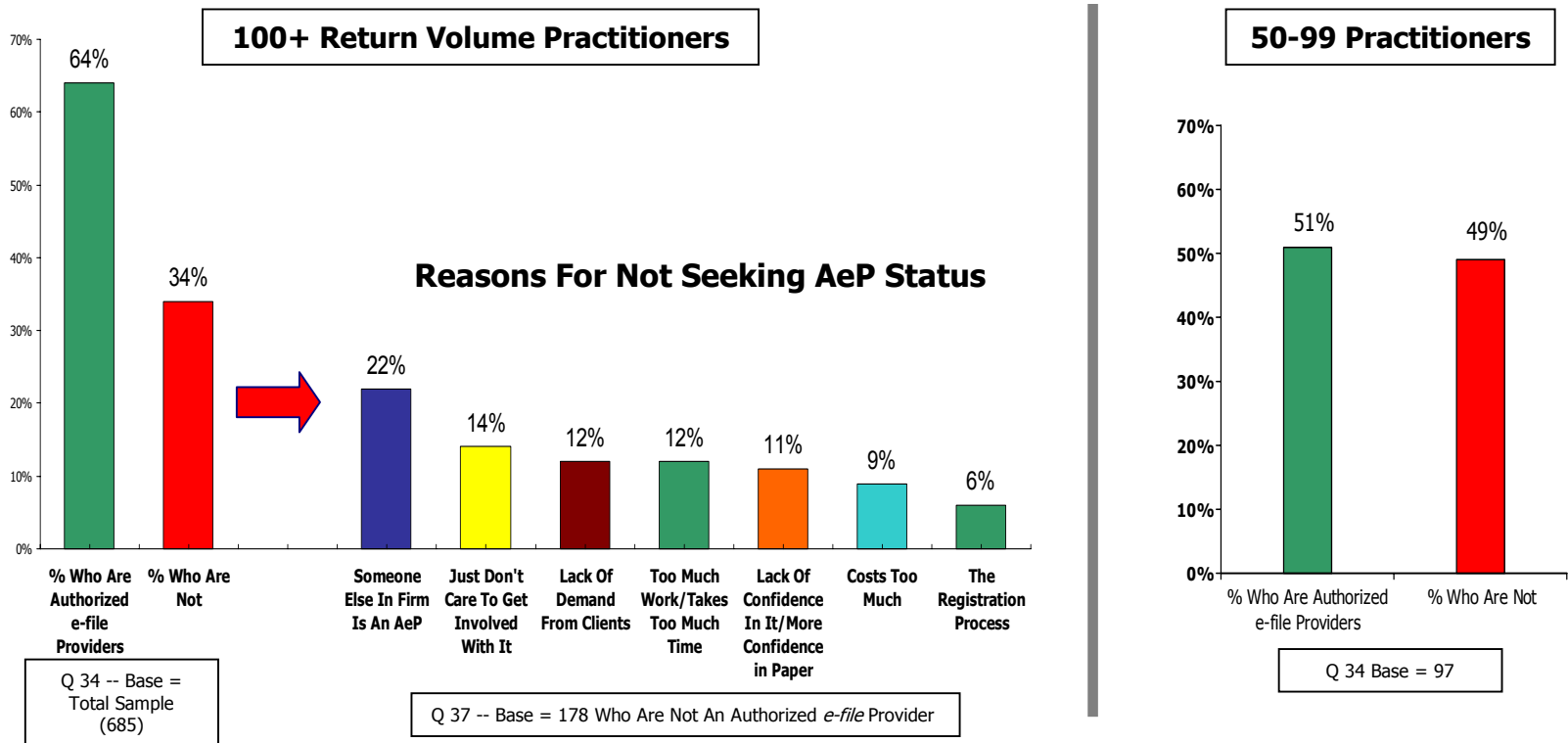
Related Issues: *e-file* Decision-Making

- **The person deciding *e-file* policy varies by firm size among both the 100+ and 50-99 Practitioners. Looking just at the firms of the 100+ Practitioners, we see that policy is set...**
 - At the Preparer level in almost all of the very small firms (those with 1-4 Preparers).
 - At the Preparer or owner/manager level in most of the 5-19 size firms.
 - But with *e-file* decision-making moving away from the individual Preparer toward owners/managers and headquarters in most of the larger firms (those with 20+ preparers).
 - Among *e-file* Non-Users (who are in smaller firms with more accountancies), the decision-maker is very likely to be the individual Practitioner.

	100+ Volume Practitioners	# Preparers In Firm			<i>e-file</i> Non-Users	50-99 Volume Practitioners
		1-4	5-19	20+		
BASE:	685 %	451 %	99 %	113 %	120 %	97 %
You	72	92	42	20	79	77
The Firm's Owner/Manager	16	7	44	29	12	13
Mgt. At Firm's Headquarters	7	*	6	34	4	8
Someone Else	2	*	1	9	3	1
Don't Know	2	1	3	5	3	-

Authorized *e-file* Provider Status

- 64% of the **100+ Practitioners** claimed to be an Authorized *e-file* Provider (vs. only 51% among the **50-99** segment). Among the **100+ group**, the main **reasons** for **not seeking AeP status** were *presence of another AeP in their firm, don't care to get involved with it, lack of demand, too much work, and lack of confidence*.



Fed-State *e-filing* And *e-filing* EITC Returns

- **In states with a state income tax, 65% of the 100+ Practitioners (and 92% of *e-file* Users) do Fed-State *e-filing*. Among those filing Individual returns, 84% file EITC returns (avg. # EITC returns = 70) – with over half of these *e-filing* EITC returns.**
- **There is far less Fed-State *e-filing* and *e-filing* of EITC returns among the 50-99 segment.**

	100+ Volume Practitioners	50-99 Volume Practitioners
<u>Fed-State <i>e-file</i></u>		
BASE: <u>Total Interviews</u> In States w/State Income Tax	(567) %	(81) %
% Who <i>e-file</i> Fed-State Simultaneously	65	44
BASE: <u>Total <i>e-file</i> Users</u> In States w/State Income Tax	(470) %	(56) %
% Who <i>e-file</i> Fed-State Simultaneously	92	86
<u>EITC <i>e-file</i></u>		
BASE: Total Filed Individual Tax Returns Last Year	(684) %	(93) %
% Filed Returns w/EITC Schedules	84	84
NEW BASE: Total Filed EITC Returns	(586) %	(76) %
Avg. # Returns w/EITC Filed Last Year	70	15
% Who <i>e-filed</i> any EITC Returns	57	43

Receipt Of And Feedback On The IRS *e-file* Marketing Toolkit

- 60-61% of the 100+ and 50-99 Practitioners recalled receiving the IRS's *e-file* Marketing Toolkit. Among the 100+ Practitioners specifically, we see higher recall among *e-file* Users naturally, though still substantial at 43% among Non-Users. Only 14% recalled the Order Form, but about half of them said they had used it.

	100+ Volume Practitioners	<i>e-file</i> Users	<i>e-file</i> Non-Users	50-99 Volume Practitioners
<u>Receipt Of Marketing Toolkit</u>				
BASE: Total Interviews	685	565	120	97
	%	%	%	%
% Ever Received Marketing Toolkit	60	68	43	61
<u>Components Of Toolkit Considered Helpful</u>				
BASE: Total Ever Received Marketing Toolkit	(438)	(386)	(52)	(57)
	%	%	%	%
Refund Cycle Chart	43	53	10	42
Window/Door Decals	33	41	8	25
Posters	30	37	8	25
Q&A Brochures	23	27	10	27
Order Form For Add'l. Posters/Decals/etc.	14	18	2	16
<u>Use Of Order Form To Order More Materials</u>				
BASE: Total Recalled Order Form As Helpful	(72)	(71)	(1)	(11)
	%	%	%	%
% Used Order Form To Order More Materials	52	54	-	32
% Who Did Not Use Order Form	47	45	100	68

Awareness, Attendance & Feedback On Nationwide Tax Forums

- **78% of the 100+ Practitioners were aware of the Nationwide Tax Forums, yet only 44% of those aware had ever attended a Forum. Those who had attended generally rated the level of content “about right”.**
- **Among the 50-99 Practitioners, 74% were aware of the Forums, though fewer of them had attended a Forum.**

	100+ Volume Practitioners	e-file Users	e-file Non-Users	50-99 Volume Practitioners
<u>Awareness Of Nationwide Tax Forums</u>				
BASE: Total Interviews	685	565	120	97
	%	%	%	%
% Aware Of Forums	78	77	79	74
% Not Aware Of Forums	22	23	21	26
<u>Attendance At Forums</u>				
BASE: Total Aware Of Forums	(532)	(437)	(95)	(69)
	%	%	%	%
Ever Attended	44	42	47	37
Never	56	58	52	63
<u>Rating Level Of Info/Instruction At Forums</u>				
BASE: Total Attend Forums	(229)	(184)	(45)	(25)
	%	%	%	%
Far Too Advanced	1	1	0	3
Somewhat Too Advanced	6	5	9	8
Just The Right Level	62	63	62	60
Somewhat Too Elementary	21	24	16	23
Far Too Elementary	6	5	7	-

Reaction To Free Software & Free *e-file* Concepts

- Not surprisingly with an audience of Preparers, the 2 Preparer-friendly “free” concepts (*Free e-file For Preparers* and *Free Software For Preparers*) generated greater interest than the Payer-oriented concepts. This was true of both the 100+ and 50-99 segments, though the 50-99s tended to have higher interest in all concepts than the 100+ Practitioners.

BASE:	<u>100+ Vol</u>	<u>50-99 Vol</u>	BASE:	<u>100+ Vol</u>	<u>50-99 Vol</u>
	685	97		685	97
	%	%		%	%
<u>Free SW For Preparers</u>			<u>Free e-file For Preparers</u>		
<u>Total Like It A Lot/Little</u>	<u>71</u>	<u>84</u>	<u>Total Like It A Lot/Little</u>	<u>89</u>	<u>92</u>
Like It A Lot	46	71	Like It A Lot	75	84
Like It A Little	24	12	Like It A Little	14	8
<u>Total Dislike It</u>	<u>26</u>	<u>11</u>	<u>Total Dislike It</u>	<u>9</u>	<u>6</u>
Dislike It A Little	11	6	Dislike It A Little	4	2
Dislike It A Lot	15	5	Dislike It A Lot	5	4
<u>Free SW For Bus/Indiv. Payers</u>			<u>Free e-file For Bus/Indiv. Payers</u>		
<u>Total Like It A Lot/Little</u>	<u>44</u>	<u>56</u>	<u>Total Like It A Lot/Little</u>	<u>66</u>	<u>73</u>
Like It A Lot	24	35	Like It A Lot	43	49
Like It A Little	20	21	Like It A Little	23	24
<u>Total Dislike It</u>	<u>55</u>	<u>43</u>	<u>Total Dislike It</u>	<u>32</u>	<u>25</u>
Dislike It A Little	16	20	Dislike It A Little	11	12
Dislike It A Lot	39	23	Dislike It A Lot	21	14

(~1-4% DK Responses Not Shown)

(~2% DK Responses Not Shown)

Practitioner Attitudes Toward and Usage Of Technology



Attitudes Toward Technology

- We measured the 100+ Practitioners' attitudes toward technology via their ratings of statements about technology and found that e-file Users are more tech-accepting than Non-Users, and that Practitioners as a group (both the 100+ and 50-99 Practitioners) are more tech-accepting than Taxpayers.

Statements Indicating Tech Acceptors (% Agree With Each Statement)

	100+ Practs	e-file User	e-file Non-User	50-99 Practs
BASE:	685 %	565 %	120 %	97 %
Think technology can be trusted	76	81	66	86
Wish all govt. forms filed by computer	68	81	41	78
One of the first to try new technology	63	65	58	50
If could, I'd do all financial dealings by computer	49	50	46	42
Easiest way to bank is by personal computer	51	54	45	55
Need lots of phone technology (pager, cell, etc.)	43	45	41	43
Rather e-mail friends/family than talk on phone	29	32	25	32
AVG. AGREE. w/ACCEPTORS STATEMENTS	54	58	46	55
AVG. AMONG TOTAL TAXPAYERS (2003)	42			

Q 2 --% Agree Completely or Agree Somewhat With Each Statement

Statements Indicating Tech Followers (% Agree With Each Statement)

	100+ Practs	e-file User	e-file Non-User	50-99 Practs.
BASE:	685 %	565 %	120 %	97 %
Can't keep up with all the new technology	65	64	68	61
Kids handle new technology; adults cannot	61	65	52	66
Computers worry me -- so much can go wrong	30	28	34	34
We control computers, someday they'll control us	26	25	29	24
Never put financial information on a computer	23	24	19	28
AVG. AGREE. w/FOLLOWER STATEMENTS	41	41	40	43
AVG. AMONG TOTAL TAXPAYERS (2003)	53			

Usage Of Specific Technologies For Business/Personal Purposes

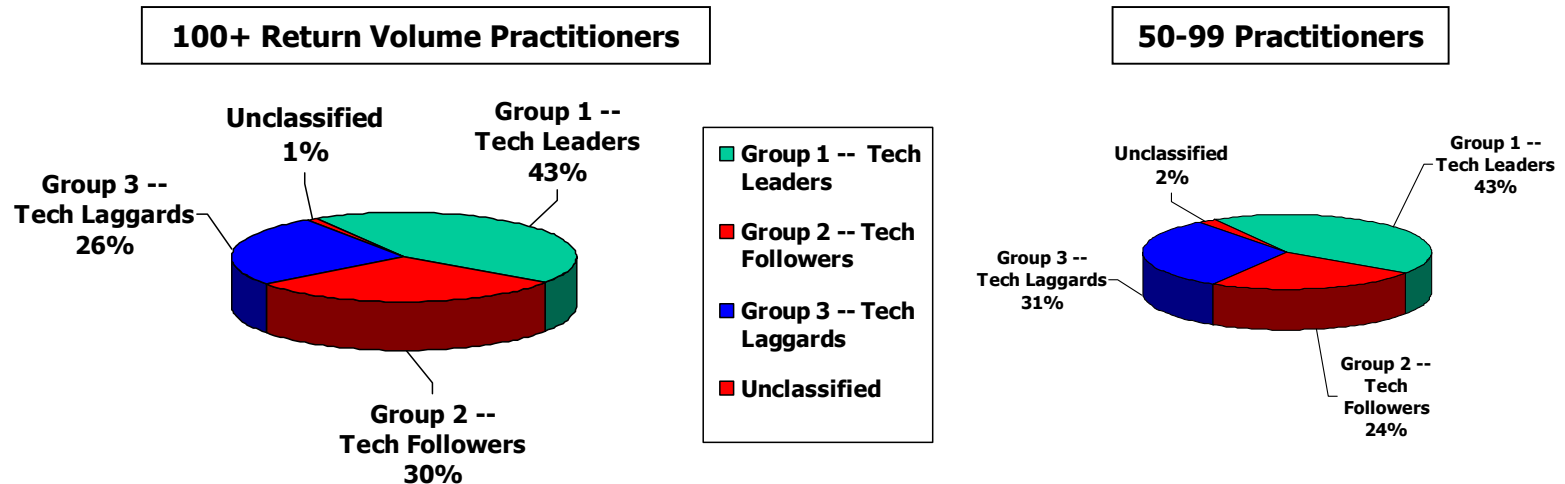
- The **100+ Practitioners** (as well as the **50-99s**) have high use of PC, Internet, and Cell Phone technologies -- with *e-file* Users generally more likely to use each technology than Non-Users. Practitioner tech usage is also generally ahead of that of Taxpayers.

	100+ Volume Practitioners	e-file User	e-file Non-User	vs. Taxpayers 2003	50-99 Volume Practitioners
BASE:	685 %	565 %	120 %	1000 %	97 %
Use of a PC for Work	95	95	95	72	97
Use of the Internet to Search for Information	93	95	89	87	99
Use of Government Websites	88	91	81	54	92
Use of a Cell Phone	79	81	75	na	83
Use of e-mail for Personal Correspondence	80	86	70	79	88
Use of e-mail for Business Correspondence	80	81	78	64	84
Use of the Internet to Order Products/Services	78	80	75	65	82
Use of a PC for Entertainment	62	64	58	68	67
Use of Broadband, DSL, or Cable Modems	57	58	55	41	54
Use of a PC for Doing Personal Banking	48	52	42	55	42
Use of a PDA, like a Palm Pilot	21	21	21	18	13
Use of a Beeper/Pager	12	13	11	27	11

% Use Each Technology Regularly

The Practitioner Segmentation

- In re-benchmarking the Practitioner Study, we repeated the process of 2002; that is, we analyzed 100+ and 50-99 Practitioner attitudes toward technology and usage of specific technologies using a multivariate statistical technique known as Cluster Analysis.
- This new analysis yielded the same 3 segments of Practitioners as found in the original benchmark study -- Tech Leaders, Tech Followers, and Tech Laggards, with the 100+ group being (on balance) more tech forward than the 50-99s.

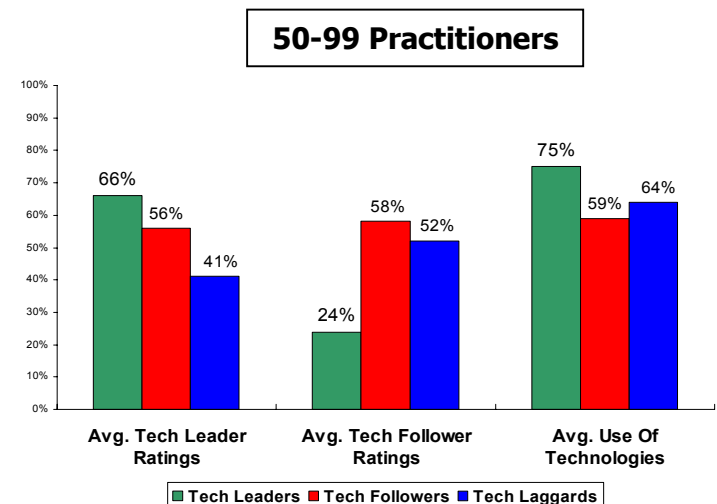
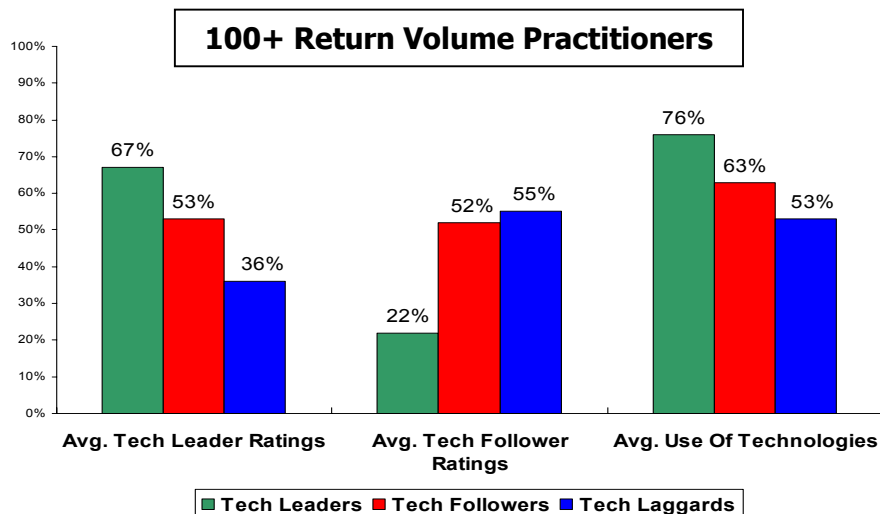


So Who Are The Practitioners In These Segments? (Base: 100+ Preparers)

	Tech Leaders	Tech Followers	Tech Laggards
Tech Attitudes	<u>Like the Tech Leaders we found among Taxpayers, this group embraces technology.</u> They trust it and are the early triers of it, and are thoroughly comfortable with the use of computers for financial purposes.	<u>Most trust technology, but they are not early triers of it</u> and they find it hard to keep up with new tech developments. So, they take a wait & see approach, following behind the first group.	<u>While not tech rejectors, they have limited trust in technology.</u> Can't keep up with it, and among the last to try new technology. And they have strong tech fears, especially when it comes to putting financial info on a PC.
Tech Usage	<u>Highest avg. tech usage</u> -- 76%.	<u>Avg tech usage</u> 63%	<u>Lowest avg tech usage</u> 53%
Personal and Professional Mindset	Personally, more <u>comfortable with change and new experiences</u> . Professionally, <u>more optimistic and driven</u> .	Personally, <u>less open to change and new experiences</u> than Leaders. Professionally, <u>more involved in work</u> than both other groups.	Personally, the <u>least likely to lead and most likely to see the world as changing too fast</u> . Professionally, <u>less optimistic and work driven</u> .
Demographics	The <u>youngest</u> segment (avg 51) and <u>skewed Male</u> .	<u>Somewhat older</u> segment (avg 53), also <u>skewed Male</u> .	<u>Oldest</u> segment (avg 56) and even <u>split Male-Female</u> .
Business Characteristics	Full-Time Occupation: 47% Seasonal: 20% Independent: 47% Work In Firm: 53% (Median # Preparers =7)	Full-Time Occupation: 47% Seasonal: 26% Independent : 53% Work In Firm: 47% (Median # Preparers =11)	Full-Time Occupation: : 39% Seasonal: 30% Independent : 59% Work In Firm: 41% (Median # Preparers =7)

Summarizing Differences Among The Segments

- The preceding summaries were based on detailed analysis across a range of survey measures. But, there is a quick and simple way to see how different the groups are, and that is to look at their average ratings of “tech acceptor” and “tech follower” statements, and their average levels of usage of different technologies.
- Among both the 100+ and 50-99 Practitioners, this analysis underscores how different the attitudinal segments are and the fact that, the more tech-forward they are, the more they use technology.



Are There Opportunities For *e-file* Among The Tech Segments?

- Having seen in Taxpayer Attitudinal a clear correlation of tech-forward attitudes and acceptance/use of *e-file*, and having noted earlier that, among **100+ Preparers**, *e-file* Users were more tech-forward than Non-Users, we looked for opportunities for marketing *e-file* to one or more of the Tech segments among the **100+ Practitioners**.
- To do this, we examined each segment's share of...universe, past-year returns, *e-file* returns, and Individual and Business *e-filing*. However, we found **NO significant differences** in the levels of *e-file* usage by segment -- i.e., no segment has a share of *e-file* usage that is disproportionately lower than its share of universe, which tells us that **IRS does not need** to market to the tech attitudes of any single segment, but to all of them.

	Each Segment's Share Of The Practitioner Universe ¹ 100%	Each Segment's Share Of All Past-Year Returns 100%	Each Segment's Share Of All Past-Year <i>e-file</i> Returns 100%	Each Segment's Share Of All PY <i>e-file</i> Ind. Returns 100%	Each Segment's Share Of All PY <i>e-file</i> Bus. Returns 100%
100+ Practitioners					
Tech Leaders	42	44	42	42	43
Tech Followers	30	30	30	30	28
Tech Laggards	27	26	28	28	29

Analysis Of Other Opportunities
For Increasing *e-file* Usage Among
100+ Volume Practitioners



Russell
MARKETING
RESEARCH



Opportunities For Increasing Usage: Non-Users Of *e-file*

- We turned next to analysis of opportunities among *behavioral* segments among the **100+ Practitioners**. An obvious group with high potential are the **Non-Users of *e-file***, who account for **29% of the return volume** reported in the study. In thinking about how to market to this group, keep in mind **how they differ from Users**. They...
 - Compared to Users, they skew older (avg. age = 55 vs. 53 for Users) and more Male (66% vs. 54%).
 - 57% of them are Independents (and if they work in firms, the firms tend to be smaller). They approach tax prep work more as an occupation, and are likely to have had more extensive training as a CPA/accountant and not just training in tax prep work (as are the Users). They have also been involved in tax prep work longer (24 years) than the typical *e-file* User (19 years), and are far more likely to be involved in AICPA and State trade groups (70% vs. 51% among Users).
 - They prepare fewer returns than Users (median 150 vs. 250 among Users), but they are more likely to be doing Business returns (27% of their returns are Business returns vs. 18% among Users).
 - They don't *e-file* Business returns mainly because they see *e-file* as not appropriate for Business returns (only 31% say it's "very" appropriate vs. 67% among Users) -- plus, they're not as confident as Users in the security of *e-file* and want to avoid the registration process. They don't *e-file* Individual returns mainly because clients don't ask for it, it costs too much and it's too difficult/time-consuming. Overall, they have far weaker belief than Users in *e-file's* Speed, Accuracy, and Ease Of Use benefits.

Opportunities For Increasing Usage: Low-Volume *e-file* Users

- Another possible opportunity is to increase *e-file* usage among Low-Volume *e-file* Users -- these are 100+ Practitioners who use *e-file*, but for less than 50% of their returns (the average for all Practitioners using *e-file* is 69%). They account for 19% of the return volume reported in the study and profiling data show that they differ from the High-Volume User (50%+ *e-filers*) in that they...
 - Skew more Male (65% vs. 50% for High-Volume Users).
 - They have been in tax prep work longer (24 years vs. 17), and more of them are Independents (58% vs. 46%).
 - Among those who work in firms, the firms tend to be smaller, younger, less tax prep-focused, and generating fewer returns than the firms of the High-Volume Users.
 - However, on an individual basis (not by firm), the Low-Volume Users prepare as many returns as High-Volume Users (250 median), though their share of Business and Individual returns that are *e-filed* is far lower. They are notably less likely to consider *e-file* appropriate for Business returns and far less likely to recognize "accuracy" and "ease of use" as benefits of *e-filing*. Interestingly, though, they are more likely to claim that they are Authorized *e-file* Providers.

Communicating With Practitioners and The High Opportunity Segments



Practitioner Sources Of Information About *e-file*

- Exploring possible avenues of communication with the **100+ Volume Practitioners**, we asked them where they would go for information about *e-file* and found that **the dominant top single source is “the IRS’s website”**. All other mentions (e.g., “a book”, “software provider”) were far lower. The importance of the IRS website as a source was clear among both of the high-opportunity segments: *e-file* Non-Users and Low-Volume Users.
- Note:** the **50-99 Volume Practitioners** had similar information sourcing.

	<u>100+ Volume Practitioners</u>	<u>High-Volume e-file Users</u>	<u>Low-Volume e-file Users</u>	<u>e-file Non-Users</u>	<u>50-99 Volume Practitioners</u>
BASE:	685 %	412 %	145 %	120 %	97 %
<u>If Needed e-file Info, Where Would They Go?</u>					
To irs.gov/Digital Daily/The IRS Website	65	62	65	68	61
To A Book	10	10	19	4	13
Software Provider	8	8	11	8	13
To Trade Publications/Magazines	8	8	8	6	4
To Another Tax Preparer/Co-Worker	5	2	3	9	2
To Firm’s Website	3	5	1	1	2

Practitioners' Sources Of Information About Tax Preparation

- When seeking information about tax preparation in general, the **100+ Practitioners** told us that they would go primarily to the IRS website, followed by “a book”, and then to “trade publications or magazines”.
- There was similar tax prep information sourcing among the **50-99s**, though with even greater reliance on the IRS website.

BASE:	100+ Volume Practitioners	High-Volume e-file Users	Low-Volume e-file Users	e-file Non-Users	50-99 Volume Practitioners
	685 %	412 %	145 %	120 %	97 %
<u>If Needed Tax Prep Info, Where Would They Go?</u>					
To irs.gov/Digital Daily/The IRS Website	44	45	41	43	52
To A Book	20	17	26	21	12
To Trade Publications/Magazines	16	16	13	15	8
Software Provider	7	4	10	9	6
To Another Tax Preparer/Co-Worker	7	5	8	11	7
IRS Publications	4	6	3	4	7
Tax Service	4	1	3	8	2
To Trade Organization's Website	5	5	5	5	2
To My Firm's Website	3	5	1	1	3

Practitioners And irs.gov

- In total and among each key segment, about 90% or more of the **100+ Practitioners** claimed to have visited the IRS website, with the average number of visits per month to the site being about 8 (higher among the Low-Volume *e-file* Users). Visitors to the site rated it high in meeting their information needs, with about 55-60% or more saying it is “excellent” or “very good”.
- The greater reliance and use of the IRS website among the **50-99s** was evident here, too.

	100+ Volume Practitioners	High-Volume <i>e-file</i> Users	Low-Volume <i>e-file</i> Users	<i>e-file</i> Non-Users	50-99 Volume Practitioners
BASE:	685 %	412 %	145 %	120 %	97 %
<u>% Who Have Ever Visited irs.gov/Digital Daily</u> NEW BASE: Ever Visited irs.gov/Digital Daily	90 (621)	91 (373)	95 (137)	87 (104)	97 (93)
<u>Frequency of Visiting irs.gov/Digital Daily</u> Average # Times Per Month	8.1	8.2	8.8	7.6	8.4
<u>Rating irs.gov In Meeting Information Needs</u>					
Excellent	20	19	24	20	19
Very Good	41	45	44	35	50
Good	29	30	22	33	24
Fair	7	6	8	8	6
Poor	1	1	1	1	1

Practitioners' Suggestions For Improving irs.gov

- 35% of the 100+ Volume (and 47% of the 50-99 Volume) visitors to irs.gov offered suggestions for improving it, with top mentions related to a need for greater ease of use (mainly easier links or easier navigation), a need for different types of information and, perhaps related to that, a need for better site organization/better search engine. (Note: these are top-line suggestions; website diagnostics are best addressed in an online usage study.)

	<u>100+ Volume Practitioners</u>	<u>High-Volume e-file Users</u>	<u>Low-Volume e-file Users</u>	<u>e-file Non-Users</u>	<u>50-99 Volume Practitioners</u>
BASE: Total Ever Visited irs.gov	621 %	373 %	137 %	104 %	93 %
<u>Total With Suggestions For Improving irs.gov</u>	<u>35</u>	<u>32</u>	<u>34</u>	<u>35</u>	<u>47</u>
<u>Easier/Faster Linkage & Downloads (Net)</u>	<u>15</u>	<u>14</u>	<u>13</u>	<u>16</u>	<u>19</u>
Make It Easier To Find Specific Things	3	3	2	5	7
Make It Easier To Link To Forms	4	4	4	4	3
Make It Easier To Link/Faster To Get Information	3	3	2	3	2
Make It More User Friendly	1	2	4	-	-
<u>Improve Type Of Info That's Available (Net)</u>	<u>11</u>	<u>9</u>	<u>15</u>	<u>10</u>	<u>11</u>
Have A Section For Answering Questions	3	3	5	2	1
Need To Be Able To Get IRS Codes	2	1	1	2	4
Want More Information On Publications	2	2	1	1	1
<u>Website Organization (Net)</u>	<u>8</u>	<u>10</u>	<u>8</u>	<u>8</u>	<u>7</u>
Improve The Site's Search Engine	4	4	4	3	2

How IRS Can Communicate Emergency Information

- Next, when asked how the IRS could communicate emergency information about changes in tax law, regulations, etc., **both the 100+ and 50-99 Practitioners** focused mainly on **“e-mail”** and **“direct mail”**, followed by **“the IRS website”** and then **“fax”**.

BASE:	100+ Volume Practitioners	High-Volume e-file Users	Low-Volume e-file Users	e-file Non-Users	50-99 Volume Practitioners
	685 %	412 %	145 %	120 %	97 %
<u>Methods Of IRS Emergency Communication</u>					
e-mail	57	58	65	50	54
Direct Mail	42	34	46	51	40
irs.gov/Digital Daily/The IRS Website	33	35	33	30	38
Fax	21	18	21	26	21
Trade Organization’s Website	18	16	19	21	16
Firm’s Intranet/Electronic Bulletin Board	14	18	10	10	19
Firm’s Website	13	17	8	9	15
Advertising	12	10	9	15	11
Telephone	9	9	8	10	13

The Leading Trade/Professional Publications

- To further explore possible methods of communication with 100+ Practitioners, we asked which trade or professional publications they subscribe to or read regularly. We found that the high-opportunity segments, in particular, have exposure to trade/professional publications, with the top mention being the *Journal Of Accountancy*.
- The 50-99 Volume Practitioners have lower use of trade publications, in particular the *Journal of Accountancy*.

BASE:	100+ Volume Practitioners	High-Volume e-file Users	Low-Volume e-file Users	e-file Non-Users	50-99 Volume Practitioners
	685 %	412 %	145 %	120 %	97 %
<u>Total Read/Subscribe To Trade/Prof'l. Pubs.</u>	<u>60</u>	<u>47</u>	<u>70</u>	<u>72</u>	<u>53</u>
<u>Leading Trade/Professional Publications</u>					
Journal Of Accountancy	18	9	20	29	13
The Kiplinger Letter	9	8	10	9	11
Tax Advisor	4	2	6	6	4
CCH/Commerce Clearing House	4	2	6	3	5
Accounting Today	3	2	4	4	2
NATP	3	3	2	3	1
Practical Accounting	3	2	3	3	3

The Leading NON-Trade/NON-Professional Publications

- In terms of the general or non-trade publications they subscribe to or read regularly, the top mentions among the 100+ Volume Practitioners were *The Wall Street Journal* and "local newspapers". All other mentions were less than 10%. (The 50-99s had generally similar non-trade/non-professional publication usage.)

BASE:	<u>100+ Volume Practitioners</u>	<u>High-Volume e-file Users</u>	<u>Low-Volume e-file Users</u>	<u>e-file Non-Users</u>	<u>50-99 Volume Practitioners</u>
	682 %	412 %	145 %	120 %	97 %
<u>Read/Subscribe To Non-Trade/Non-Prof'l. Pubs.</u>	<u>66</u>	<u>62</u>	<u>69</u>	<u>76</u>	<u>66</u>
<u>Leading NON-Trade/NON-Prof'l. Publications</u>					
Wall Street Journal	10	8	10	13	6
Local Newspaper	10	9	12	10	13
Newsweek	8	7	6	11	7
Money	6	6	4	6	6
Time Magazine	7	7	5	7	4
Reader's Digest	6	5	6	6	4
Forbes	4	3	3	6	3
Business Week	4	2	5	7	4
None/Can't Think Of Any	33	41	32	24	34

Practitioner Access To Internet/Intranets/Company Websites

- About 90% or more of all key segments in the **100+ Volume audience** say they have access to the Internet. In addition, among those who work in firms, 57% say they have access to a company Intranet (with the two high-opp segments having very frequent use of their company net). 56% say they go to their firm’s website (though use of this medium is lower among the two high-opp segments).
- There was similar use of electronic networks among the **50-99 Volume Practitioners**.

	100+ Volume Practitioners	High-Volume e-file Users	Low-Volume e-file Users	e-file Non-Users	50-99 Volume Practitioners
BASE:	685 %	412 %	145 %	120 %	97 %
<u>% With Access To The Internet</u>	91	88	97	91	94
NEW BASE: Works In A Firm	(337)	(220)	(61)	(52)	(43)
<u>% Of Firms Having An Intranet</u>	57	56	53	60	58
Avg. # Times Per Month Access Firm’s Intranet	35.4	28.9	44.0	42.6	41.0
<u>% Of Firms Having A Website</u>	56	64	44	48	60
Avg. # Times Per Month Access Firm’s Website	9.8	10.4	4.5	10.8	6.9

Other Avenues For Communication With Key Segments

- Finally, in looking for other possible avenues for reaching the **100+ Volume Practitioners** (especially those in the two key targets), we reviewed data on attendance at tax prep meetings and Tax Forums and found that the **tax prep-focused meetings, conventions, and seminars** offer a particular opportunity for reaching the Low-Volume *e-file* Users as well as Non-Users.
- The only difference among the **50-99s** came in lower mentions of attendance at Forums.

	<u>100+ Volume Practitioners</u>	<u>High-Volume e-file Users</u>	<u>Low-Volume e-file Users</u>	<u>e-file Non-Users</u>	<u>50-99 Volume Practitioners</u>
BASE:	685 %	412 %	145 %	120 %	97 %
<u>% Attend Meetings, Conventions, Seminars Focused On Tax Preparation</u>	81	78	89	79	79
<u>% Aware Of Nationwide Tax Forums</u>	78	74	85	79	74
<u>Attendance At Forums</u>					
BASE: Total Aware Of Forums	(532) %	(306) %	(123) %	(95) %	(69) %
Ever Attended	44	43	43	47	37

Fit Of H&R Block And J-H Practitioners With The 100+ Volume Universe



Fit Of H&R And J-H Preparers With The Random Sample

- On the issue of whether H&R Block and Jackson-Hewitt Preparers should be included in the Random Sample of Practitioners in the future or kept as separate cells, we found that there ARE dramatic differences between the Big Two Preparers and Other 100+ Volume Practitioners.
- First, we found sharp differences in demographics and professional characteristics...

		Random Sample Practitioners	H & R Block Practitioners	Jackson-Hewitt Practitioners
BASE:		685	338	181
		%	%	%
<u>Gender</u>	Male	58	32	37
	Female	42	68	63
<u>Involvement In Tax Prep</u>	Full-Time/One of My Occupations	76	55	80
	It's Something I Do During Tax Season	24	45	20
<u>Average # Years Involved In Tax Preparation</u>		20.4	14.6	12.2
<u>Total Who Belong To Any Trade/Professional Organizations</u>		57	17	25
<u>Mean % of Returns That Were Individual Returns</u>		79	85	90

Differences In Types Of Firms

- Naturally the firmographics were different, with H&R and J-H much larger than the other firms represented by the 100+ Practitioners. They were also more focused on Individual returns, and were more likely to advertise.

	<u>Random Sample Of Practitioners</u>	<u>H & R Block Practitioners</u>	<u>Jackson-Hewitt Practitioners</u>
BASE: Total Who Work With A Firm	337 %	330 %	172 %
<u>% Who Say Their Firm Advertises</u>	71	100	98
<u>Median # of Preparers In Firm</u>	7.5	1,197	1,022
<u>% Of Preparers In Firm Focused On...</u>			
Individual Returns	69	82	90
Business Returns	31	18	10
NEW BASE: Total Respondents	(685)	(338)	(181)
<u>Who In Firm Decides Whether Practitioners e-file Or Not</u>			
You	72	25	35
The Firm's Owner/Manager	16	21	34
Management At Firm's Headquarters	7	49	25

Differences In Usage Of/Attitudes Toward *e-file*

- H&R and J-H Preparers also differ sharply from other **100+ Volume Practitioners** in their use of *e-file* (virtually all *e-filed* last year), and in their level of usage (with *e-filed* returns constituting about 90% or more of their individual returns). Since they use it more, they are also more likely to recognize *e-file's* benefits – especially the Speed, Accuracy, and Ease Of Use benefits.

BASE:	Random Sample Of Practitioners	H & R Block Practitioners	Jackson-Hewitt Practitioners
	685 %	338 %	181 %
<u>Net % Who Used <i>e-file</i> Last Year</u>	66	100	99
<u>Share Of Individual Returns That Were <i>e-filed</i></u> (mean %, n=777/367/205)	46	89	93
<u>Share Of Business Returns That Were <i>e-filed</i></u> (mean %, n=652/277/139)	22	59	59
<u>% Who Have Ever <i>e-filed</i> Business Returns Before</u>	42	73	70
<u>% Feel <i>e-file</i> Is Very Appropriate For Use With Business Returns</u>	55	76	80
<u>% Who Have Ever <i>e-filed</i> Individual Returns Before</u>	74	100	99
<u>Leading Benefits Of <i>e-file</i></u>			
Speed/Faster	71	85	84
Accuracy	39	55	47
Ease Of Use	29	36	42
Paperless Filing Using A PIN	15	13	21

Differences In Communications Options

- Finally, there are differences in communications options among these segments – especially for H&R Block Preparers, who the survey shows are less likely to be exposed to the Marketing Toolkit, less aware of and less likely to attend IRS Tax Forums, and even less likely to visit the IRS website. However, both H&R and J-H do offer better communication reach than do other 100+ Practitioners through the intranet and website of each firm.

	Random Sample Of Practitioners	H & R Block Practitioners	Jackson-Hewitt Practitioners
BASE:	685 %	338 %	181 %
<u>% Ever Received e-file Marketing Toolkit</u>	60	36	58
<u>% Aware Of Nationwide Tax Forums</u>	78	66	76
<u>If Aware Of Forums, % Ever Attended One</u> (n=532, 219 & 138)	44	35	60
<u>If Needed e-file Info, Where Would They Go?</u>			
To irs.gov/IRS Website	65	51	80
To A Book	10	16	8
<u>% Who Ever Visited irs.gov</u>	90	88	97
BASE: Total Ever Visited irs.gov	(621)	(296)	(176)
<u>% Who Rate irs.gov Excellent/Very Good/Good In Meeting Info Needs</u>	90	91	95
<u>% Of Firms Having An Intranet</u>	57	69	72
<u>% Of Firms Having A Website</u>	56	92	83

**How Practitioners In The
BMF Masterfile Compare
To The 100+ Group In
The IMF Masterfile**



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Demographic & Professional Differences

- In a separate objective, the IRS wanted to survey a sample of Practitioners found in the BMF Masterfile but not in the IMF Masterfile, and to compare them to the Practitioners from the Random Sample of the Practitioner Study (all from the IMF Masterfile and, in this report, from the 100+ Volume audience only). Results show that BMF Practitioners and the 100+ IMF Practitioners are similar demographically, but very different professionally.

BASE:		100+ Practitioners From IMF Masterfile	BMF-Masterfile Practitioners
		685	166
		%	%
Average Age		53.1	52.7
Gender	Male	58	61
	Female	42	39
Involvement In Tax Prep	Full-Time/One of My Occupations	76	91
	It's Something I Only Do During Tax Season	24	9
Average # Years Involved In Tax Preparation		26.4	24.0
Independent vs. In A Firm	Work Alone As An Independent	52	46
	Work With Firm/Both Independent & With A Firm	48	54
Total Who Belong To Any Trade/Professional Organizations		57	72
Total Who Attend Meetings/Seminars Focused On Tax Preparation		81	91

Differences In Types Of Firms

- Comparing the BMF and 100+ IMF Preparers who *work in firms*, we see that the BMF group work in somewhat smaller firms (who are less likely to advertise), but in firms that generate more returns (and more returns per Preparer); and in firms where, as expected, there is a greater focus on Business returns (though both groups say their firm's main focus is still Individual returns).

	100+ Practitioners From IMF Masterfile	BMF-Masterfile Practitioners
BASE: Total Who Work With A Firm	337 %	89 %
<u>% Who Say Their Firm Advertises</u>	71	62
<u>Median # of Preparers In Firm</u>	7.5	7.0
<u>% Of Preparers In Firm Focused On...</u>		
Individual Returns	69	64
Business Returns	31	36
<u>Median # Returns From Firms</u>	2,250	4,100
<u>Median # Returns From (Median Of) 7.5/7.0 Practitioners Per Firm</u>	300	586

Differences In Usage Of/Attitudes Toward *e-file*

- While in net, more of the BMF Practitioners said they used *e-file* last year, their share of returns that are *e-filed* and proportion who are Authorized *e-file* Providers are similar to that of the **100+** IMF Preparers. They also have similar perceptions of the benefits of *e-file*, with one exception -- the BMF Preparers are far more likely to mention “paperless filing using a PIN” as a benefit than are the IMF Preparers.

	100+ Practitioners From IMF Masterfile	BMF-Masterfile Practitioners
BASE:	685 %	166 %
<u>Share Of Individual Returns That Were <i>e-filed</i> (mean %, n=684/156)</u>	46	48
<u>Share Of Business Returns That Were <i>e-filed</i> (mean %, n=580/156)</u>	22	16
<u>Net % Who Used <i>e-file</i> Last Year</u>	66	79
<u>Total Who Feel <i>e-file</i> Is Very Appropriate For Use With Business Returns</u>	55	52
<u>Leading Benefits Of <i>e-file</i></u>		
Speed/Faster	71	74
Accuracy	39	34
Ease Of Use	29	28
Paperless Filing Using A PIN	15	35
<u>% Who Claim To Be Authorized <i>e-file</i> Providers</u>	64	66

Communications Options: BMF vs. IMF Preparers

- Finally, in terms of potential methods of communication with the BMF Practitioners, we find that they are equally as likely as the 100+ IMF Practitioners to attend the IRS's Nationwide Tax Forums, are more interested in emergency communication via e-mail, and more likely (if in a firm) to have access to a company website.

		<u>50+ Practitioners From IMF Masterfile</u>	<u>BMF-Masterfile Practitioners</u>
BASE:		685 %	166 %
<u>Among Those Aware Of Forums, % Ever Attended A Tax Forum</u>	(n=532 & 140)	44	44
<u>If Needed e-file Info, Where Would They Go?</u>	To irs.gov/Digital Daily/The IRS Website	65	65
	To A Book	10	12
<u>Methods Of IRS Emergency Communication</u>	e-mail	57	(66)
	Direct Mail	42	37
	irs.gov/Digital Daily/The IRS Website	33	34
	Fax	21	26
<u>% Who Ever Visited irs.gov/Digital Daily</u>		90	94
BASE: Total Ever Visited irs.gov/Digital Daily		(621)	(156)
<u>% Who Rate irs.gov Excellent/Very Good/Good In Meeting Info Needs</u>		90	90
BASE: Total Work In A Firm		(337)	(89)
<u>% Of Firms Having An Intranet</u>		57	(72)
<u>% Of Firms Having A Website</u>		56	64

Appendix



Appendix Notes

Following are specific sections appended to the Report:

Methodological Appendix

Questionnaire Used In Study
(electronically attached)

Methodological Appendix



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Methodological Appendix

- This new Benchmark Wave of the Practitioner study was conducted by telephone from RMR's national interviewing facility in Wayne, NJ. Interviewing was conducted during the period of late-March to early-May, 2003. Interviewing covered a longer period this year due to sample issues arising from the presence of H&R Block and Jackson-Hewitt Preparers in the initial IRS lists.
- After cleaning out the H&R and J-H Preparers from the initial lists and sample, the final Random Sample consisted of a nationally representative sample of 782 U.S. Practitioners, drawn from the ETA's IMF Masterfile of Tax Preparers (with lower-volume Practitioners [<50 returns] excluded, along with non-professionals working at VITA sites and other non-profit tax prep entities). After re-focusing the study and report on the 100+ Practitioners, the final sample size of that universe was 685. The final sample sizes for the special cells were as follows: H&R Block Preparers = 367; Jackson-Hewitt Preparers = 205; and BMF-Only Preparers = 200.
- To qualify, Practitioners had to be personally involved in the preparation of Tax Returns during the previous tax season, that is, during the 2002 tax season in which tax returns were filed for 2001.
- Interviews were conducted during daytime hours (9--5 p.m. in each time zone), with the interview averaging about 25 minutes per respondent. To assure that the survey was representative of the target audience, a high rate of response was achieved – 64.7%. To increase response (especially given the longer than usual length of interview), respondents were given a \$20 cash incentive for their time and participation.

Questionnaire Used In Study

Questionnaire is a Word.doc, attached electronically



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