

2004
Customer Satisfaction Survey
For Form 1065 *e-file* –
The U.S. Partnership Return Of Income

Presented to:

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Presented by:

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Background, Objectives, Method & Sample Size

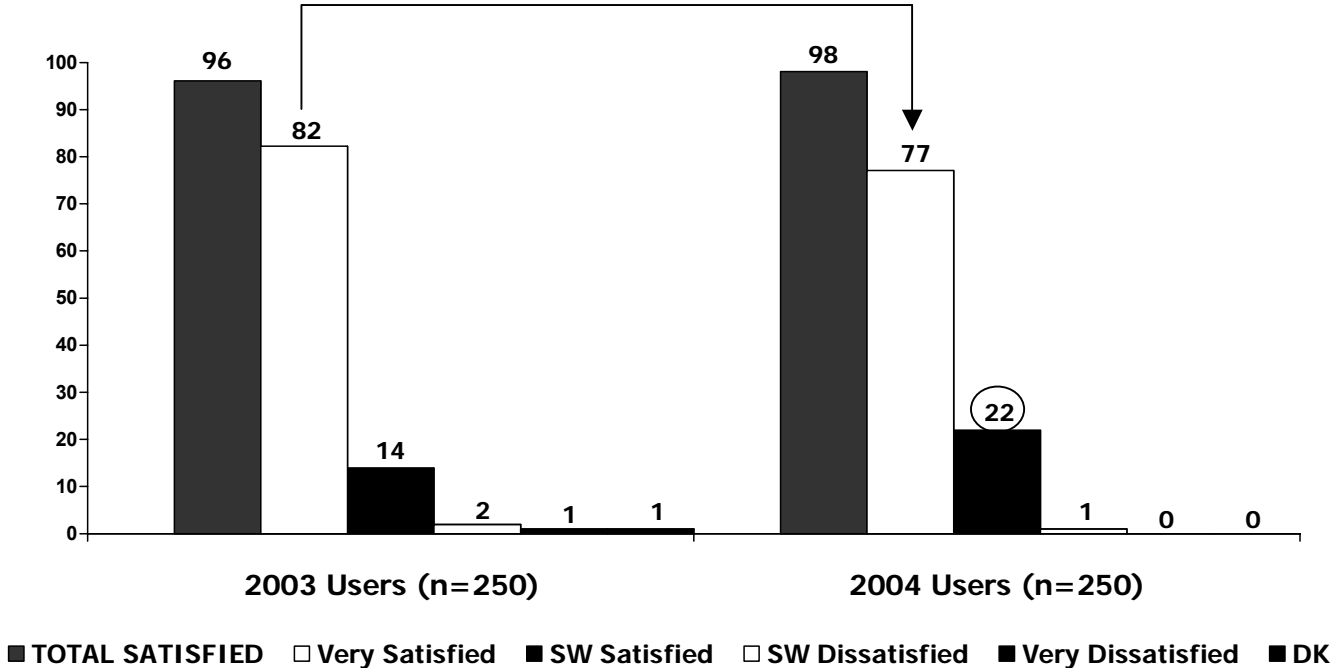
- **As *e-file* products come on line, the IRS conducts a program of customer satisfaction research to monitor the progress of each product.**
 - One of the forms/returns that can be filed electronically is **Form 1065**, the U.S. Partnership Return Of Income.
 - Satisfaction with **Form 1065 e-file** was first measured among 1065 *decision-makers* in January 2002. But, when the second wave of tracking was conducted in February 2003, the target audience was changed to actual preparers of the form. This wave, conducted in July 2004, was also focused on actual preparers.
- **The purpose of the 1065 *e-file* Satisfaction Survey is to:**
 - Monitor User satisfaction with Form 1065 *e-file* and look for ways to increase usage among Non-Users.
 - And provide the IRS with quantitative data and analysis that can be used in making policy decisions related to this Form as the IRS moves toward its 80% *e-file* usage goal.
- **The survey is conducted via phone from Russell Research's national field facility in Wayne, NJ, with respondents drawn from IRS lists of 1065 *e-file* Users and Eligible Non-Users.**
- **500 interviews were conducted in the survey this year...**
 - 250 with 1065 preparers who are **Users of 1065 e-file**.
 - And 250 with preparers who are **Eligible Non-Users** of the electronic version of the Form.

Findings

Findings Among Users

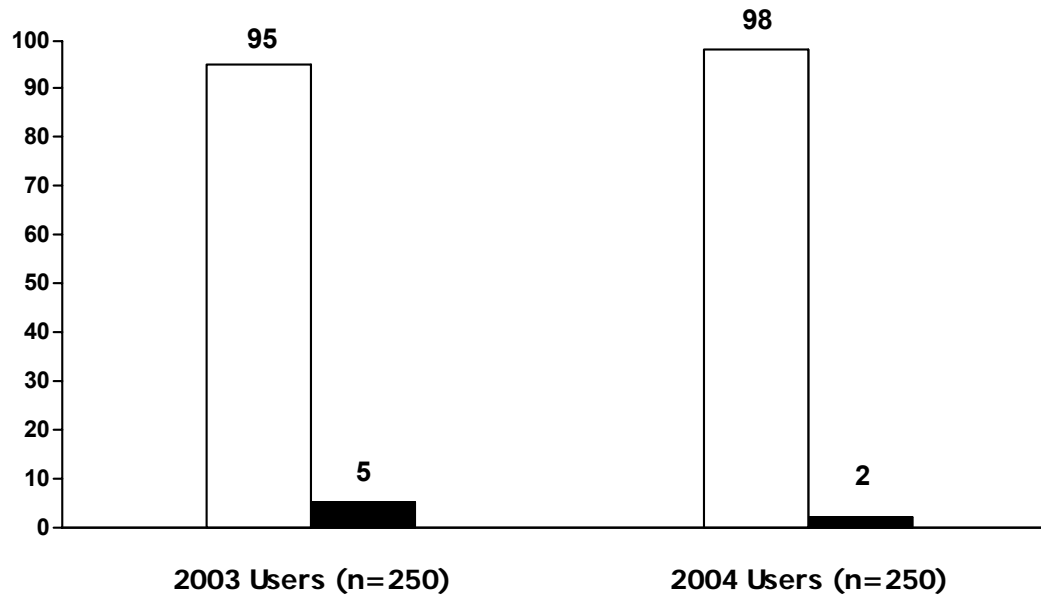
Levels of Satisfaction With Form 1065 *e-file*

- In our first key measure among Users, we see that while their top-2-box satisfaction ratings for 1065 *e-file* were in the high 90's and statistically the same as we found in 2003, there was a directional decline this year in the top-box, "very satisfied" ratings – with a corresponding shift into the "somewhat satisfied" rating point.



Would They Recommend 1065 *e-file* To Others?

- Still, nearly all Users said they would recommend 1065 *e-file* to others as a method of filing Form 1065.



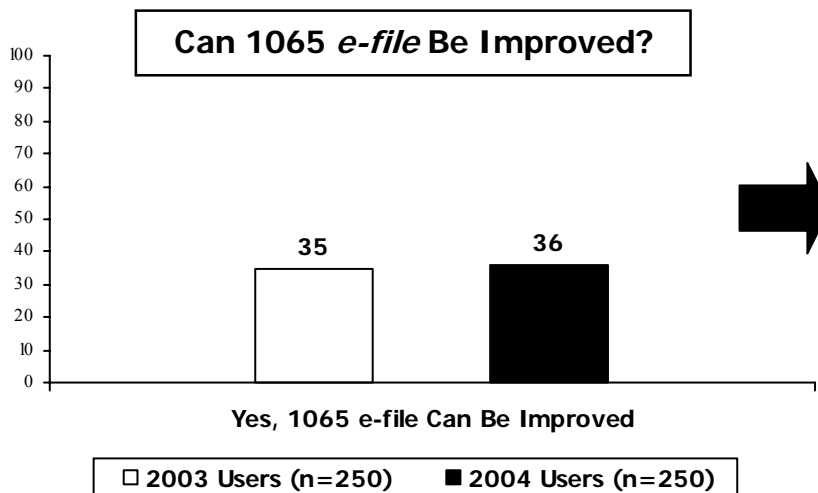
What Do Users Like About 1065 *e-file*?

- And, as we found in 2003, at least 9 out of every 10 Users named something they liked about 1065 *e-file*, with their top mentions again centering around the product being easy/convenient to use, followed by its being accurate/assured and fast. Note that there were even higher mentions this year of 1065 *e-file* being accurate and assured.

Total 1065 <i>e-file</i> Users	2003 <u>Users</u> (250) %	2004 <u>Users</u> (250) %
<u>Liked Something</u>	<u>94</u>	<u>94</u>
<u>Ease/Convenience (net)</u>	<u>65</u>	<u>70</u>
Less paperwork	25	26
Easy to file/convenient (n.s.)	17	15
Don't have to mail	7	10
<u>It's Accurate & Assured (net)</u>	<u>27</u>	<u>40</u>
Acknowledgement of receipt by IRS	14	16
Immediate response on whether accepted or not	5	14
<u>Speed (net)</u>	<u>25</u>	<u>26</u>
Faster	16	16
<u>Saves Money</u>	<u>12</u>	<u>18</u>
<u>Saves Paper</u>	<u>18</u>	<u>12</u>
<u>Liked Nothing</u>	<u>6</u>	<u>6</u>

Can 1065 e-file Be Improved? If So, How?

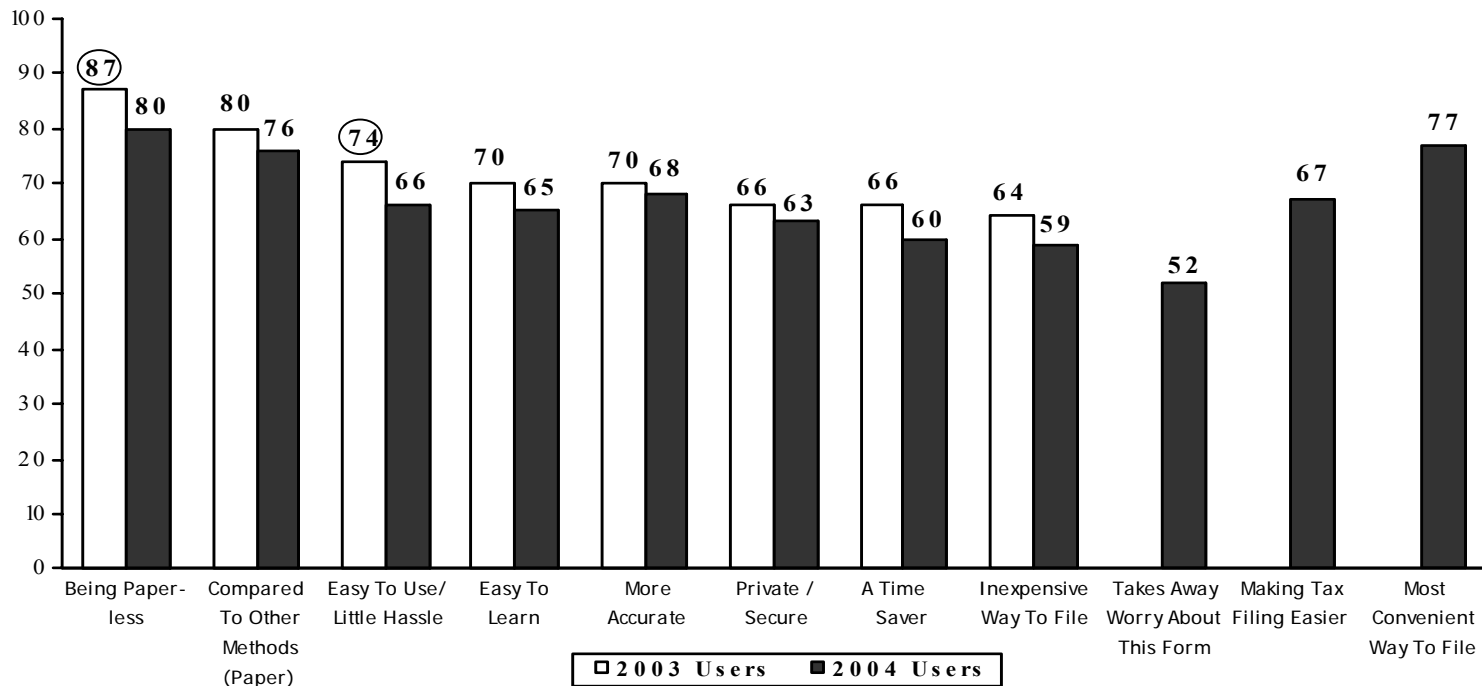
- Even with the high ratings and recommendation, one-third said 1065 e-file can be improved.
- We re-based suggestions for improvement on the total sample (and not just those calling for improvement) so we could see the true extent of problems/concerns. Top suggestions were:
 - To expand 1065 e-file (through acceptance by more states and through acceptance of more forms electronically – presumably they are talking about 1065 attachments requiring a signature and thus not transmittable electronically).
 - The other top suggestion was to eliminate Form 8453-P.



How Can 1065 e-file Be Improved?		
	2003 <u>Users</u> (250) %	2004 <u>Users</u> (250) %
<u>Total 1065 e-file Users</u>		
Expand 1065 e-file To More States/More Forms	6	10
Eliminate Form 8453-P/Allow Electronic Signature	6	8
Make It Easier To Use	3	3
Make It Completely Paperless	3	3
Faster Acknowledgement Of Receipt	3	2
Make It Completely Cost-Free	2	1

Satisfaction With Specific Characteristics Of 1065 *e-file*

- Each year, when we look at User satisfaction with specific product attributes on a top-two-box basis (“very” + “somewhat” satisfied), we find high (90%+) ratings for most attributes.
- This year, seeing the directionally lower overall satisfaction rating, we shifted our analysis of attribute ratings to top-box – the percent “very satisfied”. This showed generally lower satisfaction in 2004 with specific 1065 *e-file* attributes – especially lower satisfaction with its Being Paper-less and Easy To Use/Little Hassle”.



Receipt Of Error And Rejection Notices

- Looking further for clues to the lower overall satisfaction score, we found that a significantly higher proportion of 1065 e-file Users claimed to have received error and rejection notices this year vs. last year (40% vs. 31%).
- However, feedback on the sources and clarity of the notices was generally the same, with...
 - The main source being from an External Transmitter (60%+).
 - And with the lack of clarity of the notices similar to what we found last year. Note: verbatim mentions of what was unclear again focused on the fact that the notices contained codes that were difficult for some preparers to decipher.

	2003 <u>Users</u> (250) %	2004 <u>Users</u> (250) %
Total 1065 e-file Users		
% Ever Rec'd. Error Or Rejection Notice After Filing 1065 e-file	31	40
<u>Where Error/Rejection Notice Came From</u>		
NEW BASE: Total Received Error/Reject Notice	(77)	(101)
Directly From The IRS	20	20
From An External Transmitter	66	61
Can't Recall Where Notice Came From	14	19
% Saying Reject Notices WERE NOT Clear & Understandable	33	28

Contacting The IRS After Receiving Error/Rejection Notices

- In line with 2003, this year's User sample indicates that it is not very likely to contact the IRS after receiving a notice.
- And, while base sizes are quite small, we see that most of those 1065 *e-file* Users who did contact the IRS thought that the IRS response time was "about right".

	2003 <u>Total</u> (77) %	2004 <u>Total</u> (101) %
Total Received Error/Reject Notice		
<u>Did You Contact The IRS After Receiving The Notice?</u>		
Yes	18	15
No	78	82
Can't Recall	4	3
<u>Timeliness Of IRS Response Was...</u>		
NEW BASE: Total Contacted The IRS (CAUTION: EXTREMELY SMALL BASES)	(14)	(11)
About Right	64	82
Took Too Long	36	9
Can't Recall	0	9

Form 1065 *e-file* Information

- We found a sharp increase in 2004 in the proportion of Users who recalled seeing information related to 1065 *e-file*.
 - What type of information did they recall? Mainly information from software vendors, publications and instructions.

	2003 <u>Users</u> (250) %	2004 <u>Users</u> (250) %
Total 1065 <i>e-file</i> Users		
% Recall Seeing Information Related to 1065 <i>e-file</i>	37	47
<u>Types Of Information Recall Seeing?</u>		
NEW BASE: Total Recall 1065 <i>e-file</i> Information	(93)	(118)
Info From Software Vendors	54	65
Publications	43	49
Instructions	34	47
IRS Forms	30	41
Info At The IRS Website/irs.gov	44	39
Newspaper Or Magazine Ads	16	17

Form 1065 *e-file* Information (Cont'd.)

- The overwhelming majority of Users recalling information about 1065 *e-file* said that the information was helpful, even more so this year than last...

NEW BASE: Total Recall 1065 <i>e-file</i> Information	2003 <u>Users</u> (93) %	2004 <u>Users</u> (118) %
<u>How Helpful Is This Information?</u>		
Very Helpful	37	51
Somewhat Helpful	45	40
Not Very Helpful	9	4
Not At All Helpful	8	4
Can't Recall	1	1

- ...“Helpful” mainly because it...

NEW BASE: Total Recall 1065 <i>e-file</i> Information & Consider It Helpful	2003 <u>Users</u> (76) %	2004 <u>Users</u> (107) %
<u>Why Is Information Helpful?</u>		
Explains The Process/Tells You How To Do It/Step-By-Step	28	22
Makes You Aware Of It	11	20
Software Company Helped Me/Used SW Company Information	0	10
Provides Good, Clear Instructions	15	8
Tells You What Is Required Of You	15	4
Easy To Follow & Understandable	11	3

How Users Received Info & How They Prefer To Receive Info

- How did they receive the information? Mainly from software vendors and through the mail.

	2004 <u>Users</u> (118) %
BASE: Total Recall 1065 <i>e-file</i> Information	
<u>How Information Was Received</u>	
Software Vendors	63
Mail	50
IRS Website/irs.gov	36
e-Mail	25
Contact with IRS Tax Specialists/IRS Employee	13
News Articles	12

- Asked how they would like to receive information about 1065 e-file, their top mentions were from software vendors and via e-mail. They also had high interest in information posted on the irs.gov website or sent through regular mail.

	2004 <u>Users</u> (118) %
BASE: Total Recall 1065 <i>e-file</i> Information	
<u>How Prefer To Receive Info In The Future</u>	
Software Vendors	57
e-mail	57
IRS Website/irs.gov	49
Mail	45
News Articles	19
Advertising	14

Transmission Of 1065 *e-file* & Recall Of Publication 3416

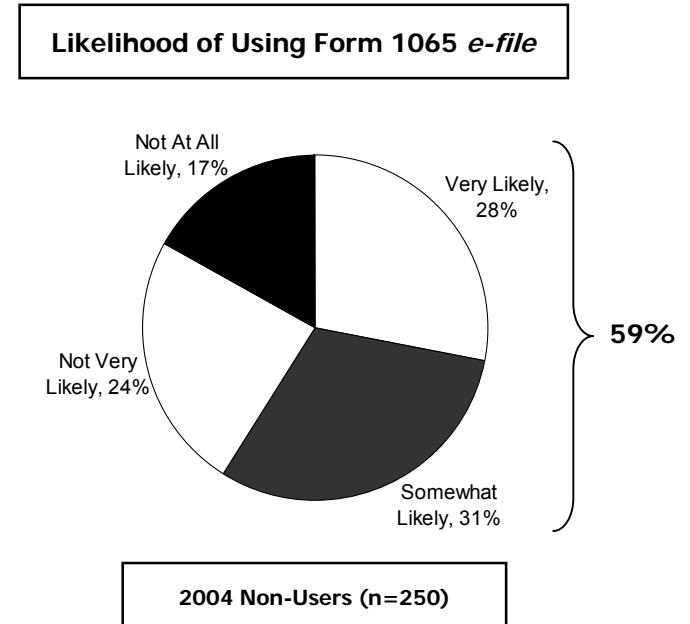
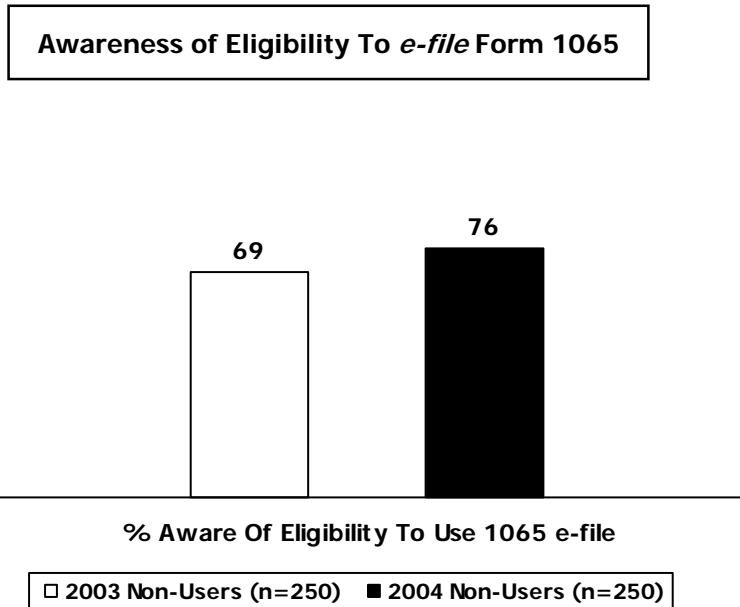
- **About half of all Users said they have transmitted 1065 *e-file* to the IRS.**
 - However, only about one-fourth of these recalled Publication 3416 (*a supplement to Publication 1525 intended for Trading Partners already in the IRS e-file program, telling them which 1065 forms and schedules will be accepted electronically and where to locate them*).
 - But those recalling Pub 3416 generally felt that the instructions in it were helpful.

	<u>2003 Users</u> (250) %	<u>2004 Users</u> (250) %
Total Users		
Total Claiming To Have Ever Transmitted 1065 <i>e-file</i> To The IRS	51	48
NEW BASE: Total Transmitted Form 1065 e-file To The IRS	(128)	(121)
Recall Publication 3416	18	25
Do Not Recall It	82	75
NEW BASE: Total Recall Seeing Publication 3416 (CAUTION: SMALL BASE)	(23)	(30)
<u>How Helpful Are Instructions?</u>		
Very Helpful	26	33
Somewhat Helpful	61	53
Not Very Helpful	0	7
Not At All Helpful	9	0
Can't Recall	4	7

Findings Among Non-Users

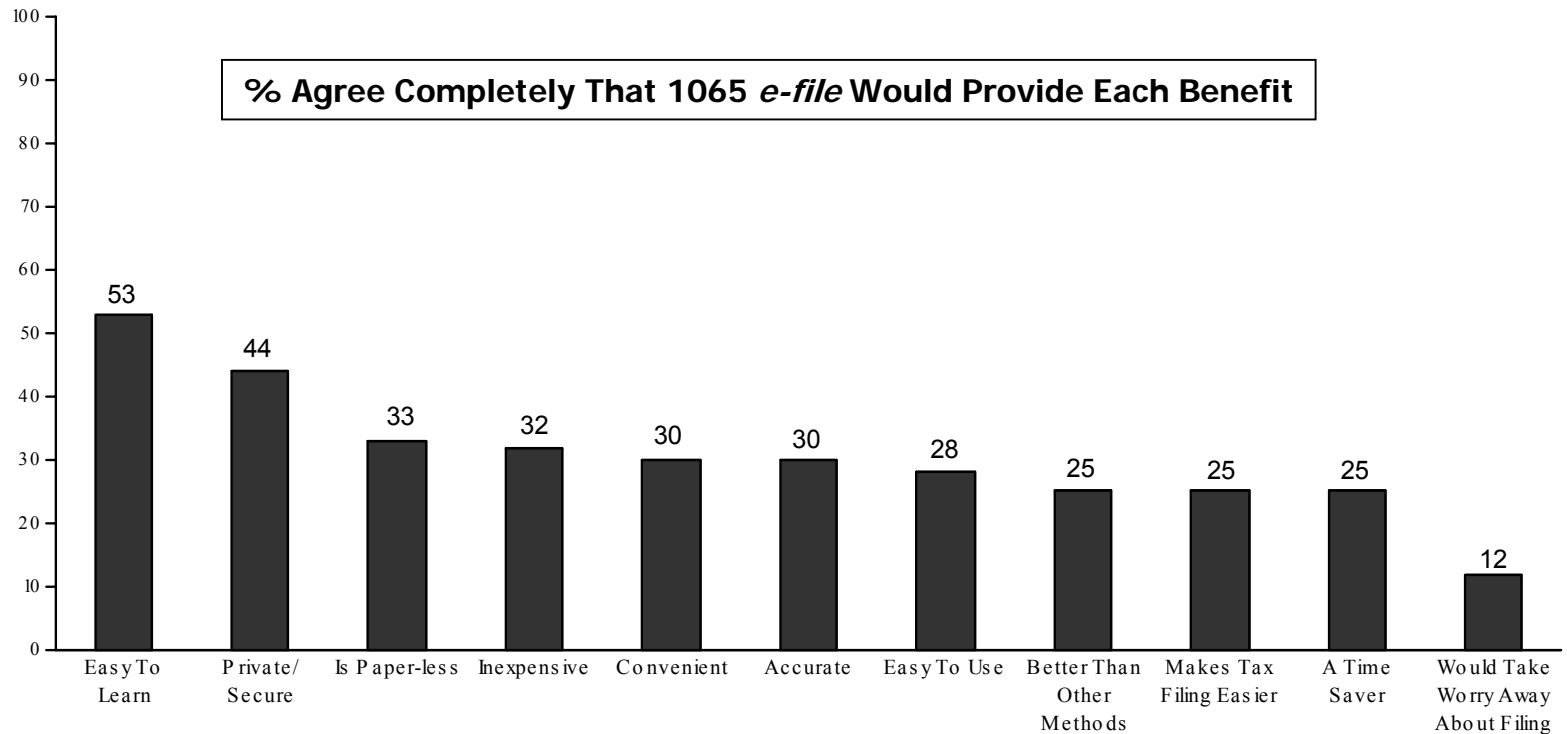
Awareness Of Eligibility & Likelihood Of Using Form 1065 *e-file*

- Turning to findings among Non-Users of Form 1065 *e-file*, we see that...
 - 76% were aware that they *could have* filed 1065 electronically – up slightly from last year.
 - And 59% said they are at least somewhat likely to use 1065 *e-file* in the future.



Non-User Perceptions Of Form 1065 *e-file*

- To see Non-User impressions of 1065 *e-file*, we asked them to rate it on the same checklist of attributes from before. Top-box, “agree completely” ratings showed that they are starting to believe that 1065 *e-file* would be easy to learn and private and secure, but they do not have as clear a picture of the product’s other benefits.



Reasons For Non-Use

- As in 2003, their top reason for not using 1065 *e-file* was lack of demand/lack of interest. In addition, about one-third or more indicated that they do not feel knowledgeable and confident enough to use it, they think it just adds to their workload and to their costs, and they are concerned about the signature requirement/8453 requirement.

		2003 Non-Users (250) %	2004 Non-Users (250) %
Total 1065 <i>e-file</i> Non-Users			
No Demand/Interest	My clients/superiors do not ask for it or want it	48	45
	I have no interest in trying it	40	32
Lack Of Knowledge & Confidence In It	I just don't know enough about it yet	39	38
	I'm cautious, I want to see how it works for others first	34	38
	Lack of confidence in the security of the system/technology	26	24
	Lack of confidence in reliability of the system/technology	23	21
Adds To Workload, Too Much Time/Effort	It is too much work, I have enough to do	32	33
	It is just something else I would have to learn	29	31
	I hear it takes more time	29	30
Cost	The software costs money	27	34
	The cost of transmission is too high	18	20
Concern About Requirements	Requirement to submit Signature Form 8453-P	27	34
	I am not a registered ERO	26	20
	The application process is too difficult/tricky	20	10
	I hear that returns get rejected	20	17
Lack Of Technology	Don't have access to the right software	22	20
	Don't have the necessary computer hardware	13	8

Can The IRS Increase Their Likelihood of *e-filing* 1065?

- Three out of four Non-Users said “yes, the IRS can do something to increase my likelihood of using Form 1065 *e-file*”, but there was little agreement about exactly what the IRS can do. Top suggestions centered around mandating usage, making it completely paperless, removing the signature requirement, providing more information about it, and increasing awareness.

Total 1065 <i>e-file</i> Non-Users	2003 <u>Non-Users</u> (250) %	2004 <u>Non-Users</u> (250) %
Said IRS Can Do Something To Increase Likelihood	66	74
<u>Leading Mentions...</u>		
<u>Process Changes (net)</u>	<u>42</u>	<u>40</u>
Make It Mandatory/Required	10	8
Make It Completely Paperless	1	6
Get Rid Of Signature Requirement	5	6
Make It Cost Less/Provide A Discount For Usage	3	4
Simplify It	7	4
Provide Free Software	6	3
<u>Provide More Information About It/Explain How To Do It</u>	<u>7</u>	<u>8</u>
<u>Increase Awareness</u>	<u>2</u>	<u>5</u>
<u>Could Not Name Anything To Increase Likelihood</u>	<u>34</u>	<u>26</u>

Communicating With Non-Users

- Finally for Non-Users, we found that they would prefer to receive information about Form 1065 *e-file* mainly through the regular mail, with some interest though in information at irs.gov and through e-mail.

BASE: Total Recall 1065 <i>e-file</i> Information	2004 Non-Users (250) %
<u>How Prefer To Receive Information re: Form 1065 In The Future</u>	
Mail	77
From the IRS Website/irs.gov	43
e-mail	43
Software Vendors	20
Electronic Bulletin Board	18
News Articles	14
Contact With IRS Tax Specialist/IRS Employee	10
Other Internet Websites	6
Picked Up At An IRS Office	4



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

Familiarity With The Registration Process

- Some of the measures in the survey were asked of both Users and Non-Users. In the first of these, we see that 68% of the Users and 41% of Non-Users were familiar with the registration process required to file 1065 electronically – with only about one-fifth or less of each group considering this process difficult.

	2003 <u>Total</u> (500) %	2004 <u>Total</u> (500) %	2003 <u>Users</u> (250) %	2004 <u>Users</u> (250) %	2003 <u>Non-Users</u> (250) %	2004 <u>Non-Users</u> (250) %
Total Respondents						
<u>Yes, Familiar With Registration Process</u>	51	54	67	68	34	41
<u>No, Not Familiar With Registration Process</u>	49	46	33	32	66	59
<u>Difficulty Of Registration Process</u>						
NEW BASE: Total Familiar With Registration Process	(254)	(272)	(168)	(170)	(86)	(102)
<u>Very/Somewhat Difficult</u>	<u>20</u>	<u>19</u>	<u>22</u>	<u>20</u>	<u>16</u>	<u>17</u>
Very Difficult	2	2	2	1	2	4
Somewhat Difficult	18	17	20	19	14	13
Not Very Difficult	27	34	29	30	23	41
Not At All Difficult	45	40	45	43	44	35
Don't Know	9	7	5	7	16	7

Difficulties With The Registration Process

- Among those considering the registration process to be at all difficult, the main negative perception was that it's too time-consuming. However, these mentions decreased dramatically this year among Non-Users. Other criticism included: lack of clarity in instructions, too much paperwork, and the need for fingerprinting.

	2003 <u>Total</u> (119) %	2004 <u>Total</u> (144) %	2003 <u>Users</u> (85) %	2004 <u>Users</u> (85) %	2003 Non- <u>Users</u> (38) %	2004 Non- <u>Users</u> (59) %
Total Respondents Mentioning Registration Was Very/Somewhat/Not Very Difficult						

Perceived Difficulty In Registration Is...

<u>Process (net)</u>	<u>38</u>	<u>26</u>	<u>32</u>	<u>30</u>	<u>53</u>	<u>20</u>
Time consuming	22	10	12	13	47	7
Too much paperwork	11	2	12	2	9	2
Fingerprints	7	8	8	9	3	7
<u>Lack of Clarity (net)</u>	<u>21</u>	<u>22</u>	<u>20</u>	<u>27</u>	<u>12</u>	<u>15</u>
Unclear instructions	7	10	7	15	6	2
Confusing/Hard To Understand	8	4	9	2	3	7
<u>Registration Problems</u>	<u>6</u>	<u>2</u>	<u>8</u>	<u>4</u>	<u>0</u>	<u>0</u>
Don't Recall/Don't Know	25	33	26	26	24	42

Usage Of & Attitudes Toward e-services

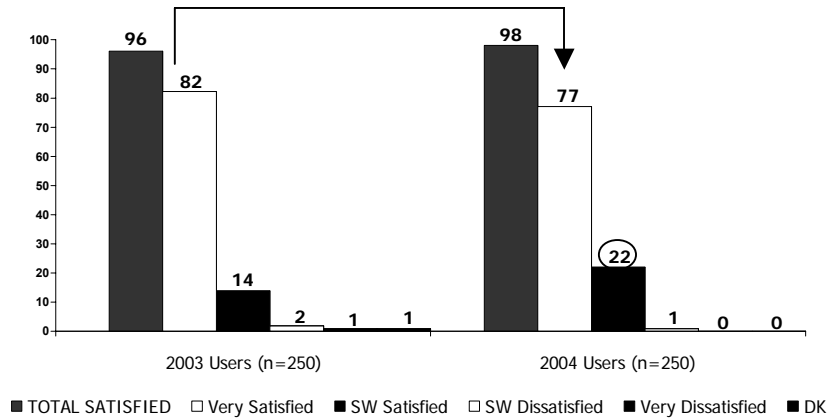
- We also asked both groups about their usage and interest in e-services. We found that Users were clearly more likely to have used e-services (especially the PTIN Application service) and more likely to consider using e-services overall.
- However, 62% of Non-Users (after hearing a description of e-services) said they were “very” or “somewhat” likely to switch 1065 filing to *e-file* in order to gain access to e-services.

BASE:	2004 <u>Total</u> (500) %	2004 <u>Users</u> (250) %	2004 <u>Non-Users</u> (250) %
<u>% Have Ever Used e-services (Total)</u>	<u>36</u>	<u>46</u>	<u>27</u>
As An Individual	12	12	12
Through An Association Or Employment With A Firm	24	33	15
<u>% Of Users Who Are Very/Somewhat Satisfied</u>	<u>87</u>	<u>87</u>	<u>87</u>
<u>Specific e-services Ever Used</u>			
Preparer Tax Identification Number (PTIN) Application	23	<u>29</u>	16
Taxpayer Identification Number (TIN) Matching	13	14	12
Registration For e-services	13	16	10
Online <i>e-file</i> Application To Become An ERO	8	11	5
Electronic Account Resolution	5	7	3
Use Of The Transcript Delivery System	4	5	2
Submission & Modification Of Disclosure Authorization Forms	3	4	2
<u>% Of All Respondents Who Definitely/Probably Will Use e-services</u>	<u>73</u>	<u>82</u>	<u>64</u>
<u>Non-Users Only: % Very/SW Likely To</u>			
Switch To 1065 <i>e-file</i> For e-services Access	<u>62</u>	<u>na</u>	<u>62</u>

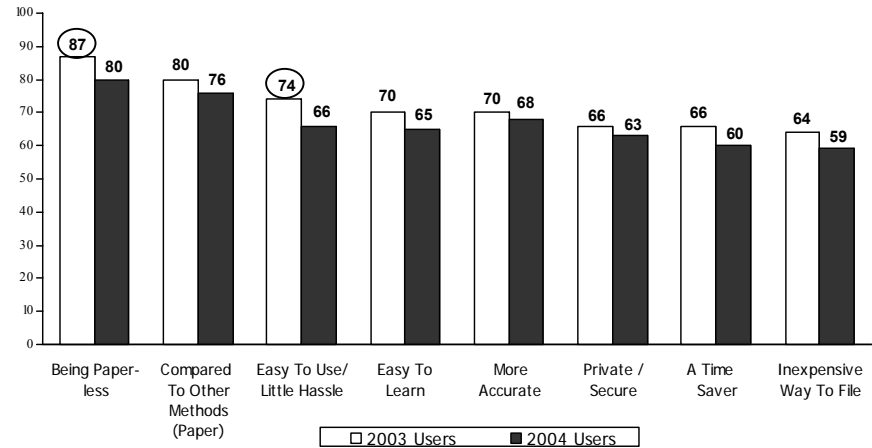
Key Learning

Key Findings Among Users In Form 1065 *e-file* Customer Satisfaction Survey

User Satisfaction With 1065 *e-file* Has Slipped A Bit In The Past Year



The Slippage Is Also Evident In Product Attribute Ratings



But Not All The News Here Is Disappointing...

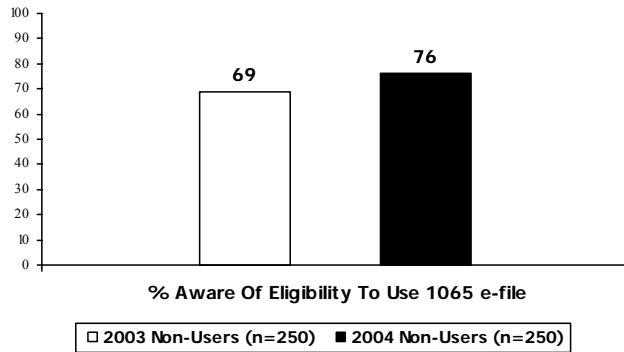
1. Despite having declined somewhat, the satisfaction rating shown above is still quite high at 77% -- with 98% either "very" or "somewhat" satisfied.
2. Virtually all Users told us they would recommend 1065 e-file to others.
3. And, finally, more Users are recalling information about 1065 *e-file* – information that they consider helpful.

What's Behind The Slight Decline In Ratings?

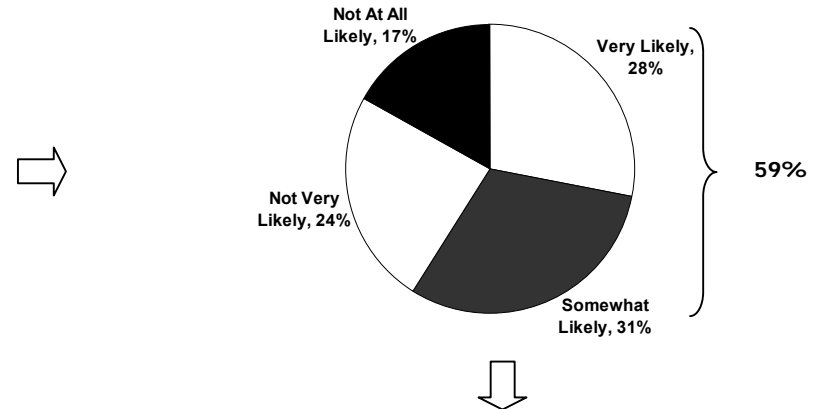
1. Users report experiencing more error/rejection notices (up from 31% in '03 to 40% in '04) – this may be why we see the lower rating on *Ease Of Use* above.
2. And there is a continuing high proportion (36%) who call for program improvements. Top suggestions:
 - Expand to more States and to more forms/attachments.
 - And eliminate the signature requirement.
 - These concerns may be driving the lower rating we saw for *Being Paper-less*.

Key Findings Among Non-Users In Form 1065 *e-file* Customer Satisfaction Survey

Non-User Awareness Of 1065 *e-file* Eligibility Has Increased Directionally In The Past Year



With 59% Now Saying They're Likely To Use It

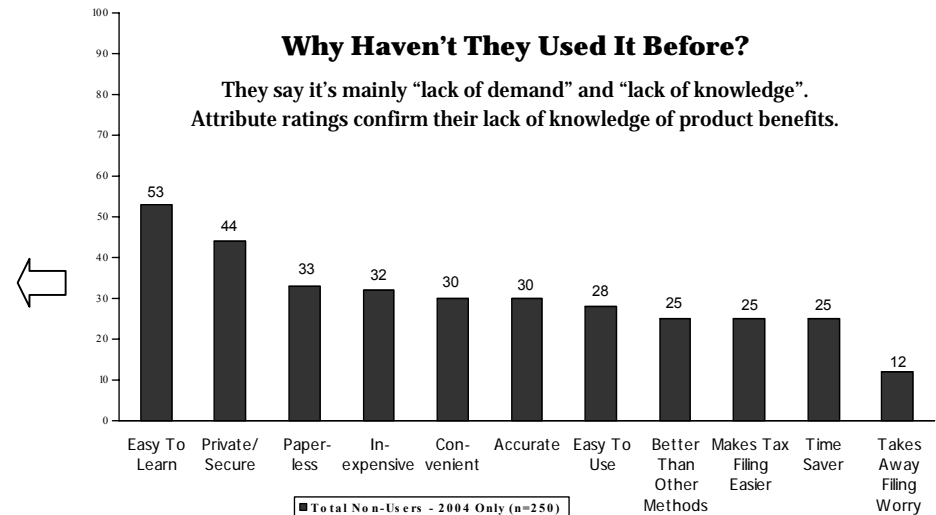


What Will Bring Non-Users To Usage?

1. When we asked them what IRS could do, they had no outstanding suggestion – top mentions (all at low levels) were “make it mandatory”, “make it paper-less”, and “get rid of signature requirement”.
2. However, it's clear from the attribute ratings to the right that IRS can increase their knowledge of and comfort with 1065 e-file.
3. And it can do one other thing: increase their awareness of e-services. After hearing a concept description of e-services, 62% said access to e-services would make them switch to 1065 *e-file* and while this may be overstated somewhat (as response to a concept only), it does point to a clear opportunity to reach the Non-User audience.

Why Haven't They Used It Before?

They say it's mainly “lack of demand” and “lack of knowledge”. Attribute ratings confirm their lack of knowledge of product benefits.



Appendix

Questionnaire Used In Study
(Attached Electronically)