2004 Customer Satisfaction Survey For Form 1041 *e-file* –

The U.S. Income Tax Return For Estates & Trusts

Presented to:

Internal Revenue Service
DEPARTMENT OF THE TREASURY

Fall 2004 BMF Integration Meetings

Presented by:

FCB & **Russell** RESEARCH
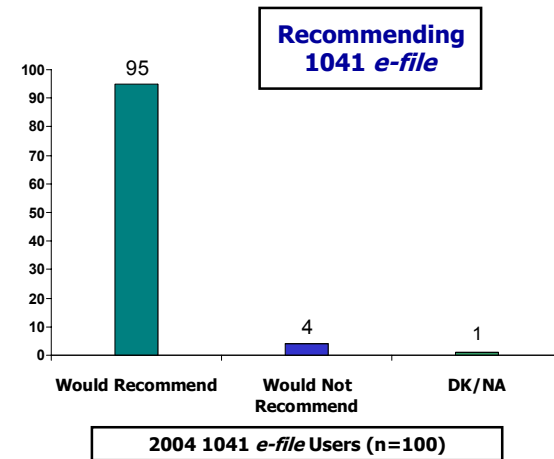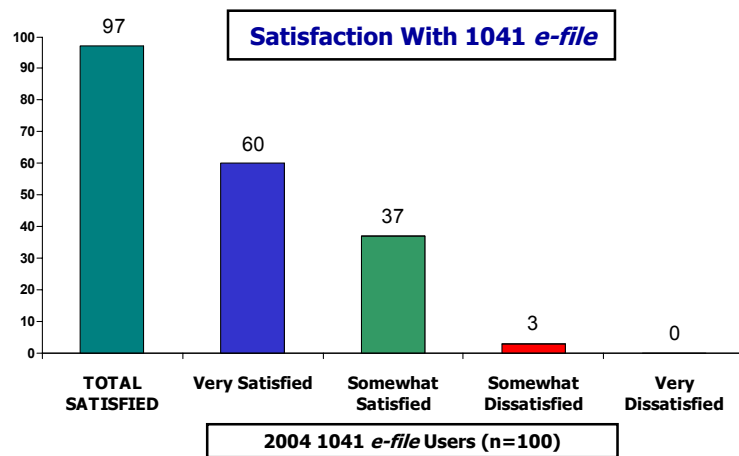
Background, Objectives, Method & Sample Size

- **As *e-file* products come on line, IRS conducts customer satisfaction research for each product.**

    - **Form 1041**, the <u>US Income Tax Return For Estates & Trusts</u>, is one of the forms that can now be *e-filed*.

    - 1041s are paper-intensive, so the benefits of participating in the 1041 *e-file* program are that it saves time, reduces filing errors, reduces storage space and costs, allows personalized service and proof that IRS has received return information, has a multi-signature option (one signature for up to 5,000 returns), and has an Electronic Funds Withdrawal (EFW) payment option.

- **The <u>purpose</u> of this survey was to: 1) <u>gauge User satisfaction</u> with Form 1041 *e-file* and look for <u>ways to increase usage among Non-Users</u>; and 2) <u>provide IRS with quantitative data and analysis</u> to use in making policy decisions related to this form as it moves toward its 80% *e-file* usage goal.**

- **The survey was conducted in July, 2004, via <u>telephone</u> from Russell's national field facility in Wayne, NJ, with <u>respondents drawn from IRS lists</u> of 1041 *e-file* Users and Non-Users.**

- **The sample consisted of <u>350 interviews</u> conducted among Form 1041 preparers...**

    - <u>100</u> with 1041 preparers who are **Users of 1041 *e-file***.

    - And <u>250</u> with 1041 preparers who are **Eligible Non-Users of 1041 *e-file***.

    - *Note: the in-going goal for each cell was 250 total interviews. However, the IRS list used to screen survey respondents for the User cell was too small to yield 250 total. As the program grows, future samples of Users will increase to the 250 target level.*

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Findings

Findings Among Users

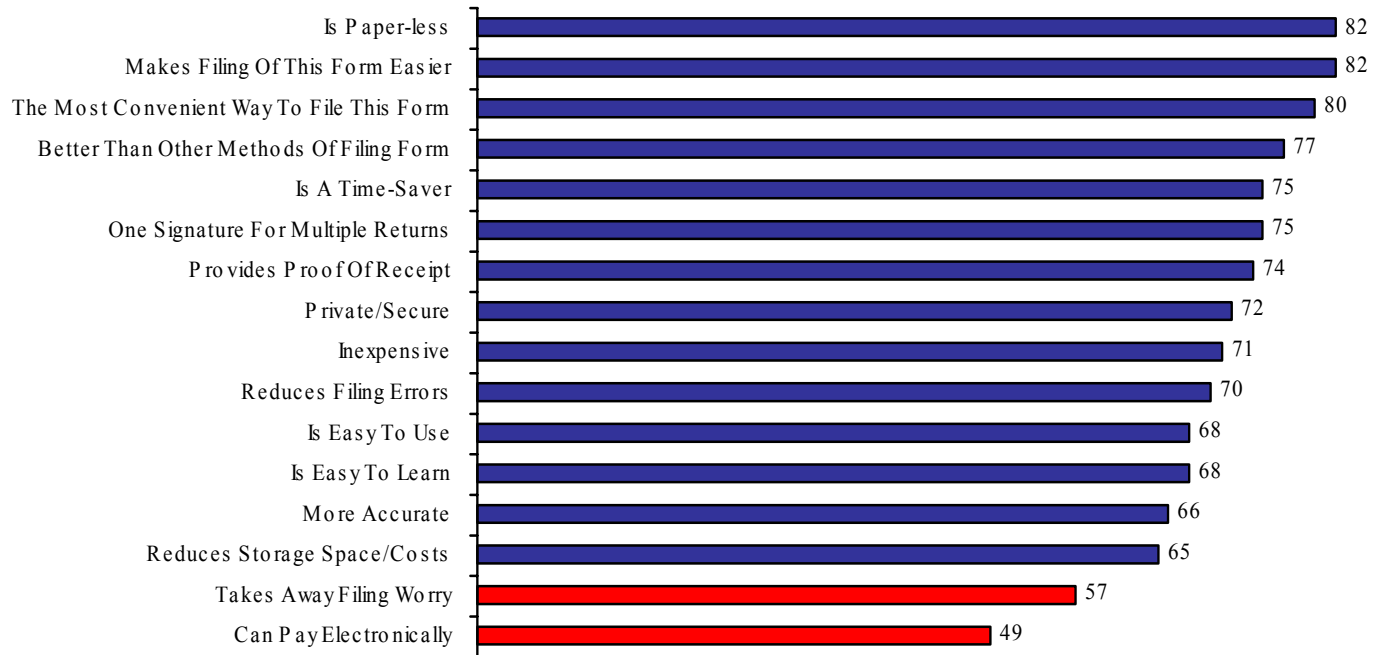# Satisfaction, Recommendation & Specific Likes

- While the proportion of Users at least *somewhat* satisfied with Form 1041 *e-file* was high (97%), the number "very satisfied" (60%) was actually lower than we typically see for other *e-file* products – generally 70%+ for Business products and 80%+ for Individual products.

- Still, 95% of Users said they would recommend it to others. What do they like about it? It's <u>easier</u>, involves <u>less paperwork</u>, and is <u>faster</u> than alternative methods.

Satisfaction With 1041 *e-file*

TOTAL SATISFIED	97
Very Satisfied	60
Somewhat Satisfied	37
Somewhat Dissatisfied	3
Very Dissatisfied	0

2004 1041 *e-file* Users (n=100)

Recommending 1041 *e-file*

Would Recommend	95
Would Not Recommend	4
DK/NA	1

2004 1041 *e-file* Users (n=100)

Reasons for Satisfaction With 1041 *e-file* (n=97 Users)

	%
Makes it easy to file/it's convenient/easier than other ways	20
Involves less paperwork	13
It's quicker/faster than other ways of filing	13
You get an immediate acknowledgement of receipt	6
It reduces the errors you can make	5
Saves money	4

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# Satisfaction With Specific Characteristics Of 1041 *e-file*

- **Using our rule of thumb that a top-box ("very satisfied") rating of about 70%+ indicates strong satisfaction with a product attribute, we see that Users were clearly satisfied with 1041 *e-file* being <u>paper-less</u>, <u>making filing easier</u>, being <u>convenient</u>, <u>better than other methods</u>, <u>a time-saver</u>, and <u>allowing one signature for multiple returns</u>. However, several key attributes (ease of actual use, ease of learning, and accuracy) fall below that 70% level and two others fall far below – taking away filing worry and being able to pay electronically.**

Attribute	Value
Is Paper-less	82
Makes Filing Of This Form Easier	82
The Most Convenient Way To File This Form	80
Better Than Other Methods Of Filing Form	77
Is A Time-Saver	75
One Signature For Multiple Returns	75
Provides Proof Of Receipt	74
Private/Secure	72
Inexpensive	71
Reduces Filing Errors	70
Is Easy To Use	68
Is Easy To Learn	68
More Accurate	66
Reduces Storage Space/Costs	65
Takes Away Filing Worry	57
Can Pay Electronically	49

2004 Users (n=100)

Can 1041 *e-file* Be Improved? If So, How?

- **43% of Users said that 1041 *e-file* can be improved, with the 43% being substantially higher than what we usually see on this measure for IRS *e-file* products (which is low to mid-30s).**

- **We asked anyone suggesting improvement to specify what they thought should be improved, and then re-based responses on the total User sample to put criticism in perspective. This showed that Users want <u>better information</u>, an <u>easier/simpler/smoother process</u>, want to be able to <u>*e-file* more 1041 forms/attachments</u>, want <u>better name control</u>, and <u>fewer rejections</u>.**

Can 1041 *e-file* Be Improved?

YES, It Can Be Improved	NO, Does Not Need To Be Improved	DK/NA
43	50	7
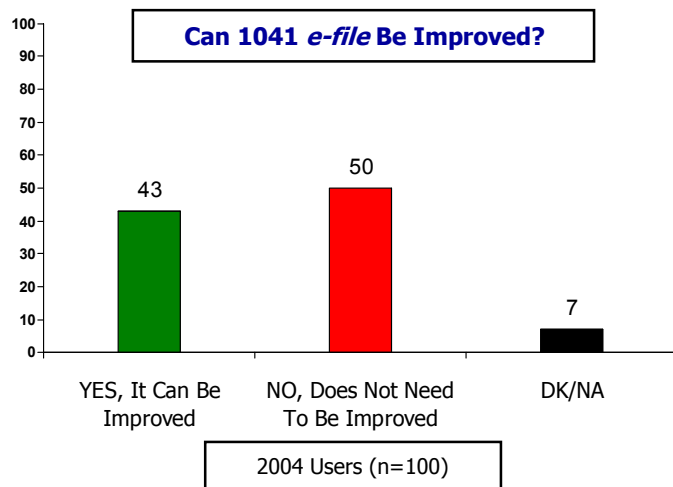
2004 Users (n=100)

How Can 1041 *e-file* Be Improved?

	2004 Users
Total 1041 *e-file* Users	(100) %
Top Suggestions For Improvement	
Improve Information	**8**
Simplify the information in error codes	3
Provide clearer instructions	2
Inform us when there are new rules/regs	2
Make It Easier/Simpler/Smoother (Net)	**8**
Just make it easier to use	3
Simplify the forms	2
Make the process smoother	2
Expand To Allow More 1041 Attachments/Forms	**7**
Improve Name Control	**5**
Need Fewer Errors/Rejections	**4**

VERBATIM RESPONSES WHICH MAKE UP "IMPROVE NAME CONTROL":

- IRS should reinstitute Entity testing. The actual process of filing direct is fine, but when a new Entity number is issued it hardly ever matches the new EIN's. Re-establish name control.
- Need better name control.
- They need to let you know what name controls really are.
- They need to get the process for EFTPS to work smoother with name controls.
- Real name control would help.

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Receipt Of Form 1041 Error And Rejection Notices

- **We saw in "suggestions" that one factor contributing to the lower-than-desired top-box satisfaction rating and the high need for improvement are the number and content of error and rejection notices. Asked directly about these notices:**

    - **<u>An unusually high 65% of Users said they've received the notices</u> (mostly from an external transmitter).**

    - **<u>Only 34% of those receiving notices contacted the IRS afterward</u> – with <u>just 31% of them saying the timeliness of the IRS response was "about right"</u> (with the rest saying it took too long).**

    - **In addition, 1/3rd of those receiving notices said they <u>were not clear and understandable</u> – mainly because they didn't understand the codes (see representative sampling of verbatim responses below). This frustrates many Users.**

Total 1041 *e-file* Users	2004 Users (100) %
% Ever Rec'd. Error Or Rejection Notice After Filing 1041 *e-file*	**65**
Where Error/Rejection Notice Came From	
NEW BASE: Total Received Error/Reject Notice	(65)
Directly From The IRS	32
From An External Transmitter	57
% Contacted IRS After Receiving Notice	**34**
% Feel Timeliness Of IRS Response Was "About Right"	**31**
<u>% Saying Reject Notices WERE NOT Clear & Understandable</u>	**<u>32</u>**

Sampling Of Verbatim Comments About Notices Not Being Clear:
Can't tell why IRS rejected it.
They give you all these codes and then don't explain what they mean.
You have to spend a lot of time de-coding their error/rejection codes. It's annoying. It's frustrating.
Codes are way too cryptic. They should just come out and tell you what was wrong.
It's too time-consuming to figure out what they're saying was wrong.

Form 1041 *e-file* Information

- **In response to a series of questions about information, 39% of Users recalled <u>seeing information</u> related to 1041 *e-file*.**

  - **It came mainly in the form of <u>publications</u>, <u>instructions</u>, <u>IRS forms</u>, and <u>information from software companies</u>, and 95% of recipients considered the info <u>helpful</u>.**

  - **How did they receive this information? Mostly from <u>irs.gov</u>, from <u>software companies</u>, or through the <u>mail</u>.**

	2004 Users (100) %
Total 1041 *e-file* Users	
% Recalled Seeing Information Related to 1041 *e-file*	**39**
NEW BASE: Total Recall 1041 *e-file* Information	(39)
Types Of Information Recall Seeing?	
Publications	**74**
Instructions	**72**
IRS Forms	**69**
Information From Software Companies	**67**
Information AT The IRS's Website – irs.gov	56
% Said Information Was Very/Somewhat Helpful	**95**
How Information Was Received	
IRS's Website – irs.gov	**62**
From Software Companies	**56**
In the Mail	**54**
Via e-mail	31

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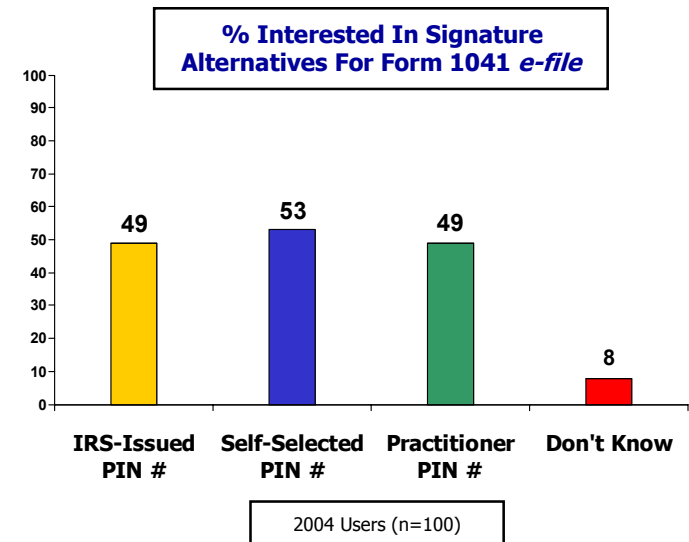# Transmission Of 1041 *e-file* & Recall Of Form 8633

- **57% of all 1041 Users said they have <u>transmitted</u> 1041 *e-file* to the IRS – note that all 100 of them were external preparers (or outside CPAs, Practitioners, accountants, etc.)**

  - **Among those who have transmitted the form electronically, 43% recalled completing the IRS *e-file* Application Form 8633 – completing it mainly on Paper.**

  - **And 8 in 10 of the 43% said Form 8633 was "very" or "somewhat" easy to complete.**

	2004 Users (100) %
Total Users	
Total Claiming To Have Ever Transmitted 1041 *e-file* To The IRS	**57**
<u>% Recalled Completing Publication 8633</u>	**<u>43</u>**
% Completed On-line	8
% Completed On Paper	35
Don't Recall	0
% Said It Was <u>Very/Somewhat Easy</u> To Complete Form 8633	81
% Said It Was Somewhat/Very Difficult To Complete Form 8633	19

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Recall & Feedback On Signature Form 8453-F & Alternatives

- **59% of all Users recalled completing and mailing paper <u>Form 8453-F</u>, the U.S. Estate or Trust Income Tax Declaration and <u>Signature Form</u> for Electronic Filing of Form 1041.**

  - **Of these, 91% described themselves as "very" or "somewhat" satisfied with that method of signature for 1041 *e-file* (with 59% "very satisfied").**

- **We asked them about their interest in three signature alternatives (IRS-Issued PIN#, Self-Selected PIN#, and Practitioner PIN#) and found about equal interest in the three options.**

Recall & Feedback On Signature Form 8453-F	
	2004 Users
Total Users	(100)
	%
Total Recalled Form 8453-F (paper form)	**59**
NEW BASE: Total Recalled Form 8453-F	(59)
Satisfaction With Form 8453-F	
Very Satisfied	**59**
Somewhat Satisfied	**32**
Somewhat Dissatisfied	5
Very Dissatisfied	2

91% { Very Satisfied 59, Somewhat Satisfied 32 }

% Interested In Signature Alternatives For Form 1041 *e-file*

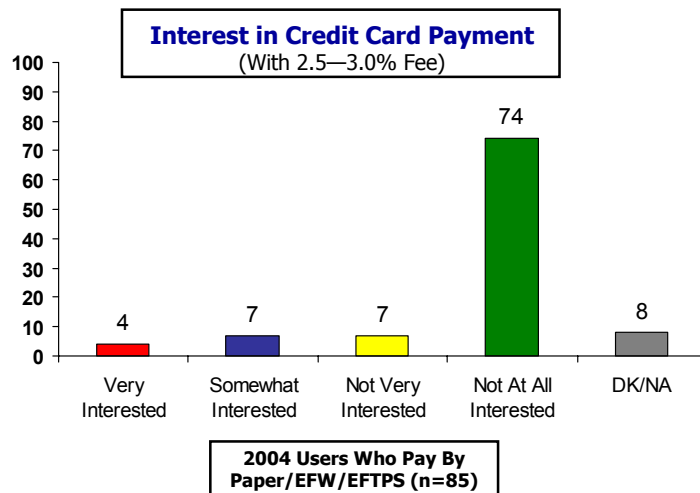| Category	Value
IRS-Issued PIN #	49
Self-Selected PIN #	53
Practitioner PIN #	49
Don't Know	8

2004 Users (n=100)

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1041 *e-file* Balance Payment Methods

- **1041 balances are <u>paid mainly by Paper</u> (check, money order or coupon), though <u>satisfaction is higher with electronic payments</u> (EFTPS and EFW). <u>69% of paper payers said IRS can do something to increase their use of electronic payments</u> – mainly make it cheaper and convince the client to pay electronically.**

Payment Methods Used & Satisfaction With Each			
DK Method = 15%	**PAPER**	**EFW**	**EFTPS**
% Use Each Method	**48%**	**11%**	**26%**
Total Use Each Method	(48)	(11)	(26)
	%	%	%
Satisfaction With...			
Very Satisfied	**56**	**100**	**81**
Somewhat Satisfied	**31**	**0**	**15**
Total Very/SW Satisfied With...	**87**	**100**	**96**

What IRS Can Do To Increase Electronic Payments	
	2004 Users
Total Who Pay By Paper	(48)
	%
IRS Can Do Something	**69**
Price/cost (Net)	**17**
Offer a discount	8
Eliminate the fee	**8**
Convince the client to pay electronically	**13**
Make it easier to do so	6
Make it more secure to do so	6

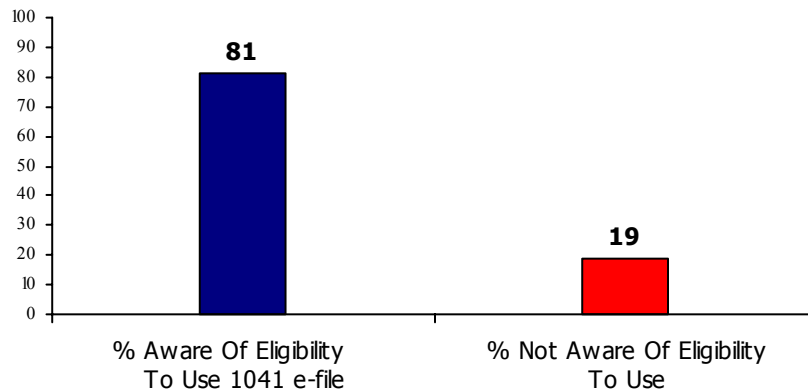- **There was <u>very low interest in paying with a credit card</u> – mainly because of <u>the service fee</u>.**

Interest in Credit Card Payment
(With 2.5—3.0% Fee)

Very Interested: 4
Somewhat Interested: 7
Not Very Interested: 7
Not At All Interested: 74
DK/NA: 8

2004 Users Who Pay By Paper/EFW/EFTPS (n=85)

Reasons For Lack Of Interest In Payment By Credit Card	
	2004 Users
Total Not Interested In Payment By Credit Card	(81)
	%
Top Mentions	
Don't want to pay the extra fee	**26**
Don't use credit cards for these types of payments	12
I/Clients don't like using credit cards	9
Prefer an alternative payment method	7
It costs more/too expensive	**4**
More difficult to keep track of	4
Not as secure to pay this way	4

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Findings Among Non-Users

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Awareness Of Eligibility & Likelihood Of Using Form 1041 *e-file*
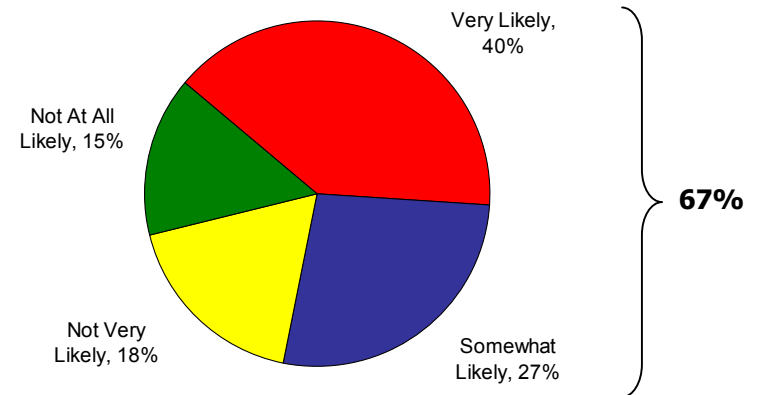
- **Turning to findings among Non-Users of Form 1041 *e-file* (93% of whom were external preparers of the form), we see that...**

  - **81% were aware that they *could have* filed 1041 electronically.**

  - **And, after hearing a description of the product, 67% said they are at least somewhat likely to use 1041 *e-file* in the future.**

Awareness of Eligibility To *e-file* Form 1041

% Aware Of Eligibility To Use 1041 e-file — 81

% Not Aware Of Eligibility To Use — 19

2004 Non-Users (n=250)

Likelihood of Using Form 1041 *e-file*

Very Likely, 40%

Not At All Likely, 15%

Not Very Likely, 18%

Somewhat Likely, 27%

67%

2004 Non-Users (n=250)

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Non-User Perceptions Of Form 1041 *e-file*

- **After hearing the product description, Non-Users were asked for impressions of 1041 *e-file* by rating their agreement with statements about the product. Looking at the <u>top-box agreement ratings ("agree completely")</u>, we see that about half or more of the Non-Users thought 1041 *e-file* would provide proof of receipt, is paper-less, and that you can pay balances electronically with a return. However, they had <u>weaker impressions of the product otherwise</u> – especially on some of its key benefits such as accuracy, ease, and time-saving.**

Provides Proof Of Receipt	78
Is Paper-less	53
Can Pay Electronically	52
Reduces Filing Errors	48
Is Easy To Learn	47
Is Private/Secure	46
The Most Convenient Way To File This Form	41
More Accurate	39
Better Than Other Methods	38
Allows One Signature For Multiple Returns	38
Is Easy To Use	35
Makes Filing Easier	35
Reduces Storage Space/Costs	34
Is A Time-Saver	34
Inexpensive	34
Takes Away Filing Worry	19

2004 Non-Users (n=250)

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Reasons For Non-Use Of 1041 *e-file*

- **Top reasons for not using 1041 *e-file* were, first, <u>lack of demand</u>, then <u>not knowing enough about it/not being confident in it</u>, <u>the cost involved</u>, <u>taking a wait-and-see approach</u>, <u>concerns about added workload</u>, and <u>software/hardware issues</u>.**

Total 1041 *e-file* Non-Users	2004 Non-Users (250) %
My clients don't ask for it or want it	**47**
Just don't know enough about it yet	**32**
Lack of confidence in reliability/too much can go wrong	**22**
Lack of confidence in the security of the system/the technology	**20**
The software costs money	**32**
The cost of transmission is too high	**17**
I'm cautious about it, I'll wait to see how it works out for the rest	**30**
It's just something else I'd have to learn	**29**
It's too much work – have enough to do	**24**
I hear it takes more time	**23**
I want a bundled suite of standardized software products	**24**
My return preparation software package does not offer an *e-file* option	**18**
Don't have/don't have access to the software	**15**
Don't have the necessary computer hardware	**4**
I have too many other forms and attachments associated with this return	21
No interest in trying it	18
The application process is too difficult/tricky	17
Don't like being responsible for getting returns to the IRS	14
I hear that returns get rejected/too many rejections	13
The computer software is too difficult	12
Don't like doing the IRS's work for them	12
Requirements for Form 1041 *e-file* are different from other forms and too much	10

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Can The IRS Increase Their Likelihood of *e-filing* 1041's?

- **73% of the Non-Users said "yes, the IRS can do something to increase my likelihood of using Form 1041 *e-file*". Their top suggestions were to <u>make it mandatory</u>, <u>provide more info/publicity/training</u> for it, and <u>make it more affordable or provide incentives</u>. But there were also many other lower-level suggestions, the top ones shown below.**

	2004 <u>Non-Users</u> (250) %
Total 1041 *e-file* Non-Users	
Said IRS Can Do Something To Increase Likelihood	**<u>73</u>**
<u>**Leading Mentions...**</u>	
Make it mandatory/required	**11**
Provide more information/publicity/training for it	**10**
Make it less expensive/provide free or cheaper software/give incentive	**9**
Give me more time – I'm going to start using it/client is considering it	8
Make my software vendor provide the capability	6
Simplify the process	3
Make people more aware that it's available	3
Allow Fed-State *e-filing* of this form	2
Make it more secure	2
Eliminate 3rd parties/make it go directly to the IRS	2
Reduce the number of rejections	2
Get my clients to want to do it	2

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Software Used By Non-Users & Presence Of *e-file* Option

- **Finally, we asked Non-Users about the software they use to prepare Form 1041 and found that <u>94% use software</u> and that, in <u>85% of the cases, the software has an *e-file* option</u>.**

- **Among the <u>15% of Non-Users whose software does not have an *e-file* option</u>, we learned that very few want the option and that that their top software packages are from Intuit.**

	2004 Non-Users (250) %
Total Non-Users	
% Use Software To Prepare Form 1041	**94**
% Said Software Does Not Offer *e-file* Option	**15**
(New Base: Total Whose Software Does Not Offer An *e-file* Option)	(38)
% Of Those Without *e-file* Option Who Would Like Option	**12**
Of Those w/o *e-file* Option, Software Packages Used For 1041s	
Total Intuit Products (Net)	**45**
Intuit/Intuit Pro Series (Net)	**24**
LaCerte	**21**
ATX	13
Taxwise	8

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Communicating With Form 1041 *e-file* Users & Non-Users

- **Some of the measures in the survey were asked of both Users and Non-Users. In the first of these, we see that about 70%+ of both Users and Non-Users prefer receiving 1041-related information either <u>In The Mail</u> or <u>At irs.gov</u>, with about two-thirds also interested in receiving it via <u>e-mail</u>. Also high on the list among Non-Users is receipt from <u>Software Companies</u>.**

Total Respondents	2004 <u>Users</u> (100) %	2004 <u>Non-Users</u> (250) %
How Prefer To Receive Information re: Form 1041		
In The Mail	**71**	**73**
From The IRS's Website – irs.gov	**71**	**78**
Via e-mail	**65**	**64**
From Software Companies	37	**57**
From Contact With An IRS Tax Specialist/IRS Employee	28	24
Via Electronic Bulletin Board	22	28
From News Articles	21	31
From Advertising	15	17
Pick(ed) Up At An IRS Office	9	10
Pick(ed) Up At Post Office/Library	5	7
From Other Internet Websites	5	8
Seminars	2	1
Other	2	2
AICPA	-	2
Don't Know/Refused	-	2

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Familiarity With The ERO Application Process

- **Interestingly, a higher proportion of Non-Users than Users (83% vs. 65%) said they were familiar with the application process required to file 1041 electronically.**

- **Only about <u>one-third of each segment said they found anything about this process difficult</u> — with the <u>top mentions of difficulty</u> being that it means more work for them/takes too long, they don't feel instructions are clear enough, and they don't like the fingerprinting requirement.**

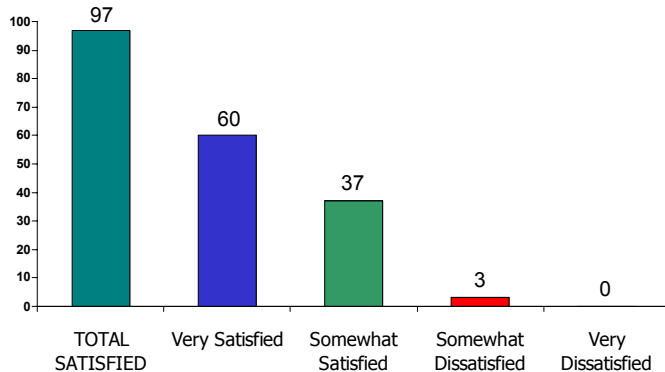|	Users	Non-Users
Total Respondents	(100) %	(250) %
<u>% Familiar With ERO Application Process</u>	**65**	**(83)**
Difficulty Of Registration Process NEW BASE: Total Familiar With Registration Process	(65)	(207)
<u>% Rated Process Very/Somewhat Difficult</u>	**33**	**36**
Total Saying Registration Process Very/Somewhat Difficult	(33) %	(122) %
<u>Perceived Difficulty In Registration Is...</u>		
It requires more work/is time-consuming	**15**	**13**
Instructions are not clear	**21**	**6**
Don't like the fingerprinting requirement	**15**	**15**
The process takes too long	9	3
Don't like the way they do the signature form	6	2
The whole thing's confusing/hard to understand	6	6
I don't know/don't understand how to do it	6	5

Usage Of & Attitudes Toward e-services

- Finally for the 1041 survey, we asked Users and Non-Users about their usage and interest in e-services. Unlike the other BMF surveys, we found that <u>Non-Users were as likely as Users to have used e-services and to consider using them</u>.

- In addition, 67% of Non-Users (after hearing a description of e-services) said they were "very" or "somewhat" likely to switch 1041 filing to *e-file* in order to gain access to e-services.

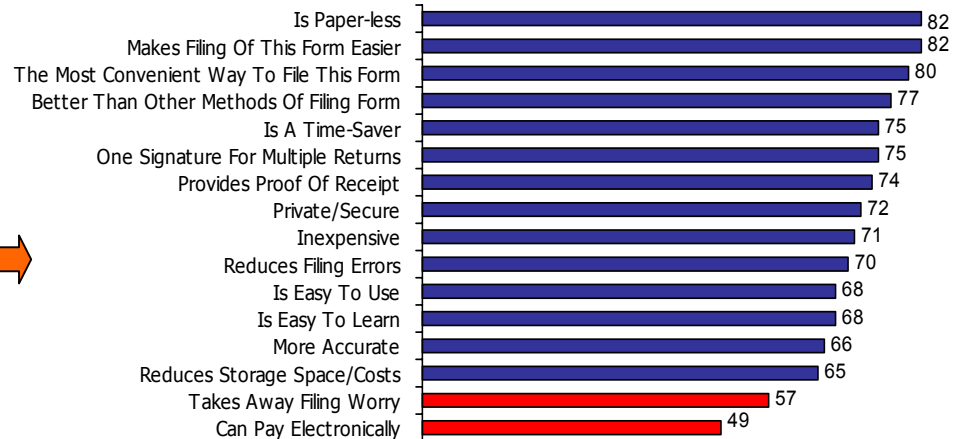|	2004 Users (100) %	2004 Non-Users (232) %
BASE: Total Outside Preparers		
% Have Ever Used e-services (Total)	**39**	**39**
As An Individual	18	22
Through An Association Or Employment With A Firm	21	18
% Of Users Who Are Very/Somewhat Satisfied	**82**	**84**
Specific e-services Ever Used		
Preparer Tax Identification Number (PTIN) Application	**38**	**38**
Registration For e-services	**29**	**32**
Taxpayer Identification Number (TIN) Matching	29	22
Online *e-file* Application To Become An ERO	29	19
Electronic Account Resolution	12	5
Use Of The Transcript Delivery System	6	5
Submission & Modification Of Disclosure Authorization Forms	12	3
% Of All Respondents Who Definitely/Probably Will Use e-services	**75**	**73**
Non-Users Only: % Very/SW Likely To Switch To 1041 e-file For e-services Access	**na**	**67**

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Key Learning

Key Findings From 2004 Form 1041 *e-file* Customer Satisfaction Survey

Satisfaction Is Lower Than For Other *e-file* Products, Where "Very Satisfied" Is Usually 70-80%

Chart values:
- TOTAL SATISFIED: 97
- Very Satisfied: 60
- Somewhat Satisfied: 37
- Somewhat Dissatisfied: 3
- Very Dissatisfied: 0

But Attribute Ratings Do Not Show Where The Problem Is

- Is Paper-less: 82
- Makes Filing Of This Form Easier: 82
- The Most Convenient Way To File This Form: 80
- Better Than Other Methods Of Filing Form: 77
- Is A Time-Saver: 75
- One Signature For Multiple Returns: 75
- Provides Proof Of Receipt: 74
- Private/Secure: 72
- Inexpensive: 71
- Reduces Filing Errors: 70
- Is Easy To Use: 68
- Is Easy To Learn: 68
- More Accurate: 66
- Reduces Storage Space/Costs: 65
- Takes Away Filing Worry: 57
- Can Pay Electronically: 49

Meanwhile, Among Non-Users, We Learned That…

1. 81% are aware of their eligibility to use 1041 *e-file* and 67% (after hearing the product concept) say they're likely to use it. But, ratings show they know very little about the product.

2. Their main reasons for non-use to this point are lack of demand, not knowing enough about it, and concerns about increasing workload and costs. Note: most have software with an *e-file* option, so this does not seem to be a barrier to use.

3. e-services should help with this group – 67% say it would make them switch to 1041 *e-file*.

4. Finally, how should IRS communicate with them? Generally about the same as for Users -- through regular Mail, the IRS Website, and through Software Companies.

Possibly Because Ratings Do Not Cover Error/Reject Notices

1. 65% of Users said they've received error or rejection notices – twice the level we usually see in BMF surveys and presumably affecting satisfaction.

2. And these notices figure into the high proportion (43%) who said 1041 *e-file* can be improved. How? Through improved instructions and error codes, making filing easier/simpler/smoother, and allowing more attachments.

In Other Learning From Users, We Found That…

1. They pay balances more often with Paper (vs. EFTPS or EFW), and have little interest in paying with a credit card.

2. And in terms of signature, 59% recalled Form 8453-F and seemed satisfied with it. They had about equal interest (~50%) in the three alternatives – IRS-Issued PIN#, Self-Selected PIN#, and Practitioner PIN#.

FCB & Russell RESEARCH