Findings From The 2003 Wave Of The *e-file* Taxpayer Attitudinal Tracking Study

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Prepared By:

RMR Russell MARKETING RESEARCH

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Background, Objectives & Methodology

Background

- **Since 1998, the IRS has conducted an annual attitudinal tracking study to update its understanding of Taxpayer attitudes and how these attitudes relate to Taxpayer acceptance of *e-file* products/programs.**

- **The original premise behind this tracking study was that:**

  - **If the IRS can understand Taxpayers attitudes toward technology specifically…**

    - **It can better understand attitudes toward *e-file* --**

      - **Which is also a technology-based product.**

Objectives

- **The specific objectives of the Taxpayer Attitudinal Tracking Study are:**

1. To use learning about attitudes toward and usage of technology to separate Taxpayers into distinct, addressable **Technology Acceptance Segments**.

2. To determine year-to-year changes in the size and composition of these segments, including how they relate to the **Return Type Segments** found in the IRS's own data (the Self-Simple, Self-Complex, Paid-Simple, and Paid-Complex segments).

3. And -- in a new objective added this year by FCB -- we expand segmentation efforts to include other types of Taxpayer attitudes and behaviors -- specifically: **Attitudes Toward *e-file***; **Filing Behavior** (when they file returns and why), and other special segments -- **Spanish-Language Taxpayers**, **V-Coders**, and ***e-file* Lapsed Users & Quitters**.

   - All segmentations developed in this study are being applied to other IRS studies of individual Taxpayers (e.g., the Customer Satisfaction Study and the Advertising Tracking Study) to allow the IRS to link the attitudinal learning here to its other research efforts.

4. The ultimate goal of the analysis of each of these segments is to identify opportunities for expansion of *e-file* usage.

Methodology

- **This is the 6th wave of the Taxpayer Attitudinal Tracking Study. Each wave is conducted…**
  - In the late-February-to-early-March period (this year, January 24 through March 2).
  - Each wave is conducted by telephone from RMR's New Jersey research center.
  - It consists of a nationally representative sample of 1,000 Taxpayers, with appropriate representation too of each of the IRS's 7 Areas. In addition, in 2003, we augmented the Spanish-Language Taxpayers in the random sample to bring this segment up to a readable level of 200 total.
  - Respondents in the study are drawn from a random digit sample of U.S. households.
  - To qualify, Taxpayers have to be…
    - Ages 18-64
    - Employed
    - And must have filed taxes in the previous tax year (in this case, 2002).

Guide To Statistical Notation & Graphic Highlighting

- **In the report of findings from the 2003 wave that follows, statistically significant differences have been highlighted as follows:**

  - ○ Indicates a **significant** difference between waves or between sub-groups at a 95% confidence level.

  - □ Indicates a **directional** difference between waves or between sub-groups at a 90% confidence level.

  - ➢ In some tables/charts, to enhance readability, significant trends and differences are indicated by color font, with annotation as follows:
    - ➢ **Bold green** = significantly higher at 95% confidence
    - ➢ **Bold blue** = significantly lower at 95% confidence.

  - ➢ In addition, notable patterns in data are often highlighted using larger box graphics, arrows, or other reporting graphics.

Roadmap To Findings

- **Analysis and key findings have been divided into the following sections -- each focusing on the attitudes of Taxpayers of different mindsets, behavior, or demographics:**
  - The **Technology Acceptance** Segmentation
  - The **Return Type** Segmentation
  - The ***e-file* Attitudinal** Segmentation
  - The **Filing Behavior** Segmentation
  - Other Special Segmentations --
    - **Spanish-Language Taxpayers** (compared to non-Spanish)
    - **V-Coders** (compared to other types of filers)
    - ***e-file* Experience** (where Lapsed Users and Quitters are compared to Current Users)
  - Other Learning From The Study

Detailed Findings

The Technology Acceptance Segmentation

Taxpayer Attitudes Toward & Usage Of Technology

- **When this study began in 1998, the intent was to segment Taxpayers based on their attitudes toward and usage of technology, so that the IRS could better understand the relationship between these factors and acceptance of *e-file*.**

- **Each year, we segment Taxpayers…**

  - By asking them which technologies they use.

  - And by having them rate a series of statements describing their feelings toward technology…

    - With half of the statements representing *acceptance of technology* (the "tech leader" statements).

    - And half representing *resistance to* or *fear of technology* ("tech follower" statements).

Taxpayer Attitudes Toward & Usage Of Technology (Cont'd.)

- **While these attitudinal and usage measures are incorporated into segmentation, they are also analyzed on a stand-alone basis each year to see trends among all Taxpayers.**

- **These trends have been consistent from year-to-year, with…**

  - A steady increase in Taxpayer acceptance of technology -- with a +7 point average increase in "leader" thinking and a -7 point average decrease in "follower" thinking.

  - Complemented by a more rapid (+21 point) increase in claimed Taxpayer adoption of the technologies measured since 1998.

  - This suggests that people will adopt specific technologies (because of need, perceived need, or other influences) before moving to personal acceptance of technology in general.

Trend 1: A Steady Increase In Acceptance Of Technology

Technological Leader Statements (% Agree)

BASE:	1998 1017 %	1999 1005 %	2000 1000 %	2001 1000 %	2002 1000 %	2003 1000 %
Have a good idea of what the WWW is	72	80	83	85	87	87
Think most technology can be trusted	60	63	65	61	65	65
Wish all govt. forms could be filed by PC	54	56	57	62	62	63
Am one of the 1st to try new technology	48	49	52	51	52	49
Need lots of phone technology	45	46	44	48	43	46
Would do all financial dealings by PC	37	41	38	41	40	42
Easiest way to bank is by PC	32	34	34	41	44	47
Rather e-mail than talk on phone	19	23	25	29	29	28
Average Rating Across Statements	**46**					**53**

Technological Follower Statements (% Agree)

BASE:	1998 1017 %	1999 1005 %	2000 1000 %	2001 1000 %	2002 1000 %	2003 1000 %
Kids handle new techn'gy; adults cannot	68	63	63	65	60	62
Order by phone, really taking a chance	65	54	56	57	52	52
Never put financial information on PC	62	53	57	54	54	52
Can't keep up with all new technology	61	61	56	52	51	54
Someday computers will control us	40	38	36	35	32	32
Can't imagine filing taxes except on paper	35	31	31	25	27	28
Computers scare, so much can go wrong	33	30	29	28	25	25
Have no luck programming a VCR	26	26	26	26	25	31
Average Rating Across Statements	**49**					**42**

Green=Long-Term Increases; Blue=Long-Term Decreases

Q1 -- Agree Completely or Agree Somewhat With Each Statement

Trend 2: A More Rapid Increase In Usage Of Technology

Usage Of Technological Applications -- Total
(% Use "Regularly" Or "Occasionally")

BASE:	1998 1017 %	1999 1005 %	2000 1000 %	2001 1000 %	2002 1000 %	2003 1000 %	'98-'03
Use of a telephone to order from a catalog	68	70	65	67	67	64	-4
Use of a PC for work	**63**	**67**	**65**	**69**	**75**	**72**	**+9**
Use of a PC for entertainment	**52**	**60**	**58**	**67**	**66**	**68**	**+16**
Use of the Internet to search for information	**52**	**68**	**72**	**78**	**84**	**87**	**+35**
Use of a Debit Card to pay for purchases	**48**	**55**	**52**	**59**	**61**	**64**	**+16**
Use of a telephone for doing personal banking	**45**	**55**	**50**	**57**	**58**	**55**	**+10**
Use of e-mail for personal correspondence	**43**	**57**	**63**	**71**	**74**	**79**	**+36**
Use of e-mail for business correspondence	**38**	**45**	**49**	**58**	**61**	**64**	**+26**
Use of the Internet to order products or services	**24**	**36**	**42**	**54**	**60**	**65**	**+41**
Use of a PC for doing personal banking	**13**	**17**	**20**	**28**	**32**	**38**	**+25**
Use of Government Websites	**NA**	**NA**	**NA**	**43**	**52**	**54**	NA
Use of a Beeper/Pager	NA	NA	NA	34	30	27	NA
Use of Broadband, DSL, or Cable Modems	**NA**	**NA**	**NA**	**30**	**35**	**41**	NA
Use of a PDA, like a Palm Pilot	**NA**	**NA**	**NA**	**12**	**15**	**18**	NA

Green=Long-Term Increases In Use Of This Technology

Q3--% Use Each Technology Regularly/Occasionally

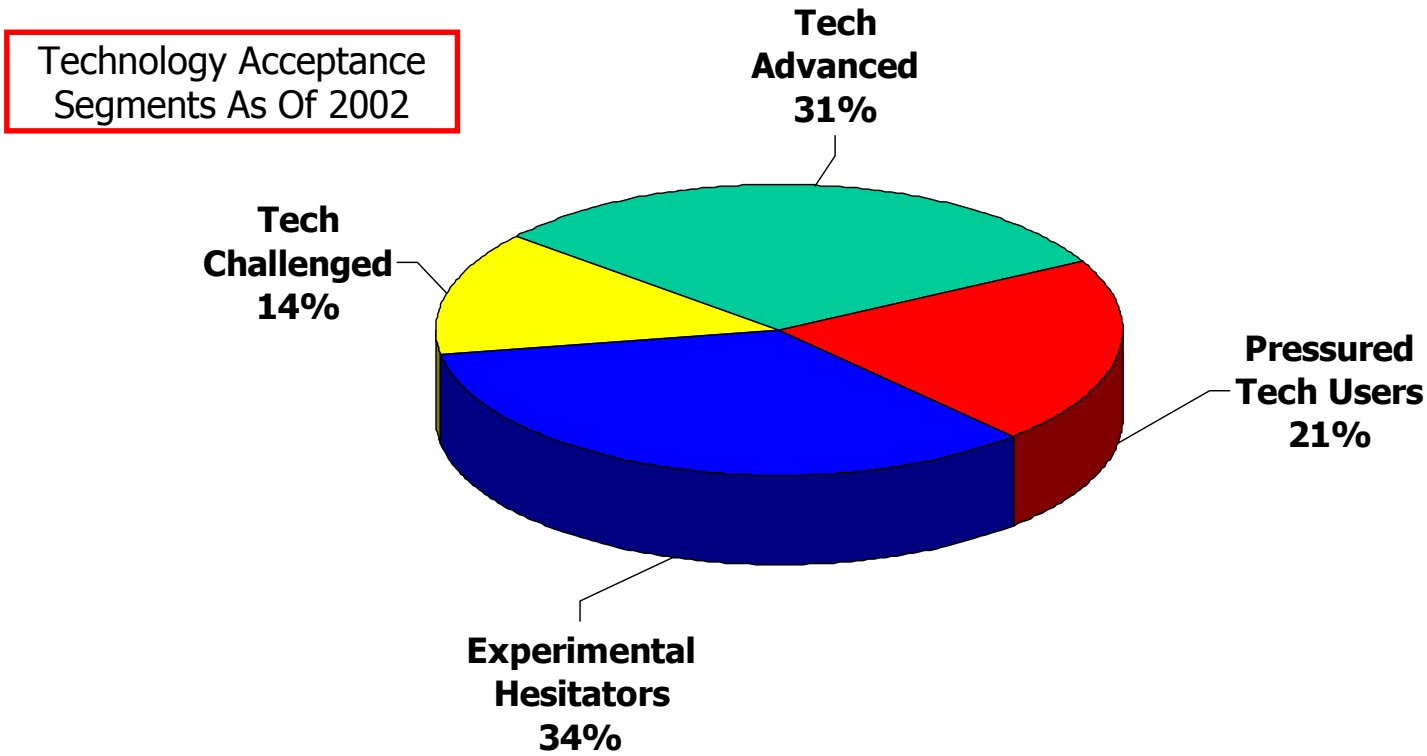
Avg. Point Gain In Usage Of '98-'03 Technologies +21

Segmenting Taxpayers Based On Their Technology Acceptance

- **Each year, RMR analyzes Taxpayer attitudes toward and usage of technology using a multivariate statistical technique known as "Cluster Analysis" -- which examines the level of commonality in attitudes and/or characteristics and then forms clusters, or "segments", of people who share similar attitudes.**
  - These Technology Acceptance Segments are profiled demographically and analyzed for their responses to other non-tech related questions.
  - While no single segment is ever completely homogeneous, it does include people who share attitudes and/or behaviors and thus can be described generally as a "type" of group. Each segment is labeled or given "names" which capture the essence of the segment -- in this case, the essence of the segment's approach to technology.
- **After segments have been formed using Cluster Analysis, the model used to classify Taxpayers into segments can be re-applied from year to year using a statistical post-classification technique known as "Discriminant Function Analysis".**

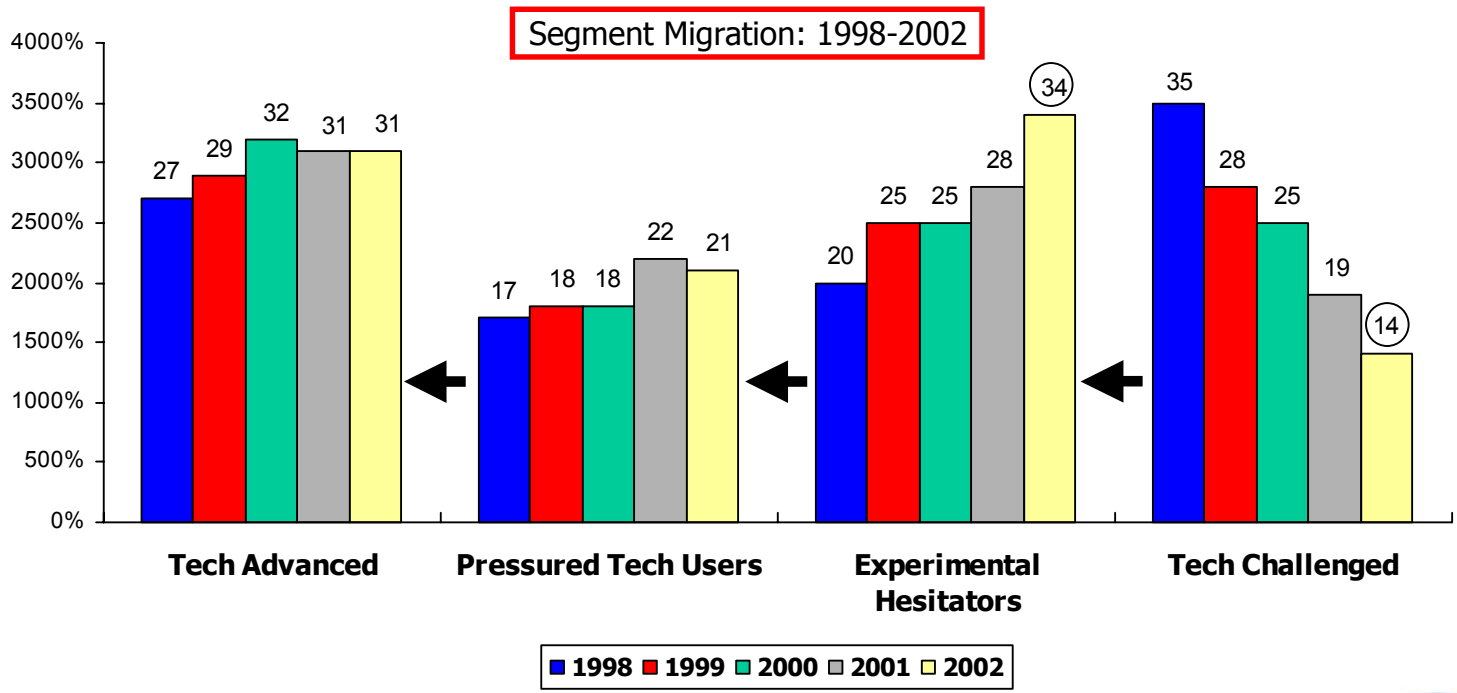
Segmenting Taxpayers By Tech Acceptance (Cont'd.)

- For six years, Taxpayers have been segmented into the following 4 groups, with the label of each group and its share of last year's Total Taxpayers shown below.



Segmenting Taxpayers By Technology Acceptance (Cont'd.)

- These groups can be placed on a continuum of tech acceptance -- with the most tech-forward groups to the left below. Sizing these segments from year to year, we have seen clear movement of Taxpayers from the least-tech-oriented segment into the more tech-forward groups -- reflecting the increases in tech acceptance noted earlier.

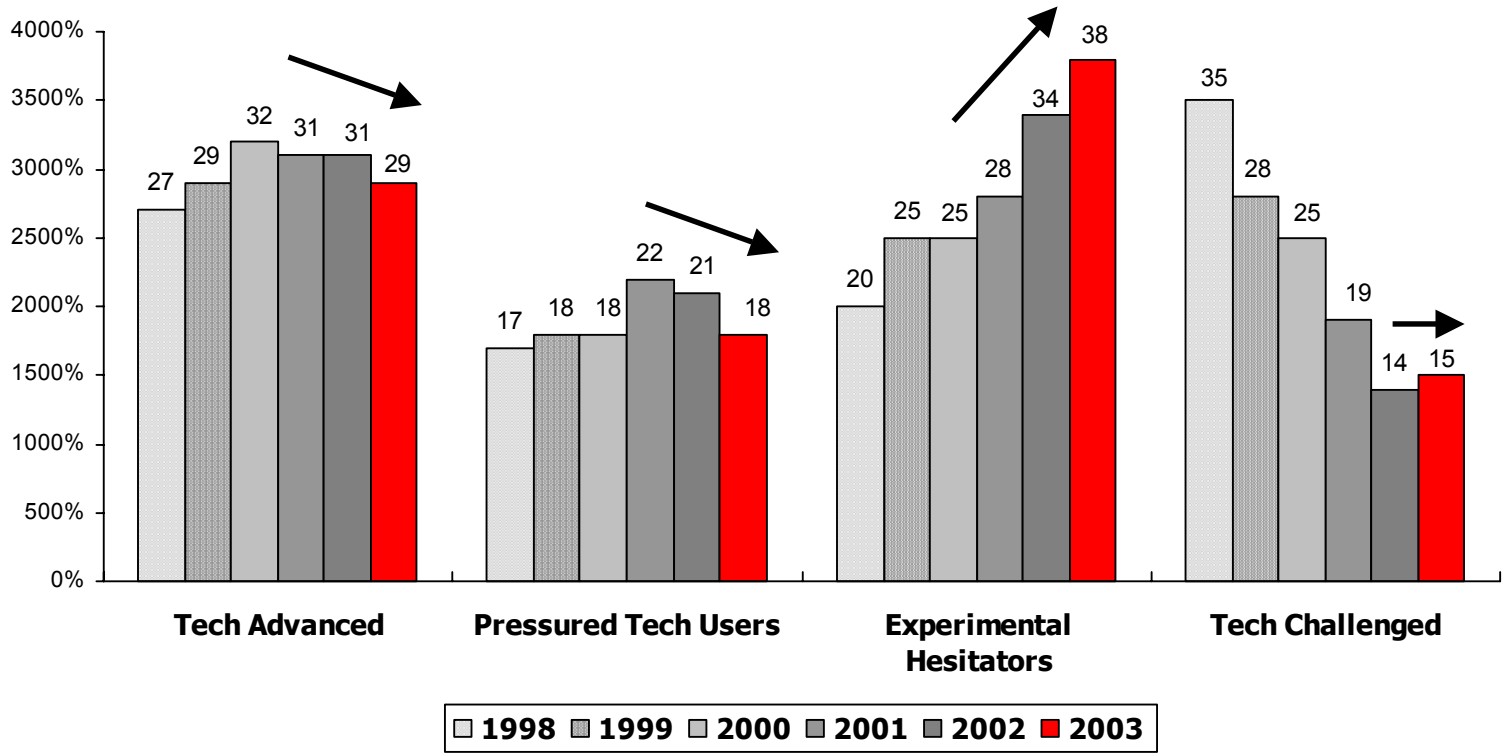


Segmenting Taxpayers By Technology Acceptance (Cont'd.)

- **However, any segmentation model "ages" over time…**
  - As people and/or products evolve…
- **And the typical "life" of a segmentation model is generally put by researchers at between 3 and 5 years, though there are exceptions.**
- **In 2003, recognizing that statistical models age, RMR re-examined the 4-group segmentation of Taxpayers in a step-by-step manner to determine if it or some other model is the best way to represent Taxpayers' attitudes and usage of technology.**
- **<u>The first step</u> was to again apply the Discriminant Function Analysis to classify this year's respondents into the same 4-group model developed in 1998 and used since.**

Segmenting Taxpayers Using The Original 4-Group Model

- This analysis showed that the more tech-accepting segments (*Tech Advanced* and *Pressured Tech Users*) were stagnant-to-declining in size, while the *Experimental Hesitators* were growing and the *Tech Challenged* were stable.



Segmenting Taxpayers By Technology Acceptance (Cont'd.)

- **The finding of declines in those two more tech-accepting segments ran counter to what we would expect based upon the continuing long-term trend toward increasing acceptance and usage of technology seen in the stand-alone analysis earlier.**

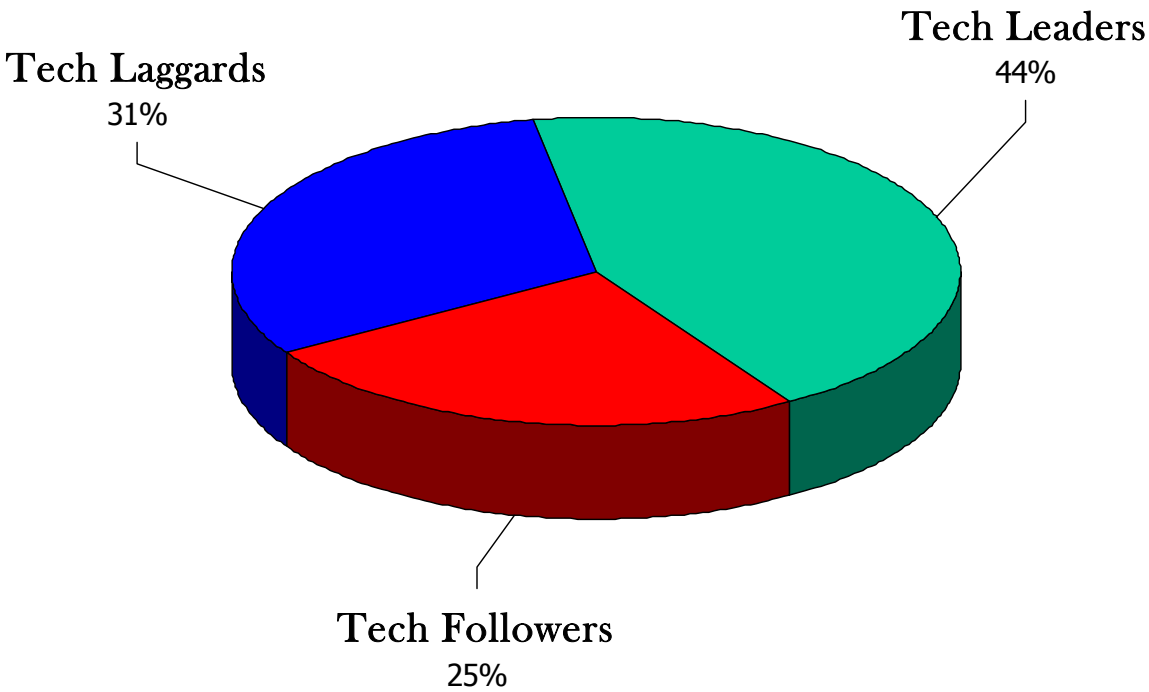
- **So, the next step was to re-segment this year's sample, again using Cluster Analysis. This analysis showed that the most robust segmentation model now consisted of 3 groups and not 4, as in the past.**

- **RMR analyzed the 3 groups in the same manner as the original 4 and found that they represented three distinct groups of Taxpayers in terms of Technology Acceptance…**

Tech Leaders | Tech Followers | Tech Laggards

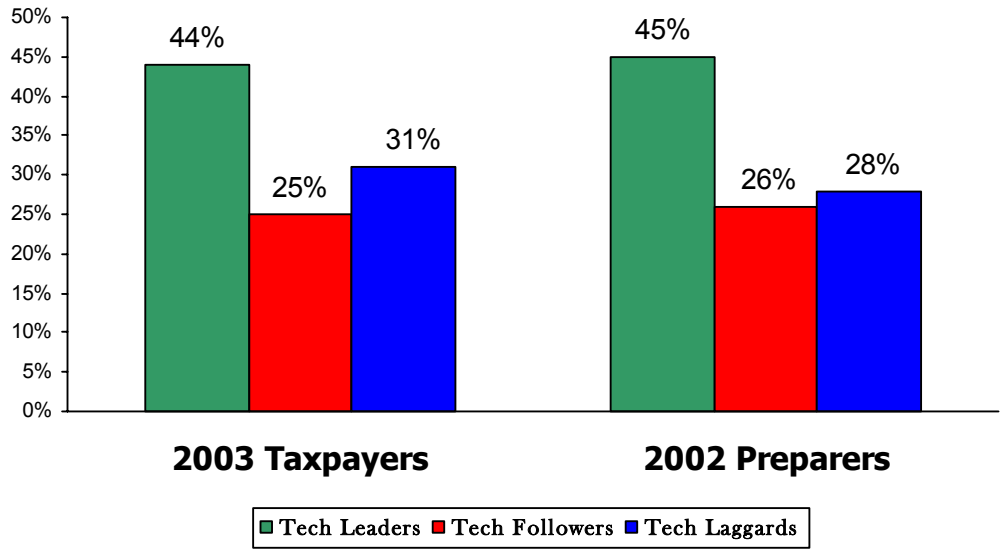
Re-Segmenting Taxpayers Using A 3-Group Model

The Size Of Each Of The Three New Segments



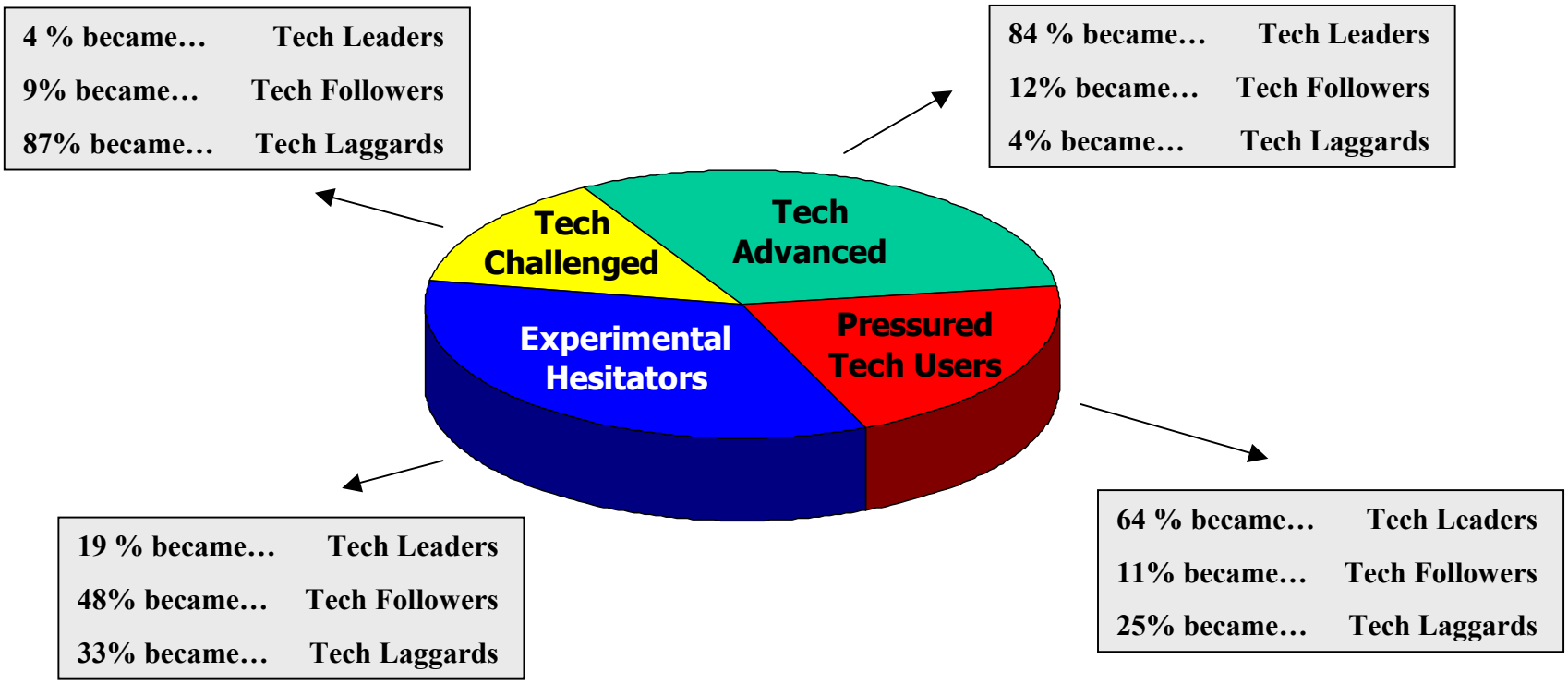
Re-Segmenting Taxpayers By Technology Acceptance (Cont'd.)

- After analysis of segment sizes and profiles, not only did this new segmentation "make more sense" than the counter-intuitive 2003 segment sizes that resulted from simply post-classifying Taxpayers into the same old (1998) model, it also aligned the Taxpayer segments closely to the 3-group segmentation developed in **2002** for Tax Preparers (in the Preparer Attitudinal Study) in both segment names and sizes.
  - Note: we would expect Preparers (who are professionals) to have more tech-forward attitudes than Taxpayers, and we may find that in the **2003** Preparer Attitudinal results.



Re-Segmenting Taxpayers By Technology Acceptance (Cont'd.)

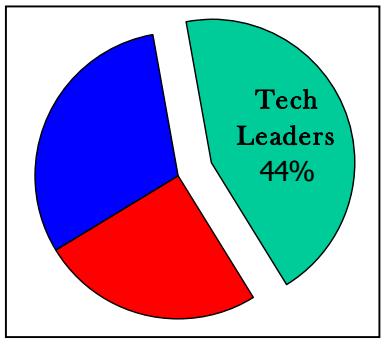
- The new segmentation also made sense in terms of migration of respondents from the old 4-group segmentation to the new 3-group solution, as shown below.



So Who Are The People In These 3 New Segments?

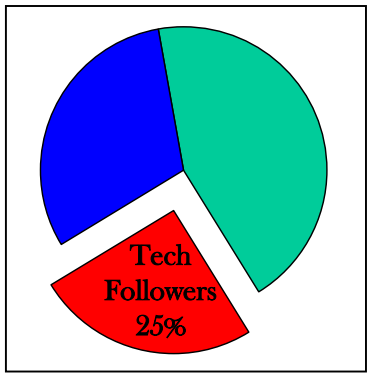
- **Following are descriptions of each of the three segments.**
- **In reading this and thinking about each group, keep in mind what was noted before --**
  - That, in any segmentation (and especially one involving a mixture of attitudes and behavior), the people in any one group are not homogeneous.
  - Instead, they are a "cluster" or collection of people showing a shared pattern of attitudes and usage which clearly sets them apart from other segments.

Tech Leaders -- 44% Of Taxpayers



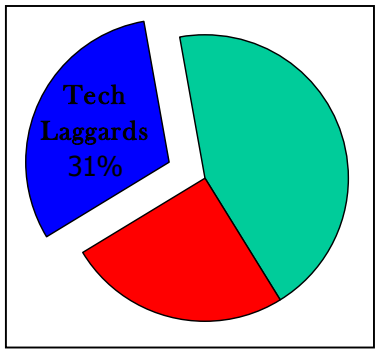
- **Tech Attitudes & Usage:** The most tech-forward of the segments, with most having been *Tech Advanced* or *Pressured Tech Users* in the old segmentation.
  - 71% say they are **among the first to try new technology** and 80% **feel technology can be trusted**. 9-in-10 **wish all government forms could be filed by computer**, and 7-in-10 say they that if they could, they **would do all of their financial dealings by computer**.
  - **Importantly,** only 6% **can't imagine filing taxes except using paper returns** -- which indicates that they are a strong opportunity segment for e-file.
  - Overall, they score highest on **the technology "leader" attitudes** and lowest on the **tech "follower" attitudes**. They are also more likely to **use virtually all of the different types of technology covered in the survey**.
- **Psychographics:** this group is the most **financially secure yet financially driven** of the segments, and the most likely to be **innovative and daring**, **leaders**, **outgoing**, and **comfortable with the pace of change**.
- **Demographics & Return Type:** This group skews **younger**, **higher income**, **better educated**, and **from IRS Area 2 (Mid-Atlantic)** than other Taxpayers. They also skew **Complex in return type** and **split on Self vs. Paid returns**.

Tech Followers -- 25% Of Taxpayers



- **Tech Attitudes**: This is the next most tech-accepting of the segments, consisting mainly of the old *Experimental Hesitator* segment.
  - They score relatively high (60%) in saying **most technology can be trusted**, but only 28% say they're **one of the first to try new technology**, only 11% say they want to **do financial dealings by personal computer,** and less than half (44%) say they **wish all government forms could be filed by computer**. In addition, 2/3rds say they **cannot keep up with all the new technology** and that **you should never put financial information on a PC**.
  - Yet, just 31% of this group **can't imagine filing taxes except using paper returns** -- which means that two-thirds of them are open to the idea.
  - Overall, they are **the middle group across the range of tech "leader" and tech "follower" attitudes** and they are #2 in **use of technology**.
- **Psychographically:** they're more similar to Group 3 overall, though they are not as stressed (either financially or in life/world view) as the people in Group 3.
- **Demographics & Return Type:** They are the middle group in age, income, and education. Like the *Tech Leaders*, they skew **Complex in return type** and are **split on Self vs. Paid**.

Tech Laggards -- 31% Of Taxpayers



- **Tech Attitudes:** Dominated by the old *Tech Challenged* and *Experimental Hesitator* groups, this segment is by far the least accepting of technology.
  - They are not eager to embrace technology -- only 45% say **technology can be trusted** and only 35-37% say that they are among the **first to try new technology** or that they **wish all government forms could be filed by PC**. 75-81% say that they **can't keep up with technology** and that you **should never put financial info on a PC**. 62% **say that computers scare them**.
  - 57% say they **can't imagine filing taxes except using paper returns**.
  - It's not surprising that this group is highest in all of the **"follower" attitudes** or that they are lowest in **usage of technology**.

- **Psychographically**: this group carries **the same traits of stress and uncertainty as the old *Tech Challenged* group**, with over half living from paycheck to paycheck and worrying about money and with 85% saying the world is changing too fast for them.

- **Demographics & Return Type:** they are **the oldest group**, with the **lowest incomes** and the **lowest education** levels. Unlike the first two groups, they skew **Paid-Simple in return type**.

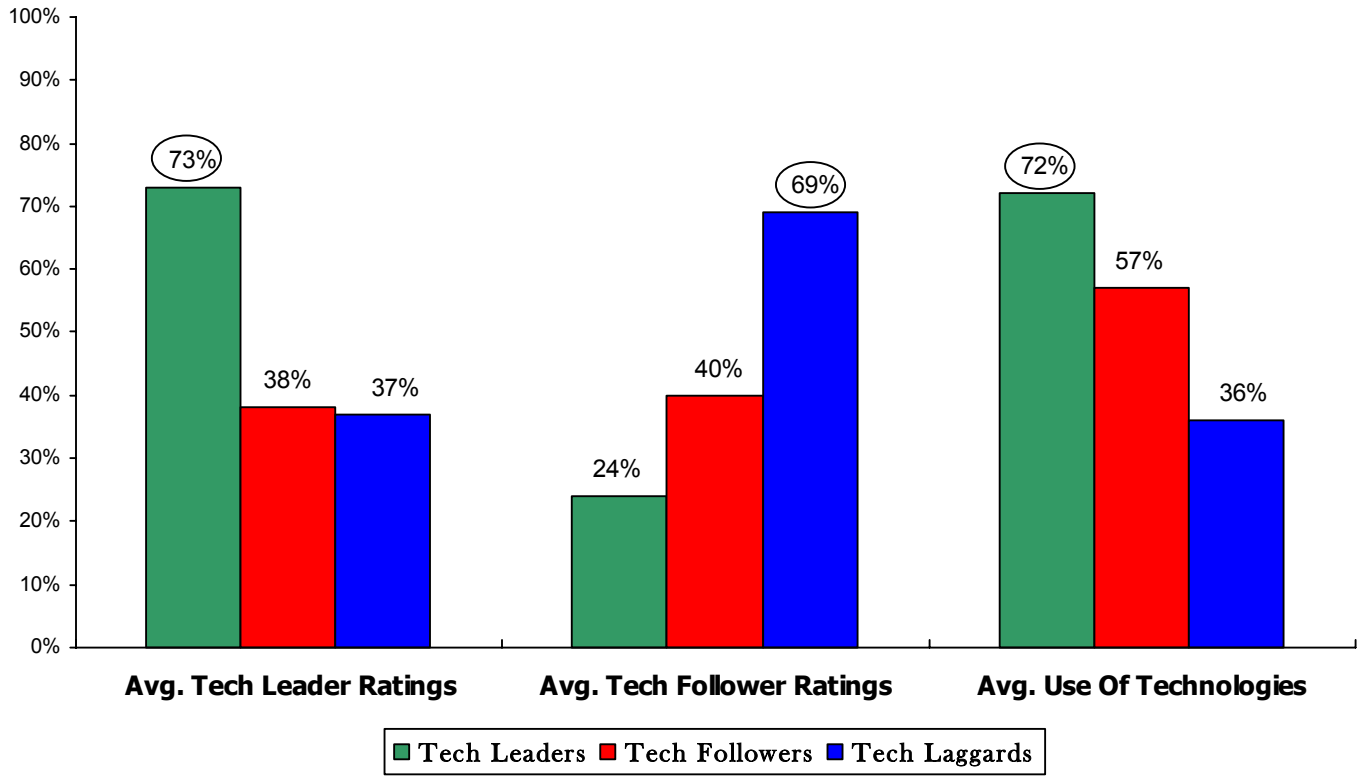
Summarizing Differences Among The Segments

- **The preceding segment summaries were based on analysis of differences that were found across a range of survey measures -- ratings of agreement with the "tech leader" statements and the "tech follower" statements, levels of usage of technology, psychographics, and demographics. The detailed data from each of these measures can be found in the Appendix, where there is graphic notation indicating which groups are higher or lower on each statement/response.**

- **There is a simple, yet effective way to illustrate how different these groups are on the key measures used to define them -- that being their average ratings of "tech leader" statements, their average ratings of "tech follower" statements, and their average levels of usage of the different technologies covered in the study. Those averages follow.**

Summarizing Differences Among The Segments (Cont'd.)

- As shown in the average ratings below, the three groups score inversely on "tech leader" vs. "tech follower" ratings, with usage of technologies also correlated to tech leadership.



Awareness & Disposition Toward *e-file* Among The Segments

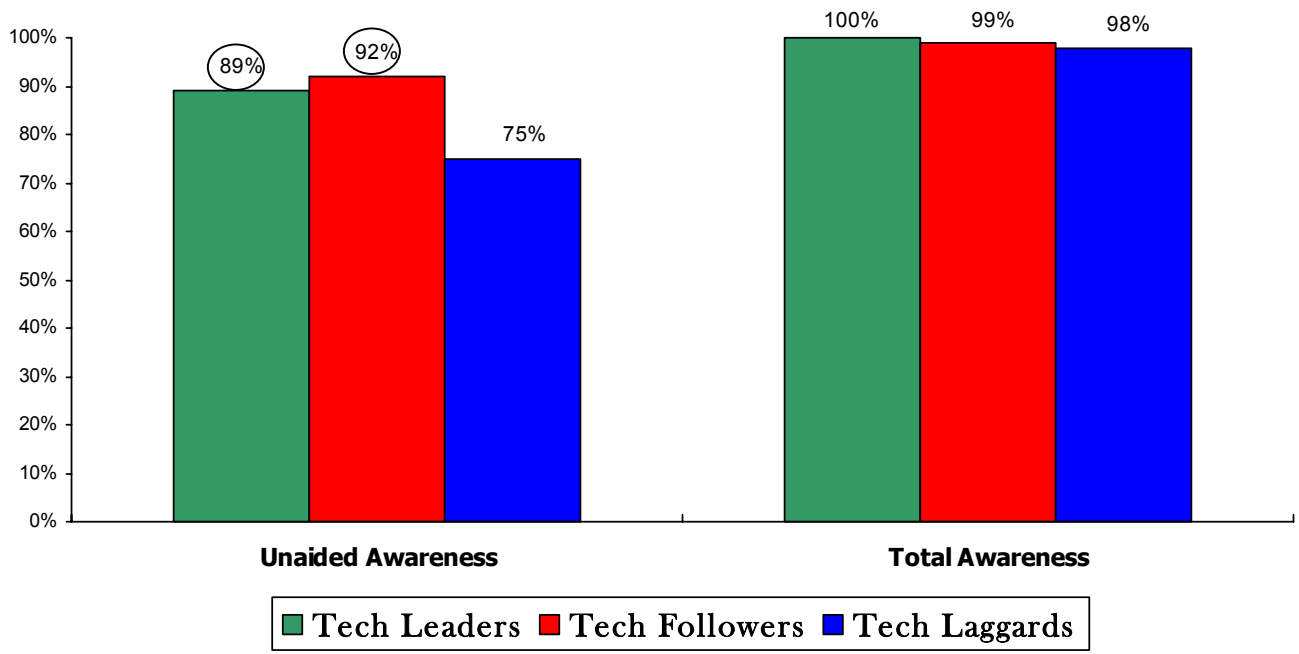
- **We also looked at *e-file* awareness, claimed trial and usage, consideration, and recommendation data by segment.**

- **Results showed quite clearly that there is a strong correlation of awareness and interest in *e-file* and level of tech acceptance…**
  - With the *Tech Leaders* generally having significantly higher interest in *e-file* products on all of the above measures, followed by the *Tech Followers*, with the *Tech Laggards* having notably lowest interest.

- **The following charts summarize these results for 2003. The detailed data from each measure can be found in the Appendix.**

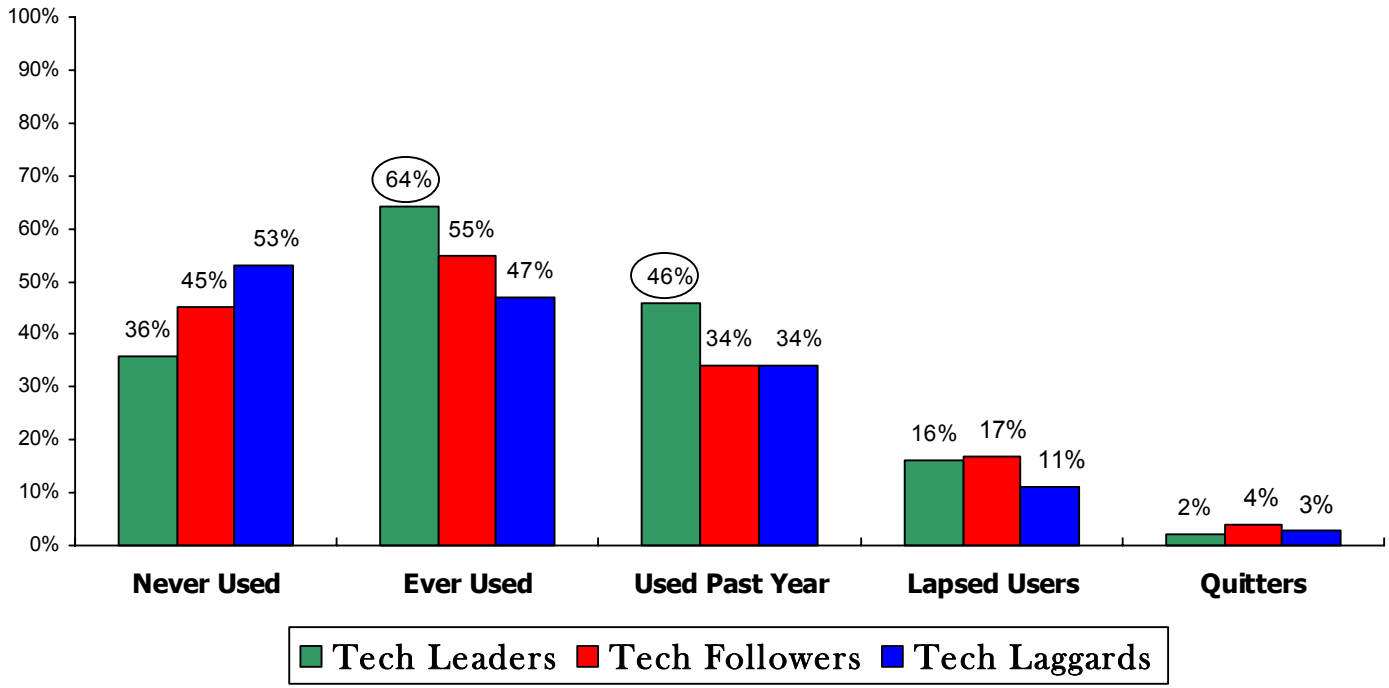
Awareness Of *e-file* Among The Tech Acceptance Segments

- Unaided awareness, a strong indicator of brand saliency, was significantly higher among the first two segments (*Tech Leaders* and *Tech Followers*) than the *Tech Laggards*. Total awareness (unaided plus prompted) was nearly universal among all three segments.



Experience With *e-file* Among The Tech Acceptance Segments

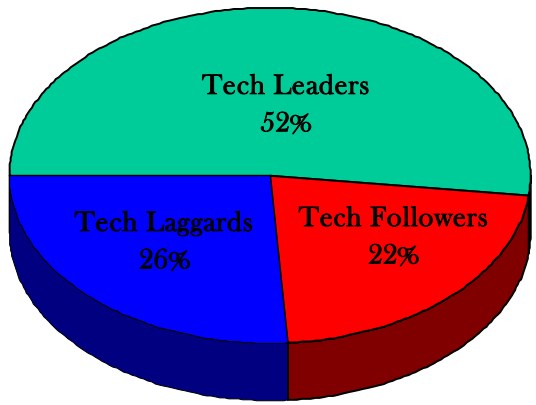
- Looking at the experience with *e-file* among the three Tech Acceptance Segments, we see that *Tech Leaders* are significantly higher than the other two groups in terms of trial and usage, equal to *Followers* in lapsed usage (used in past, not used last year but would consider using), and average in terms of being *e-file* quitters (tried in past, did not use in 2002 and would not consider using again).



Each Segment's Share Of Past-Year *e-file* Usage

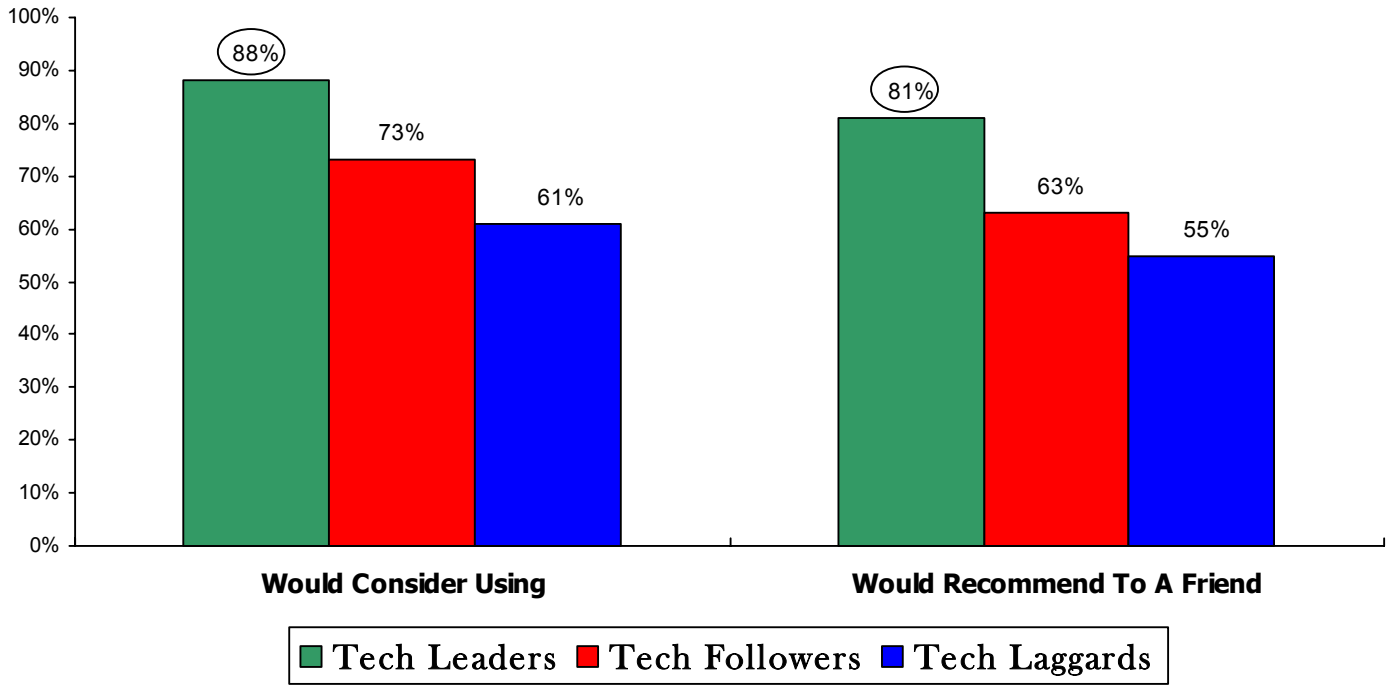
- Looking at each segment's share of past-year *e-file* usage (i.e., of all PY/past-year, Users, how many are from each segment), we see that indeed the *Tech Leaders* are driving usage so far…
  - With *Tech Leaders* accounting for 52% of all PY *e-file* usage.
  - While *Tech Followers* account for only 22% of PY usage.
  - And *Tech Laggards* account for 26%.

Each Segment's Share
Of Past-Year *e-file* Usage



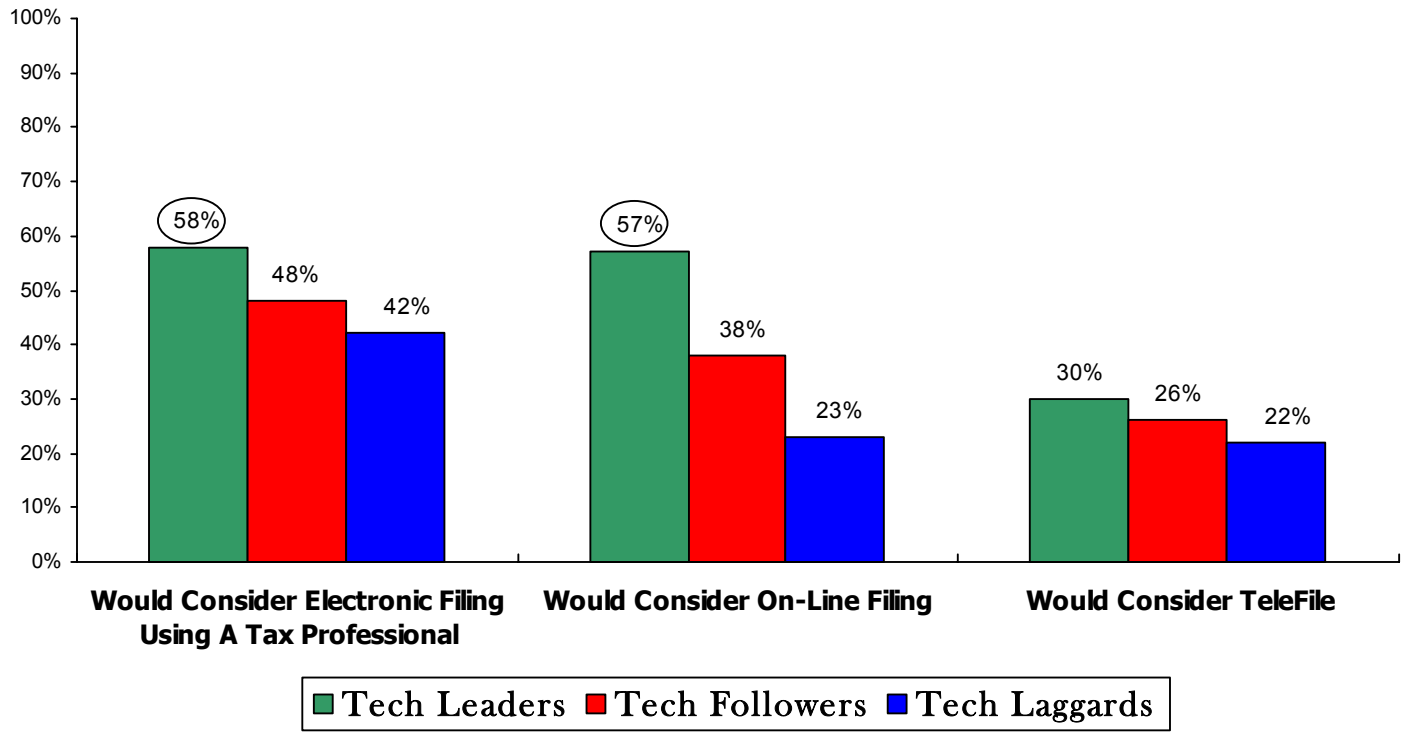
e-file Consideration & Recommendation Among The Segments

- Consideration and recommendation of *e-file* followed the tech acceptance level of each segment, with the *Tech Leaders* significantly higher than the other two groups on each of these measures -- and with the *Tech Laggards* always in the lowest position.



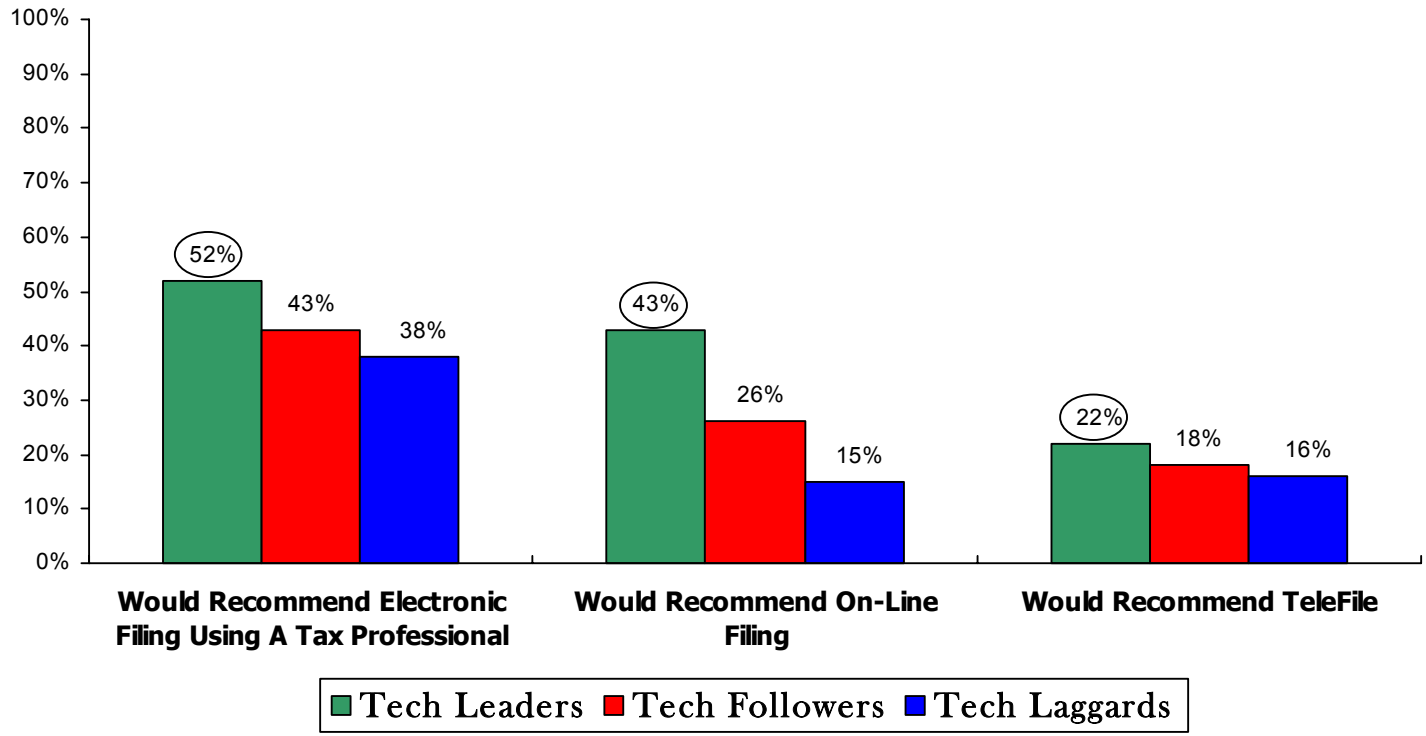
Consideration Of Each *e-file* Method Among The Segments

- In consideration of use of **specific** *e-file* products, *Tech Leaders* are significantly higher than the other two segments in consideration of Practitioner *e-file* and On-Line Filing, though the segments are more similar in their consideration of TeleFile.



Recommendation Of Each *e-file* Method Among The Segments

- The same pattern held for recommendation of specific *e-file* products, where the *Tech Leaders* were highest in potential recommendation of each product, followed by the *Tech Followers* and then the *Tech Laggards*.



Disposition Toward *e-file* Among The Segments (Cont'd.)

- **To see the depth of interest in *e-file* among the segments, and to see if the interest found among the *Tech Leaders* went beyond simply having greater interest in technology, we looked at each segment's ratings of *e-file* benefits.**

  - As demonstrated in the following table, interest in *e-file* among this group was deeper than simple "tech-i-ness", with the *Tech Leaders* being significantly more aware of *e-file* benefits and more likely to believe in the product.

  - The *Tech Followers* -- while not strong believers in *e-file* -- were still consistency ahead of *Tech Laggards* in agreeing that *e-file* was faster, more accurate, private/secure, and inexpensive.

  - The *Tech Laggards*, meanwhile, were the group most likely to show resistance to *e-file*, with 59% saying they see no reason to change from paper filing and with 69% saying that mailing in a tax return is still safer, more reliable. This was in line with the 57% earlier who said that they could not imagine filing taxes except using paper.

Detailed Segment Attitudes Toward *e-file* And Tax Filing

Tax Filing Statements
(% Agree)

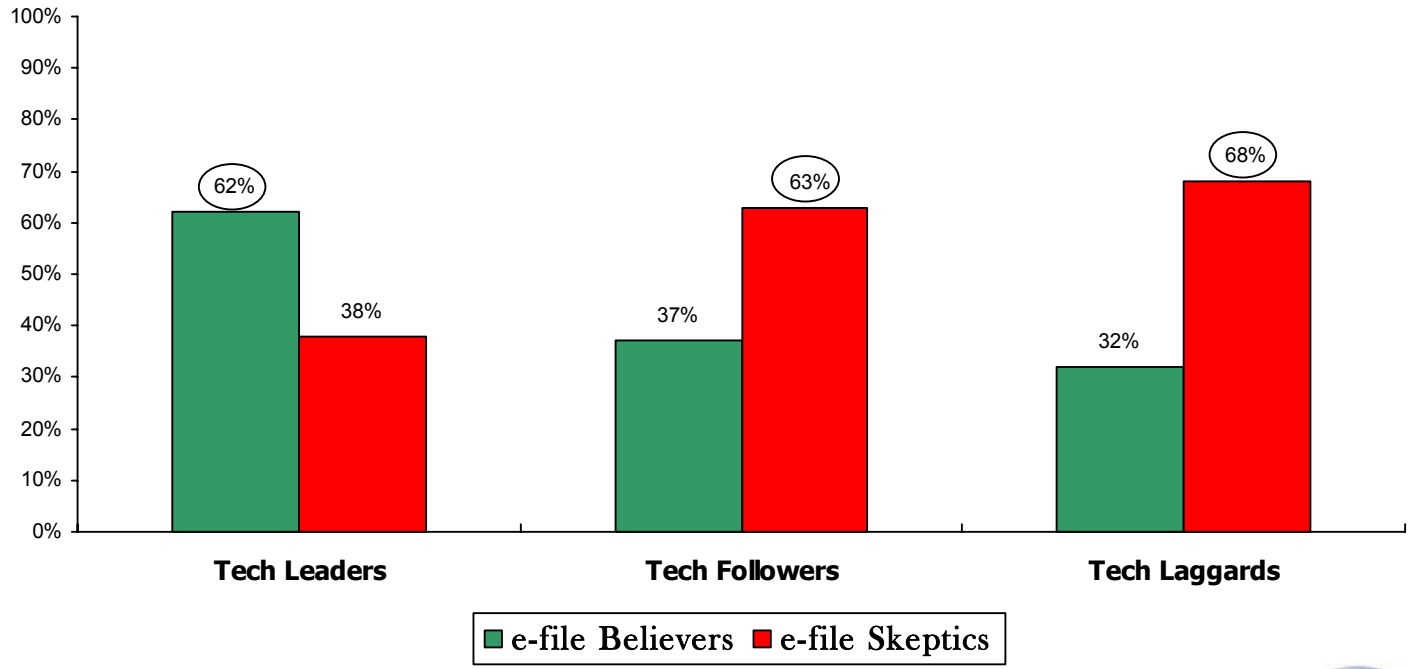
BASE:	TECH LEADERS 450 %	TECH FOLLOWERS 243 %	TECH LAGGARDS 307 %
Filing taxes is something nobody likes, but everybody has to do	92	91	92
e-file is a faster way to get your Federal income tax return to the IRS	**82**	71	**62**
e-file is an accurate way to file your Federal income taxes	**81**	63	54
e-file is a private and secure way to file Federal income taxes	**78**	51	**41**
e-file is a faster way to get your Federal tax refund [money]	**74**	65	**56**
e-file is a better way to file your Federal income taxes	**71**	45	44
e-file is an inexpensive way to file your Federal income taxes	**71**	57	**40**
The IRS is becoming a friendlier, more helpful government organization	**66**	54	55
e-file is easy to use with little hassle	**66**	45	42
e-file provides proof of receipt	**65**	43	39
e-file changes the way you look at the IRS	36	**25**	33
Mailing in your Federal tax return is still safer, more reliable	**33**	60	69
I'm used to doing my taxes on paper and see no reason to change	**23**	47	59

BOLD GREEN=SCORES HIGH ON THIS ITEM; BOLD BLACK=SCORES NOTABLY LOWER THAN OTHERS.

Q20--Agree Completely or Agree Somewhat With Each Statement

Segment Attitudes Toward *e-file* And Tax Filing

- As shown later, the detailed attitudes toward *e-file* and its benefits can be used to segment the total Taxpayer audience into two groups -- *e-file Believers* and *e-file Skeptics.* As might be expected from the ratings in the previous page, the *Tech Leader* group skews toward belief in *e-file* while the other two groups skew toward skepticism about *e-file*.



Assessing The Opportunity Among Tech Acceptance Segments

- **With such greater usage of, interest in, and belief in *e-file* among the *Tech Leaders*, it might be assumed that this group is the prime opportunity for increasing *e-file* usage. But there is evidence that the IRS opportunity is much more broad, extending to all Tech Acceptance segments.**
  - *Tech Leaders* are still a *part* of the opportunity, because of their more favorable disposition toward technology and *e-file*. But, this group already constitutes 52% of all PY Users of *e-file* and since they skew toward complex returns, the remainder may be difficult to convert.
  - We believe *Tech Followers* are also an opportunity -- while they are 25% of all Taxpayers, they are accounting for only 22% of PY *e-file* Users. And these are people of a follower mindset after all -- while they are not true believers in technology or *e-file*, they are using technology at relatively high levels and 73% of them say they would consider using *e-file*.
  - Even the *Tech Laggards* seem to offer opportunity. At 31% share of Taxpayers, they already have a 25% share of PY Users of *e-file* and, even though they show resistance to technology and to *e-file*, 61% of them say they would consider using *e-file*.
  - Finally, the trends we saw earlier of usage of technology running ahead of acceptance suggest that there is a prospect of opportunity even among the two less tech-forward segments.

Reaching The Technology Acceptance Segments

- In each year's tracking survey, there is a series of questions about Taxpayer media habits, results of which are provided to the IRS and the agency for possible use in targeting Taxpayers in the high-opportunity Tech Acceptance segments. With the 2003 data showing that all segments offer potential opportunity, we are highlighting below those media with the greatest reach across all segments as well as those reaching specific groups. (The detailed media tables can be found in the Appendix.)
  - The **leading media across all segments** (with 50%+ reach into each group) are:
    - ***FM radio station stations***
    - ***Early evening TV news programs***
    - ***All-news cable stations such as CNN, Headline News, MSNBC***
    - ***Late evening TV news programs***
    - ***Non-premium cable TV movie channels***
    - ***And TV sports programming***
  - However, there are **other media with high potential among one or two segments**:
    - ***The Internet*** (which as 76% reach among *Tech Leaders* and 61% among *Tech Followers*)
    - ***Cable family/life programs*** (which have 49-57% reach among *Followers* and *Laggards*)
    - And ***early evening investigative shows*** (which reach 55% of the *Tech Laggards*)

The Return Type Segmentation

The Return Type Segments

- **In addition to the attitudinal segmentation, we are now segmenting Taxpayers by other characteristics, looking for potential opportunities for *e-file* beyond the Tech Acceptance segments.**

- The first of these is segmentation by Type Of Return. This is a behavioral (and not attitudinal) segmentation. In it, Taxpayer responses to two simple questions (whether used a Paid Preparer or not and degree of complexity of return) are used to categorize them into the 4 IRS "hard data" filing classifications of "Self-Simple", "Self-Complex", "Paid-Simple" and Paid-Complex". Keeping in mind that classification on the basis of two questions is likely to yield only an approximation of segments, here is how the 2003 survey data aligned with the hard filing data for the same tax year:

  - 21% of Taxpayers classified themselves as Self-Simple (vs. 25% in the 2002 filing data)
  - 24% were Self-Complex (vs. 17% in the filing data)
  - 21% were Paid-Simple (vs. 22% in the filing data)
  - And 34% were Paid-Complex (vs. 36% in the filing data).

The Return Type Segments (Cont'd.)

- Although the classification is rough, the filing method usage patterns found among each segment this year were again very comparable to those found in the actual filing data for the same year (2002). This gives us confidence in analyzing the Attitudinal Study measures among the four Return Type Segments.

	Self-Simple		***Self-Complex***		***Paid-Simple***		***Paid-Complex***	
SOURCE:	*THIS STUDY*	*IRS DATA*	*THIS STUDY*	*IRS DATA*	*THIS STUDY*	*IRS DATA*	*THIS STUDY*	*IRS DATA*
BASE:	210	30M RETURNS	239	20M RETURNS	214	26M RETURNS	337	42M RETURNS
	%	%	%	%	%	%	%	%
Used in Past Year (2002)								
Electronic Filing Using Tax Prof'l.	**4**	**4**	**2**	**5**	**46**	**56**	**36**	**39**
TeleFile	**12**	**14**	**2**	**0**	**0**	**0**	**0**	**0**
On-Line Filing	**15**	**14**	**16**	**24**	**3**	**0**	**2**	**0**
Paper	**65**	**68**	**72**	**71**	**47**	**44**	**60**	**61**

(NOTE: "THIS STUDY" TOTALS WILL NOT ADD TO 100% SINCE "*e-file* Unspecified" AND "Don't Recall" RESPONSES DO NOT APPEAR IN TABLE.)

Demographic Characteristics Of Return Type Segments

- The demographics of the total samples of each of the four Return Types are very different:
  - Self-Simples are younger, more likely to be single without families, and have lower incomes.
  - Self-Complex are older, more likely to be married, higher income, and more educated.
  - Paid-Simple are younger but married with children, lower income, and less educated.
  - Paid-Complex are older, more married, higher income, and more educated.

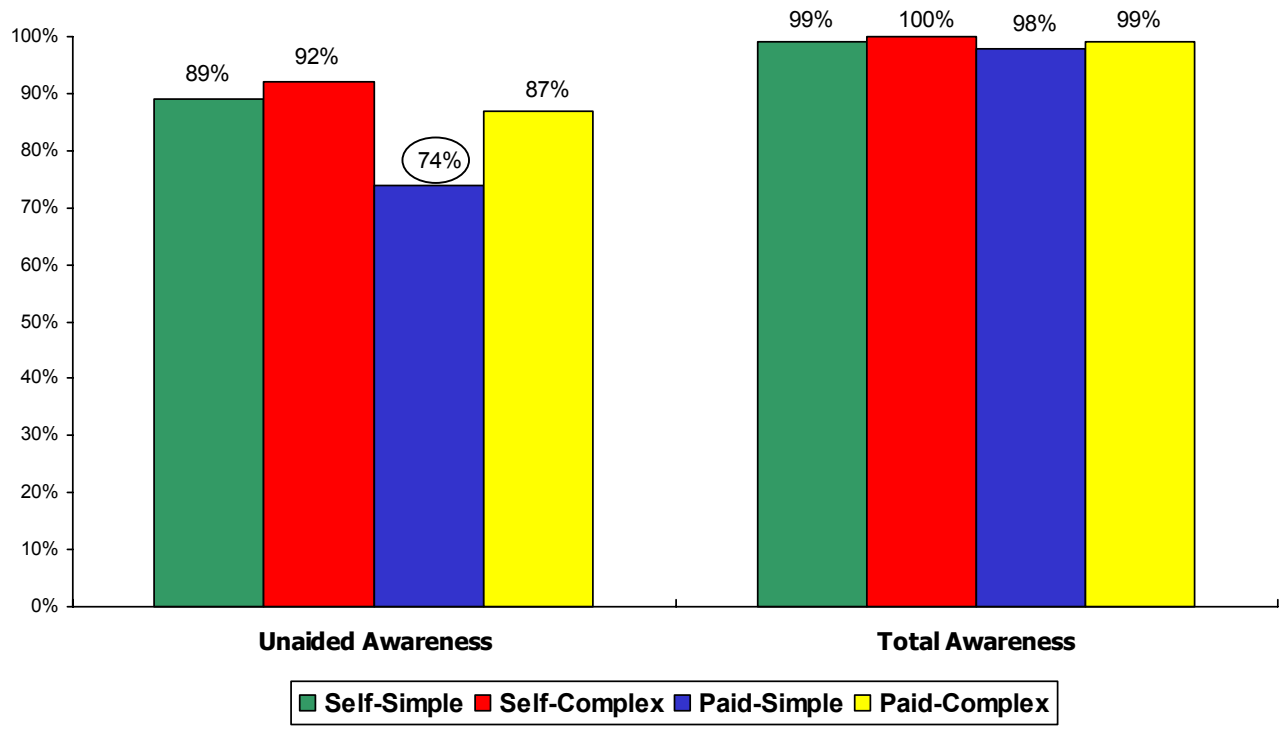
BASE:	Self-Simple 210 %	Self-Complex 239 %	Paid-Simple 214 %	Paid-Complex 337 %
QA--Gender				
Male	47	52	48	50
Female	53	48	52	50
QB--Average Age	(38)	43	(38)	44
Q15--% Married	(43)	(69)	58	(69)
Q13--Average HH Size	2.7	2.8	2.9	2.9
Q14--% With Children	(36)	44	(50)	46
Q17--Median HH Income (000)	$40.9	($62.9)	$39.3	($66.8)
Q27 – % With College Education	68	77	(47)	71
% Who Are Spanish-Language Taxpayers	11	7	8	6

Other Analysis Of The Return Type Segments

- In the other analysis of the total samples of each of the four Return Type Segments, we focus on:
  - The levels of awareness, usage (*e-file* experience), and consideration of *e-file* products within each Return Type Segment.
  - And how the Return Type Segments relate to each of the other segmentation analyses:
    - Technology Acceptance
    - *e-file* Attitudes
    - Filing Behavior
- After looking at the total in each of these segments, we will break down the **Paper Filers** (or Past-Year Non-Users of *e-file*) vs. the **Electronic Filers** (or Past-year Users of *e-file*) in each segment in an effort to further define the opportunity within these segments.

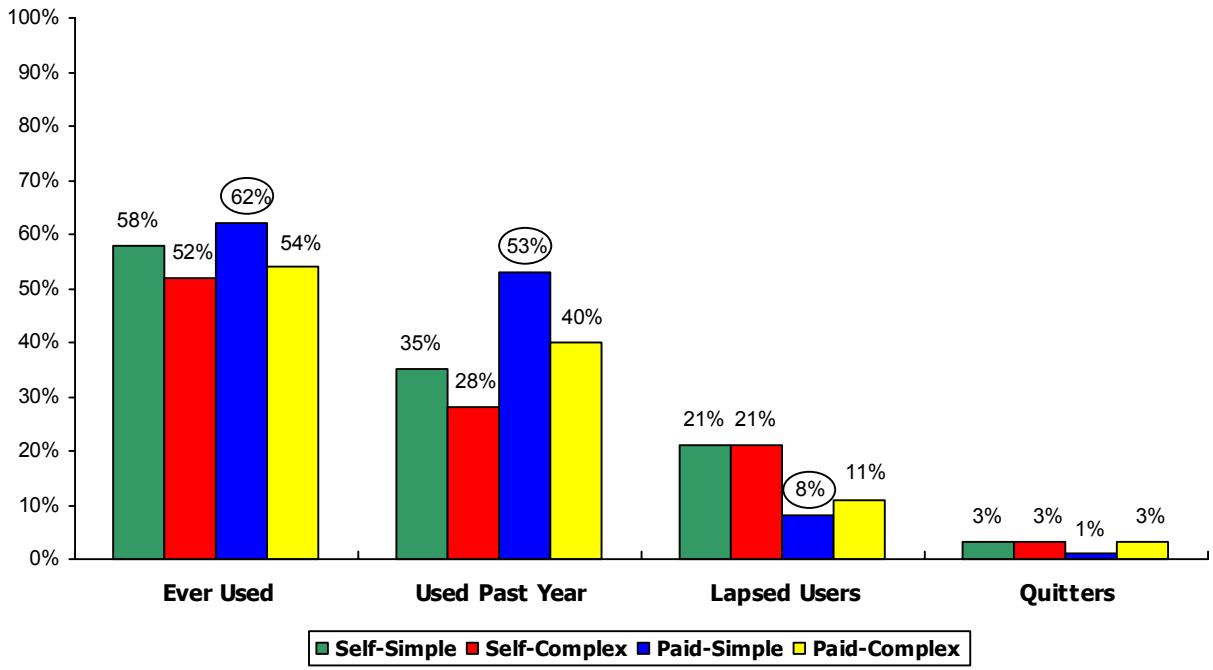
Awareness Of *e-file* Among Return Type Segments (Total)

- Looking at the total sample in each segment, we see that three of the four segments have similar levels of unaided awareness of *e-file* – the exception is the Paid-Simple group, who have significantly lower awareness (possibly due to lower involvement in filing in this group). Total awareness is virtually universal in all segments.



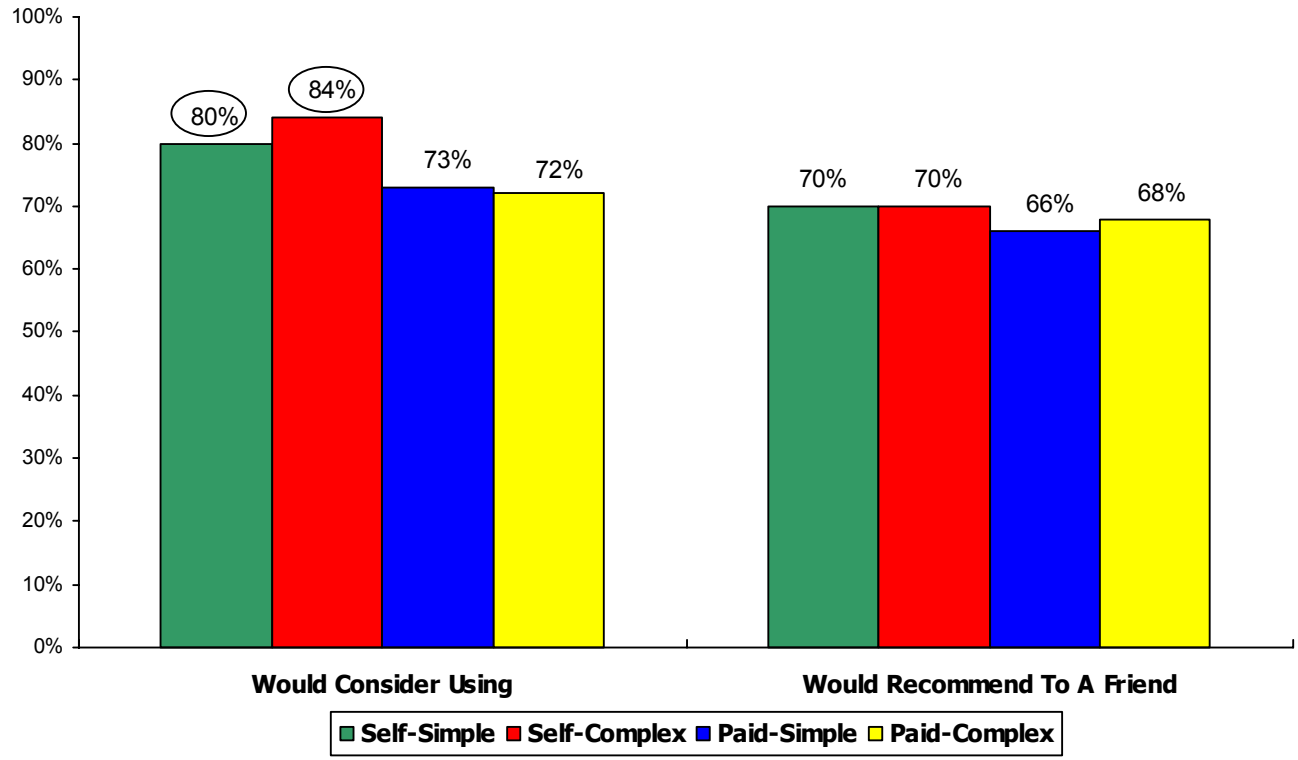
e-file Experience Among Return Type Segments (Total)

- Even though their unaided awareness was lower, the Total Paid-Simple group claimed to have had higher *e-file* trial and PY usage and lower lapsed usage and quitting than all of the other Return Type Segments. These are people going to a Preparer with a simple return and it is possible that while they are using *e-file*, they are less involved in their taxes, thus the lower unaided awareness that we saw among this group.



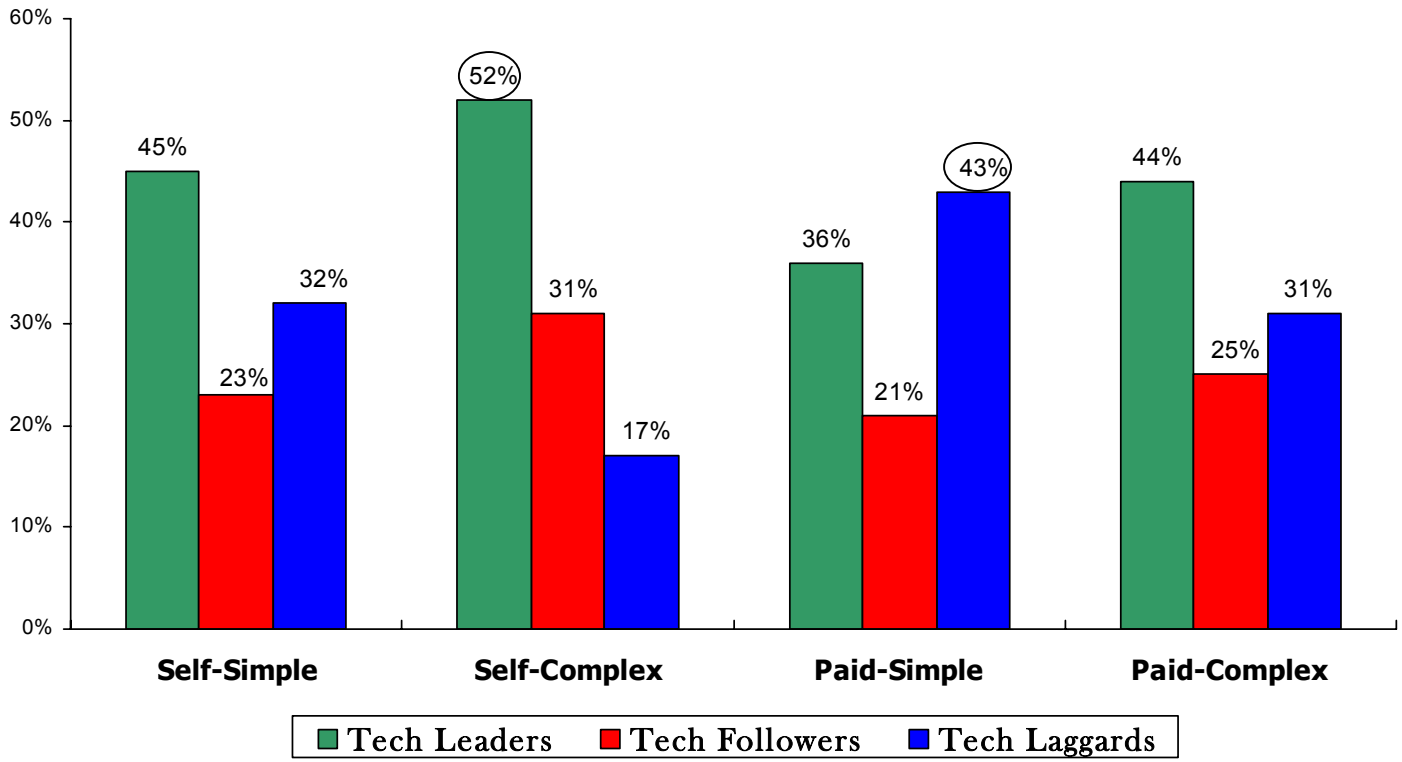
Consideration & Recommendation Among Return Types (Total)

- The two groups with the lowest PY usage of *e-file* (Self-Simple and Self-Complex) had the highest consideration of future use of it, with lower consideration among the two Paid segments. There were no significant differences among segments in terms of recommending *e-file* to others.



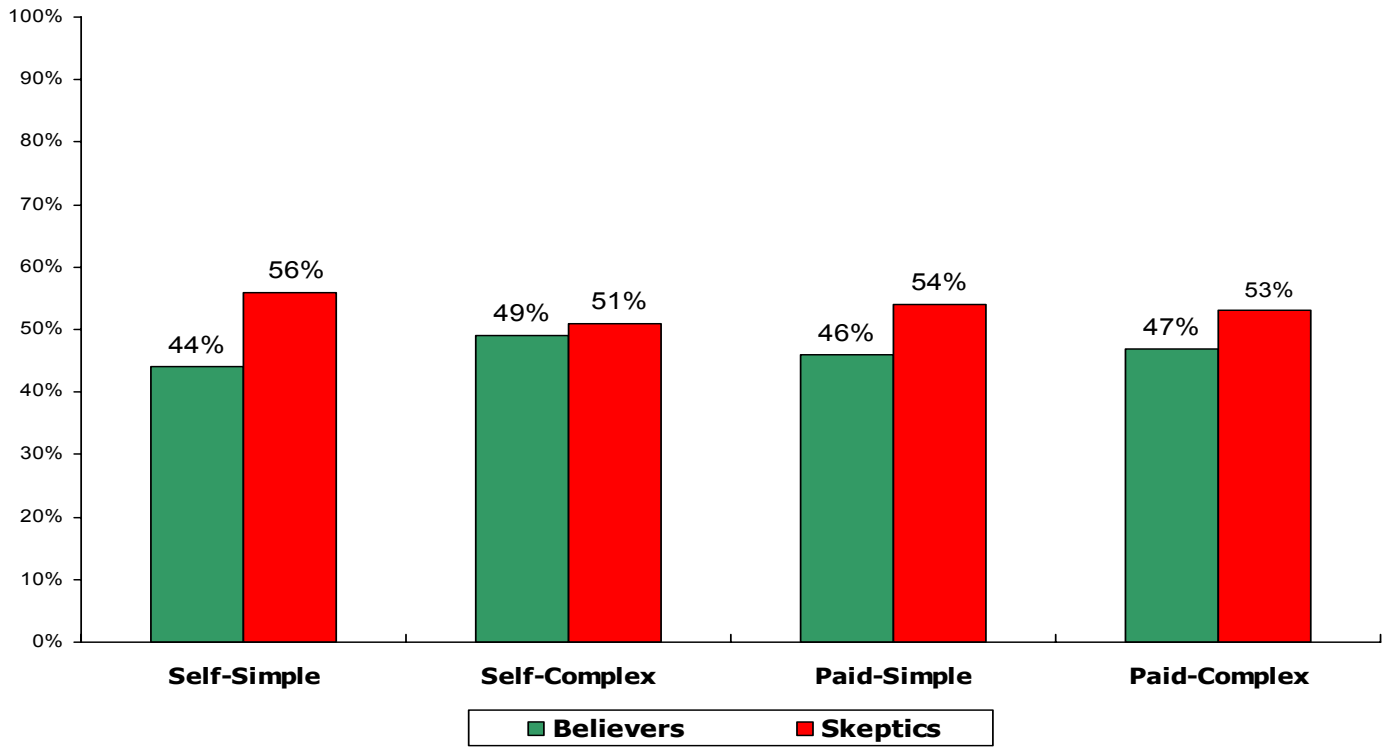
Technology Acceptance Among Return Type Segments (Total)

- Cross-linking the Return Type Segments (total) with the Tech Acceptance Segments, we find that the Self-Complex are skewed toward the *Tech Leader* mindset, while the Paid-Simple skew somewhat toward the *Tech Laggard* mindsets.



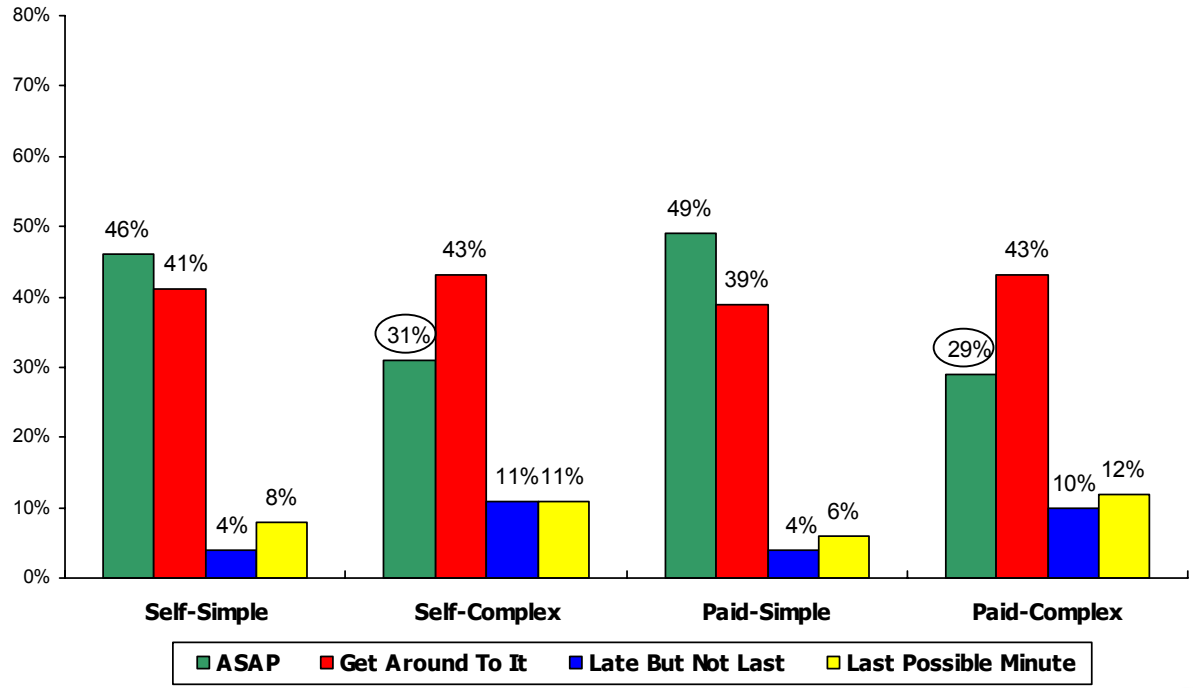
Attitudes Toward *e-file* Among Return Type Segments (Total)

- But cross-linking these segments with the later *e-file* Attitudinal Segments, we find no significant differences across Return Type Segments -- though there is a slight skew toward *e-file Skeptics* among the Self-Simple group.



Filing Behavior Among Return Type Segments (Total)

- Cross-linking the Return Types with the four Filing Behavior Segments that we will detail later, we find a natural skew toward later filing among the two Complex segments (who say they file "when I get around to it", "late but not at the last minute", and "at the last possible minute") compared to the two Simple segments (who are more likely to file "as soon as" they can).



How Do Paper vs. Electronic Filers Differ In These Segments?

- When we compare Paper vs. Electronic Filers within each segment, we find that the Paper Filers (people who are NOT using *e-file*) tend to be less tech-forward, older, later-season filers, less likely to get a refund, and far more likely to be skeptical about *e-file* benefits.

	Self-Simple		Self-Complex		Paid-Simple		Paid-Complex	
	Paper Filers	e-file Filers	Paper Filers	e-file Filers	Paper Filers	e-file Filers	Paper Filers	e-file Filers
BASE:	**124**	**82**	**151**	**85**	**116**	**95**	**227**	**108**
	%	%	%	%	%	%	%	%
Noting Only Differences:								
Tech Leaders	43	49	43	75	25	46	39	50
Tech Followers	25	21	38	13	23	19	24	27
Tech Laggards	32	30	19	12	52	35	37	23
Average Age	37	36	45	42	39	34	47	41
Early-Season Filers	41	56	29	38	36	61	26	34
Later-Season Filers	15	7	24	16	14	5	28	12
Usually Get A Refund	75	84	64	85	73	85	59	86
Usually Have A Bal Due	22	10	30	13	15	7	34	12
e-file Believers	35	59	35	84	24	65	29	73
e-file Skeptics	65	41	65	16	76	35	71	27

How Do Paper Filers Differ Across Segments?

- Comparing just the Paper Filers in each segment, we see that they differ attitudinally (with both "Self" segments somewhat more tech-forward than the "Paids") and demographically (with both "Simple" segments being younger and lower income than the two "Complex" segments).

	Self-Simple Paper Filers	Self-Complex Paper Filers	Paid-Simple Paper Filers	Paid-Complex Paper Filers
BASE:	**124**	**151**	**116**	**227**
	%	%	%	%
Noting Only Differences:				
Tech Leaders	[43]	[43]	25	39
Tech Followers	25	38	23	24
Tech Laggards	32	19	(52)	37
Average Age	37	(45)	39	(47)
Have Children	37	38	(44)	(47)
Married	(46)	67	61	75
Attended College	71	77	(48)	69
Median HH Income	($40K)	$59K	($43K)	$68
Spanish-Language	(14)	6	8	5

How Do Paper Filers Differ Across Segments? (Cont'd.)

- They also differ in filing behavior (with both "Simple" segments filing earlier and more likely to get a refund while both "Paid" segments include more V-Coders), and in their awareness and acceptance of *e-file* (with the two "Self" segments having higher interest in and acceptance of *e-file*).

	Self-Simple Paper Filers	Self-Complex Paper Filers	Paid-Simple Paper Filers	Paid-Complex Paper Filers
BASE:	**124**	**151**	**116**	**227**
	%	%	%	%
Noting Only Differences:				
Early-Season Filers	(41)	29	(36)	26
Later-Season Filers	15	(24)	14	(28)
Usually Get A Refund	(75)	64	(73)	59
Usually Have A Bal Due	22	(30)	15	(34)
V-Coders	16	28	(65)	(74)
Unaided Awareness of *e-file*	84	90	(63)	82
Ever Tried *e-file*	36	33	(19)	(24)
Lapsed Users of *e-file*	32	29	(17)	(19)
Would Consider Using *e-file*	73	78	(53)	62
Would Recommend *e-file* To A Friend	56	60	(35)	48
e-file Believers	35	35	(24)	29
e-file Skeptics	65	65	76	71

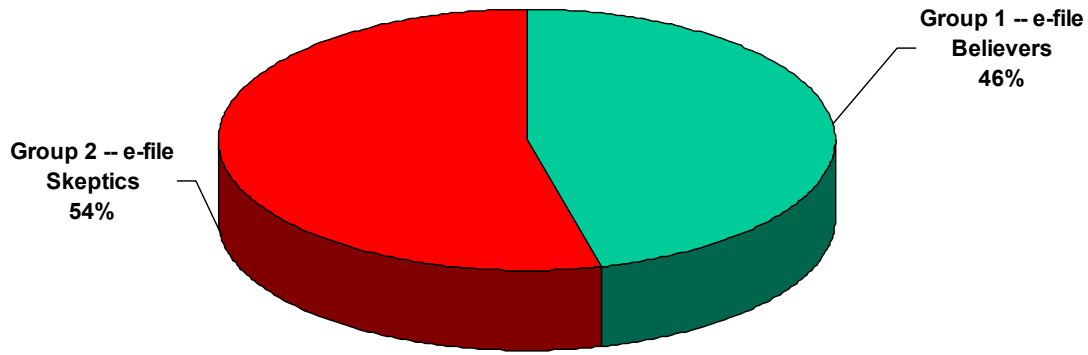
Assessing The Opportunity Among Return Type Segments

- Among the four Return Type Segments, the high opportunity segments would seem to be the two "Self" segments -- Self-Simple and Self-Complex. Why?
  - These segments in total have been slower to adopt e-file (filing data show only 29-32% usage in these two segments vs. 39-56% in the two "Paid" segments)…
  - Even though the Paper filers among them are somewhat more tech-forward and have higher interest in and acceptance of *e-file* than the Paper filers in the two "Paid" segments.
- So why are these two segments not using *e-file* at a higher level? While we do not know the main barriers for Self-Complex (this study is not designed for usage diagnostics), we do have a sense of the barriers among Self-Simple Paper Filers -- from the recent Self-Simple Focus Groups, which showed this sub-group (with no Preparer stimulating familiarity and comfort with paper filing) having a high lack of knowledge of *e-file* benefits and lack of comfort with the *e-filing* process. The fact that cross-linkage of segmentations showed that this group has a high proportion of *e-file Skeptics* (who also do not have strong belief in *e-file* benefits) seems to confirm what we heard in the focus groups.

The *e-file* Attitudinal Segmentation

The *e-file* Attitudinal Segments

- **In one of the new segmentation objectives this year, we wanted to see how Taxpayers segment in terms of their attitudes toward *e-file* and tax filing. To do this, RMR conducted Cluster Analysis on Taxpayers' ratings of their attitudes toward the *e-file* product and tax filing.**
  - After detailed analysis of various groupings and configurations, we concluded that Taxpayers were best split into two camps -- *e-file Believers* and *e-file Skeptics*, as shown below. (Expanding the analysis to 3, 4, or 5 groups yielded only additional shades of "Skeptics", and little differentiation, so we left it at a clear two-group split.)



Attitudes Toward Filing Among *e-file* Attitudinal Segments

- The differences between the two segments on *e-filing* vs. paper filing are stark and highlighted below. Note that they share only one attitude -- "tax filing is something nobody likes, but everyone has to do".

BASE:	***e-file* Believers** **462** %	***e-file* Skeptics** **538** %
Filing taxes is something nobody likes, but everybody has to do	91	93
e-file is an accurate way to file your Federal income taxes	90	49
e-file is a faster way to get your Federal income tax return to the IRS	89	59
e-file is a faster way to get your Federal tax refund [money]	87	49
e-file is a better way to file your Federal income taxes	85	32
e-file is a private and secure way to file Federal income taxes	84	38
e-file is easy to use with little hassle	84	27
e-file provides proof of receipt	83	24
e-file is an inexpensive way to file your Federal income taxes	79	39
The IRS is becoming a friendlier, more helpful government organization	71	50
e-file changes the way you look at the IRS	45	22
Mailing in your Federal tax return is still safer, more reliable	31	68
I'm used to doing my taxes on paper and see no reason to change	18	60

Q20--Agree Completely or Agree Somewhat With Each Statement

Demographic Characteristics Of *e-file* Attitudinal Segments

- There are also differences in the demographic characteristics of these two groups, with the *e-file Believers* being higher income, higher educated and somewhat more likely to have larger households and more children than the *e-file Skeptics*.

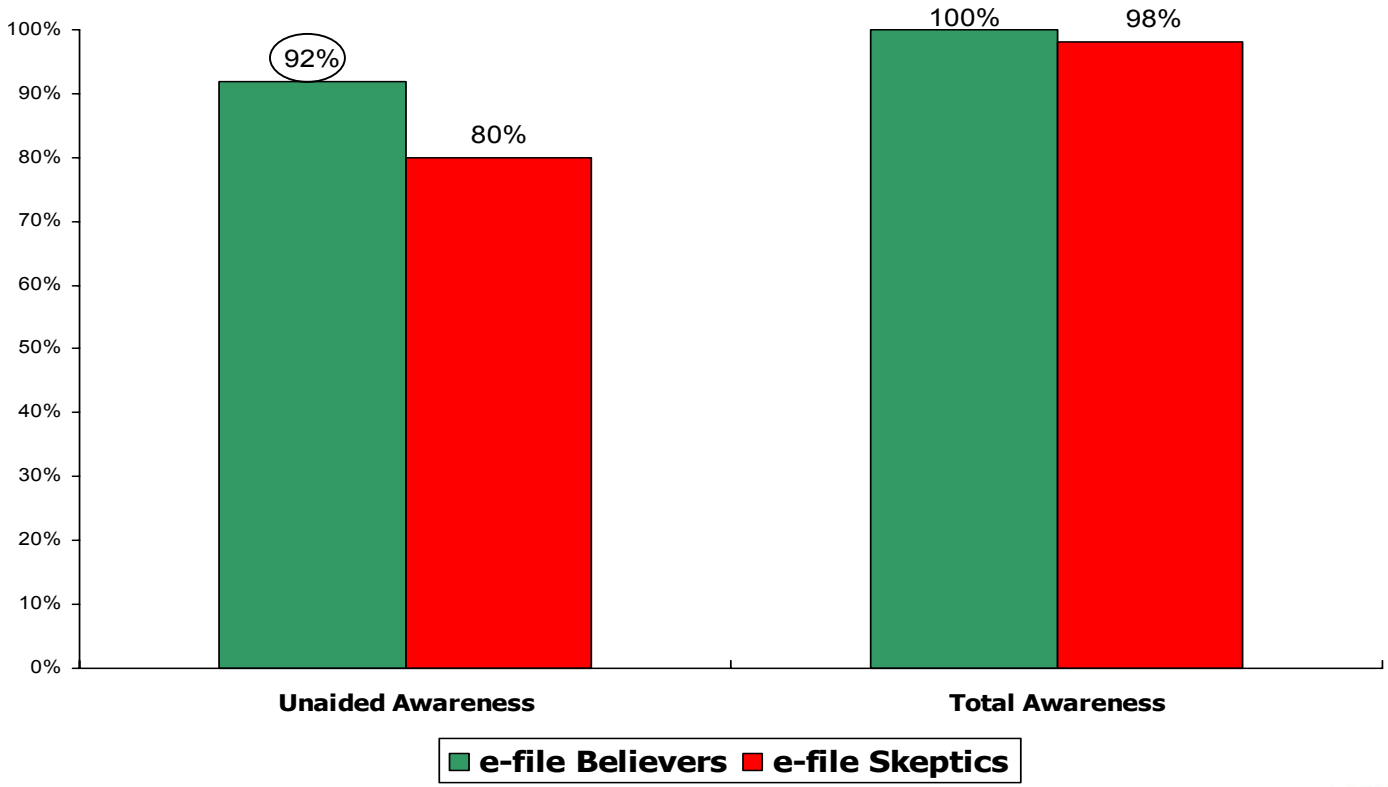
BASE:	*e-file* Believers 462 %	*e-file* Skeptics 538 %
QA--Gender		
Male	48	50
Female	52	50
QB--Average Age	40	43
Q15--% Married	58	62
Q13--Average HH Size	2.9	2.7
Q14--% With Children	47	41
Q17--Median HH Income (000)	$55.6	$50.7
Q27 – % With College Education	71	61
% Who Are Spanish-Language Taxpayers	8	8

Other Analysis Of The *e-file* Attitudinal Segments

- In the other analysis of the two *e-file* Attitudinal Segments, we again focus on:
  - The levels of awareness, usage (*e-file* experience), and consideration of *e-file* products among *Believers* and *Skeptics*.
  - And how the two segments relate to each of the other segmentation analyses:
    - Technology Acceptance
    - Return Type
    - And Filing Behavior

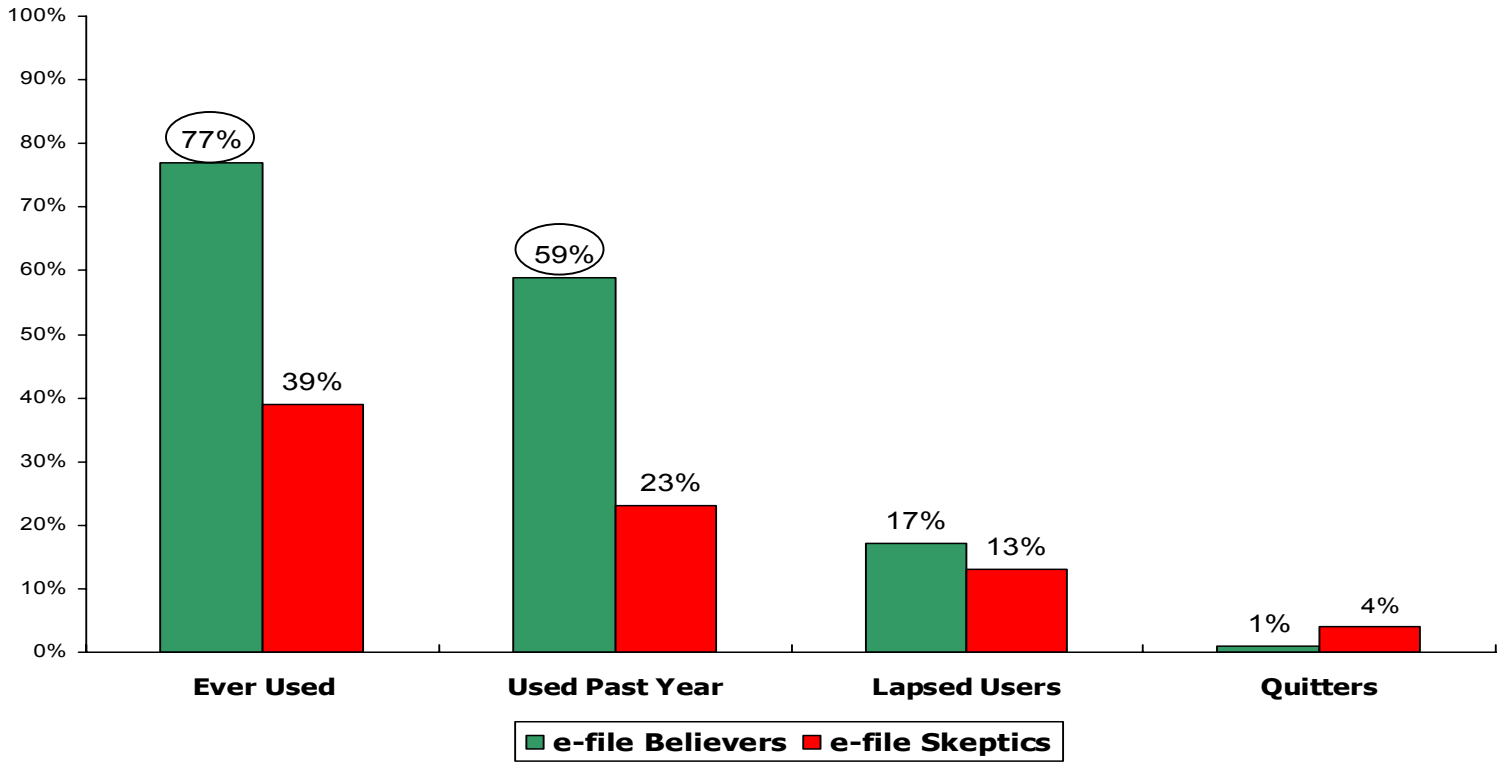
e-file Awareness Among The *e-file* Attitudinal Segments

- We found that, in addition to differing in disposition toward *e-file*, the two groups differ in their awareness of *e-file*, with the *Believers* having significantly higher unaided awareness of the product to begin with.



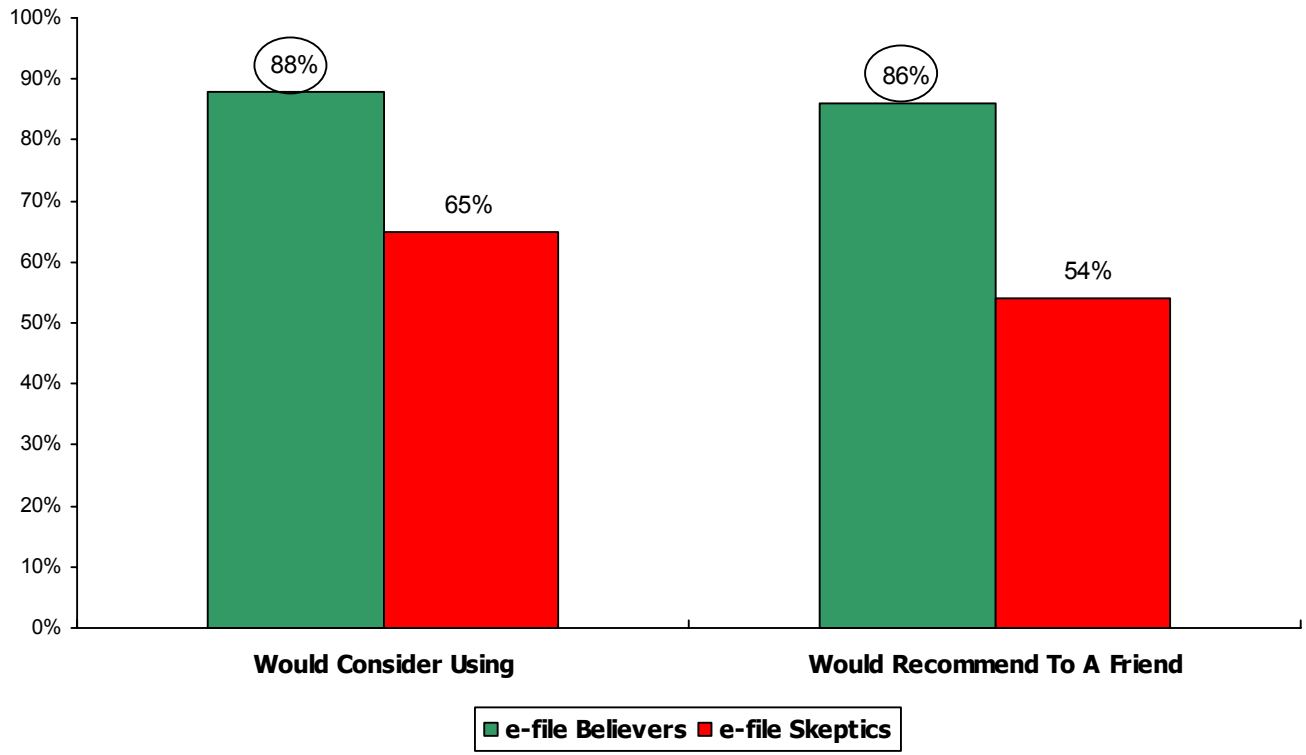
e-file Experience Among The *e-file* Attitudinal Segments

- As might be expected, the *e-file Believers* have had far greater experience with *e-file* -- being higher in trial and past-year usage, though not substantially different from Skeptics in terms of lapsed users or quitters.



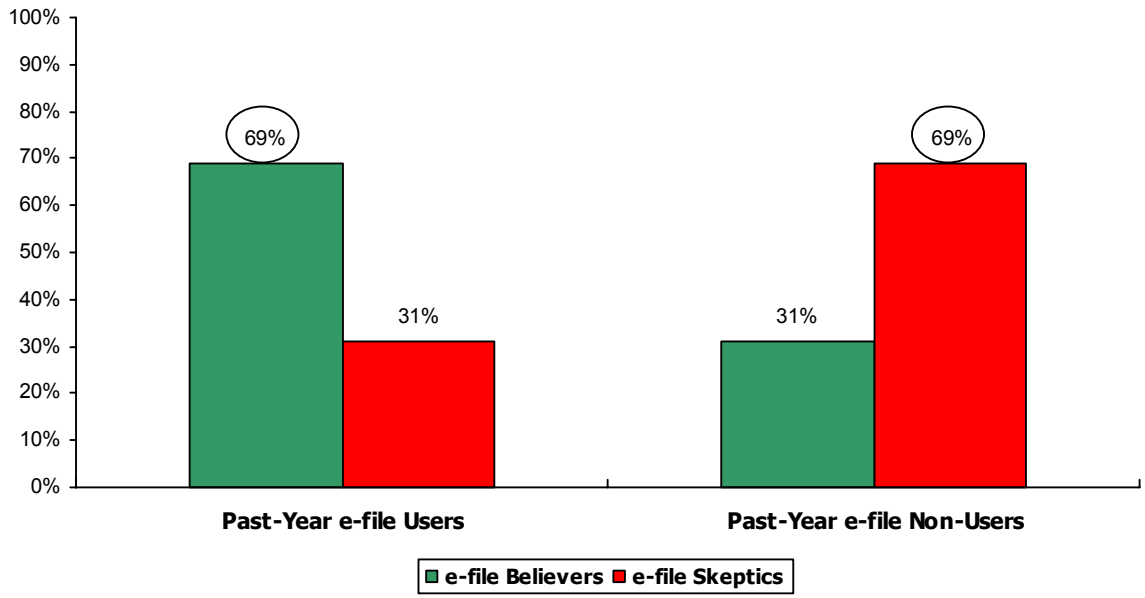
Segment Consideration & Recommendation Of *e-file*

- And it is not surprising to find that both consideration of use and potential recommendation of *e-file* are higher among the *Believers*.



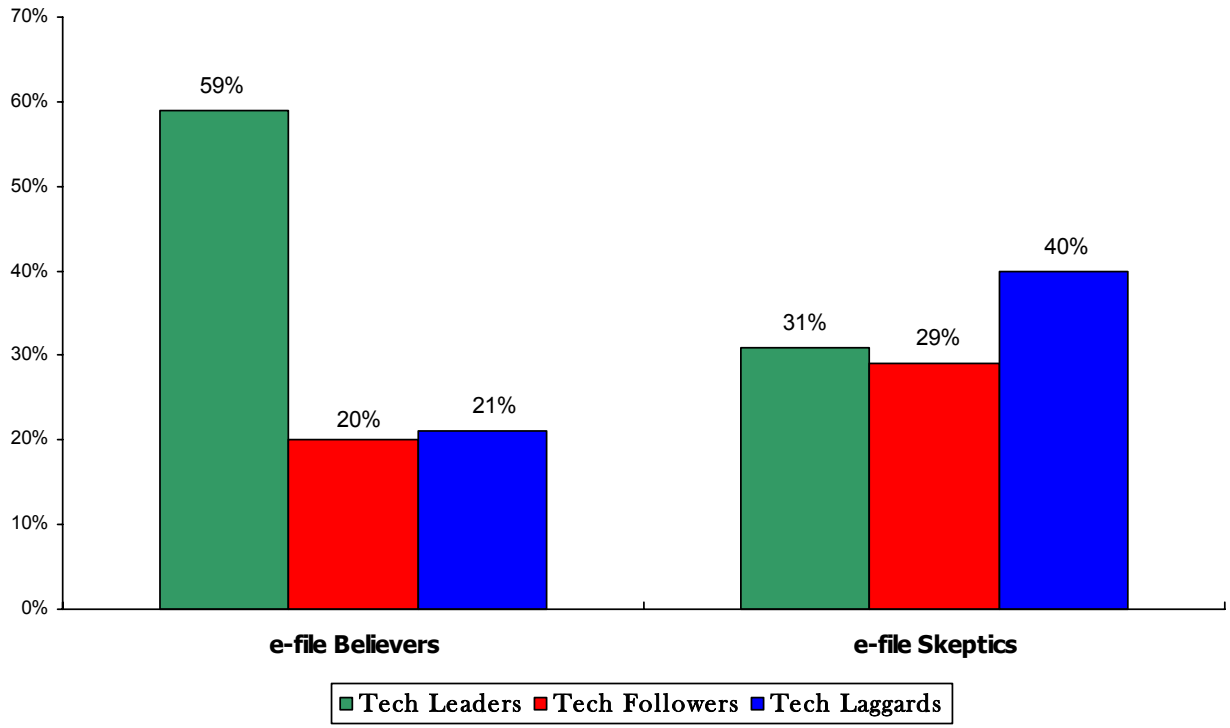
Belief & Skepticism About *e-file* Among Users & Non-Users

- Another interesting way to look at belief in vs. skepticism about *e-file* is to look at the presence of each *e-file* mindset among actual past-year Users and Non-Users of *e-file*. What we find is the vast majority of Users are Believers while the exact reverse is true of Non-Users, where the vast majority are Skeptics. But, this also says that one does not have to be a Believer to use *e-file* -- in line with the overall technology trend that we saw earlier (where usage of technology was outpacing acceptance of technology).



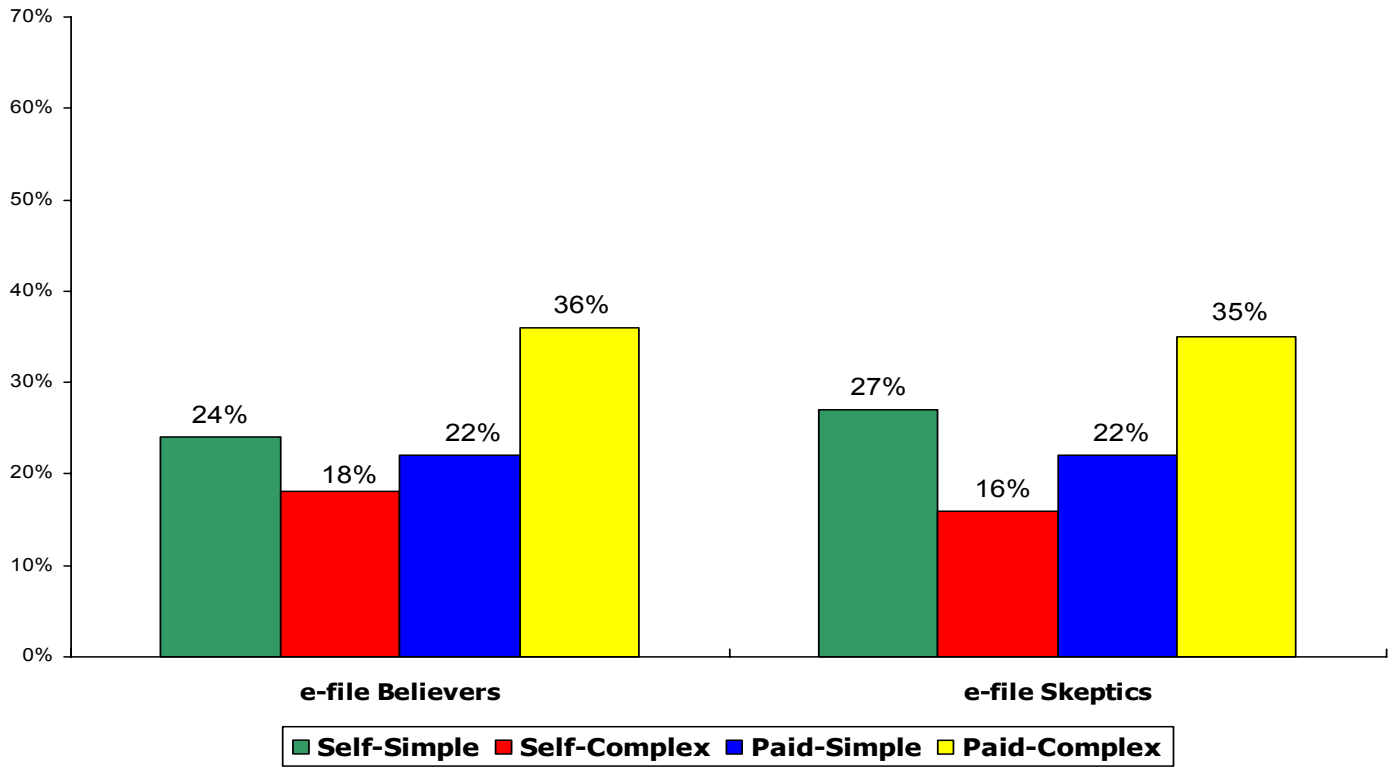
Technology Acceptance Among *e-file* Attitudinal Segments

- Linking the Technology Acceptance Segments to the two *e-file* Attitudinal Segments, we see that the *Believers* are dominantly *Tech Leaders*, while the *Skeptics* are a mix of the three tech segments -- though skewed somewhat toward *Tech Laggards*.



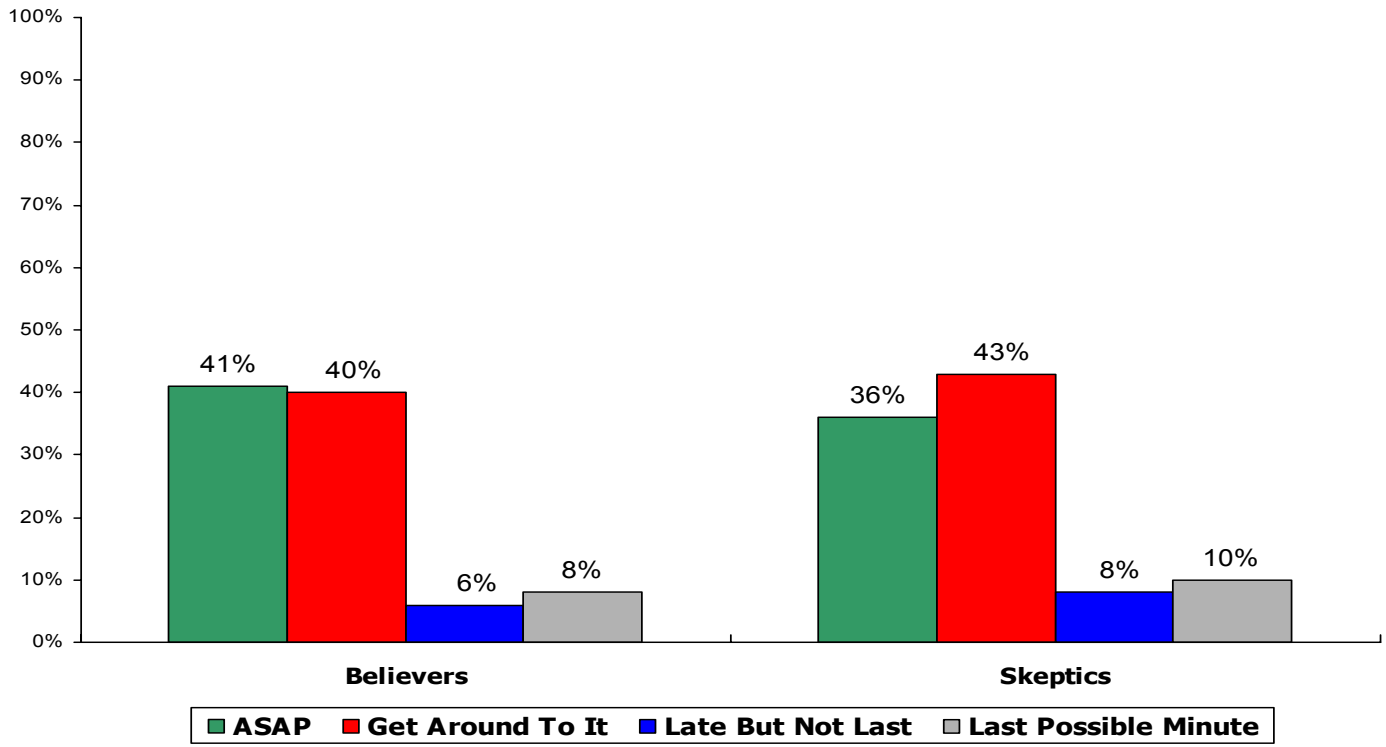
Return Type Of The *e-file* Attitudinal Segments

- There are no substantial differences in how the two *e-file* Attitudinal Segments relate to the four Return Type Segments.



Filing Behavior Among *e-file* Attitudinal Segments

- And there are no clear differences in how the two *e-file* Attitudinal segments related to the four Filing Behavior Segments.



What Is The Opportunity Among These Segments?

- **With past-year usage of *e-file* among the *Believers* segment already quite high (60% vs. the 39% national filing figure for 2002), the clear opportunity coming out of this segmentation is to increase awareness, and specifically awareness of *e-file* benefits, among the *Skeptic* segment.**

- **This group has both lower unaided awareness of *e-file* than found among *Believers* and sharply lower awareness of *e-file* benefits.**

  - Only 80% were aware of *e-file* without prompting.

  - And only 23% said they used *e-file* in the past year -- even though 65% of them said they would consider using it.

  - Why don't they use it? They don't believe in it. This segment has levels of belief in *e-file* benefits that are sometimes only one-third to one-half that of the *e-file Believers*.

    - And while we learned (from the chart showing Belief vs. Skepticism among Users and Non-Users) that one does not necessarily <u>have</u> to believe in *e-file* benefits to use it, the clear tendency among Users <u>is to believe in its benefits</u> while the clear tendency among Non-Users <u>is to be skeptical</u> about it.

The

Filing Behavior

Segmentation

The Filing Behavior Segments

- **Another new objective for this year's study was to segment Taxpayers based upon their filing behavior -- i.e., when they file and why.**
  - The "when" question was asked two ways -- both in terms of:
    - What is the general filing stimulus? (Do you file…*as soon as you get your W-2 forms*, *when you get around to it*, *as late as possible during tax season*, and *wait until the last possible minute*?)
    - And what is the specific time period? (*January*, *February*, *March*, *April Before The 15th*, and *After April 15th*).
  - Taxpayers were then asked for their reasons for filing at that time.

Main Motivation For Filing Behavior

- As shown below, there was a strong correlation between general stimulus to filing and the specific time frame -- e.g., Taxpayers who say they file "as soon as I get my W-2" are likely filing in February or even January, while those who say they "file at the last possible minute" are likely to be filing April 1-15 or beyond.

	As Soon As I Get My W-2	When I Get Around To It	Late As Possible But Not Last Minute	At The Last Possible Minute
BASE:	**371**	**418**	**81**	**95**
	%	%	%	%
WHEN FILE:				
January	21	1	0	0
February	74	39	4	0
March	4	43	30	4
April 1-15	1	12	61	72
After April 15th	0	0	4	23
Varies/Can't Recall	0	5	1	1

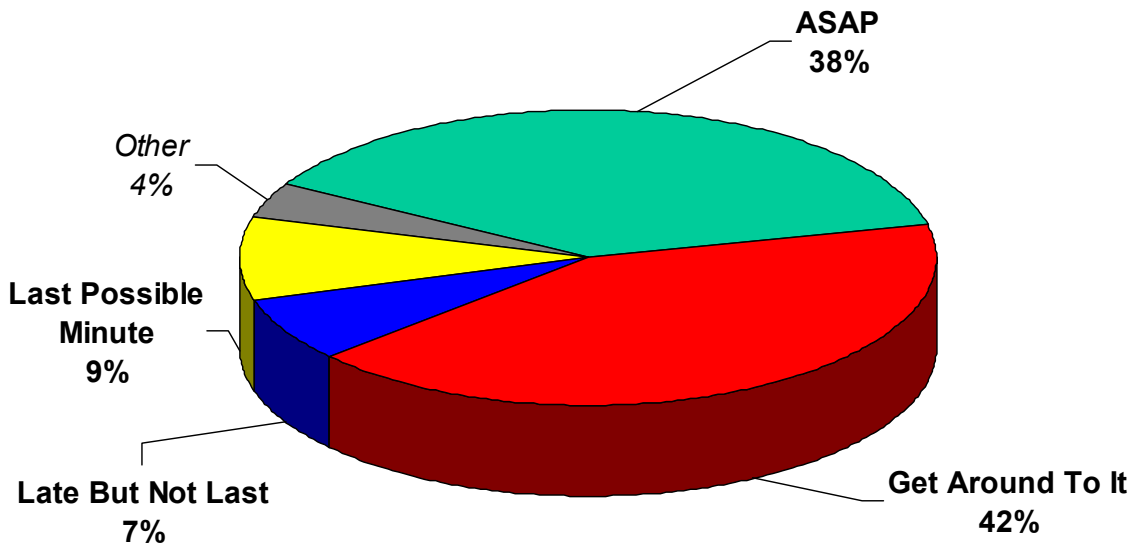
Main Motivation For Filing Behavior

- So we looked at reasons for filing at each of the stimulus points and found that there were clusters of responses that explained why Taxpayers file at each point. Seeing this, we concluded that Taxpayers could be segmented on Filing Behavior by simply looking at the four stimulus points and that these points best represent mindsets toward tax filing.

	As Soon As I Get My W-2	When I Get Around To It	Late As Possible But Not Last Minute	At The Last Possible Minute
BASE:	**371**	**418**	**81**	**95**
	%	%	%	%
MAIN MOTIVATION FOR FILING THEN:				
Like To Get It Done & Over With As Soon As Possible	56	8	0	0
Usually Get A Refund & Like To Get My Money Back ASAP	28	6	0	0
I'm Pretty Busy, So I Get To It When I Can	2	36	22	16
It All Depends On When I Can See My Preparer	2	17	9	7
I'm A Procrastinator, Always Do Things At The Last Minute	0	4	15	23
Usually Owe The IRS Money So I Wait Until Late In Season	0	3	27	31
Have To Wait For Paperwork	6	12	10	5

The Filing Behavior Segments

- Each stimulus point was then re-named/re-labeled to allow as easy reference as possible when discussing them. Following are the labels/names applied and the proportions of Taxpayers in each group. Note: those who said their timing "varies" or could not recall timing were treated as "others" or outliers and have not been included in the analyses that follow.



Characteristics Of Filing Behavior Segments

- Their demographics show us that ***ASAPs*** skew toward younger females with lower incomes and education; ***Get Around To It*** are fairly typical though with a higher proportion of Spanish-Language Taxpayers; ***Late But Not Last*** are more likely to be older males, married with higher income; and the ***Last Possible Minute*** filers skew slightly female, older with children, well educated, and also with a higher than usual proportion of Spanish-Language Taxpayers. In terms of type of tax return, we see more Balance Due and fewer Refunds the later the filing segment.

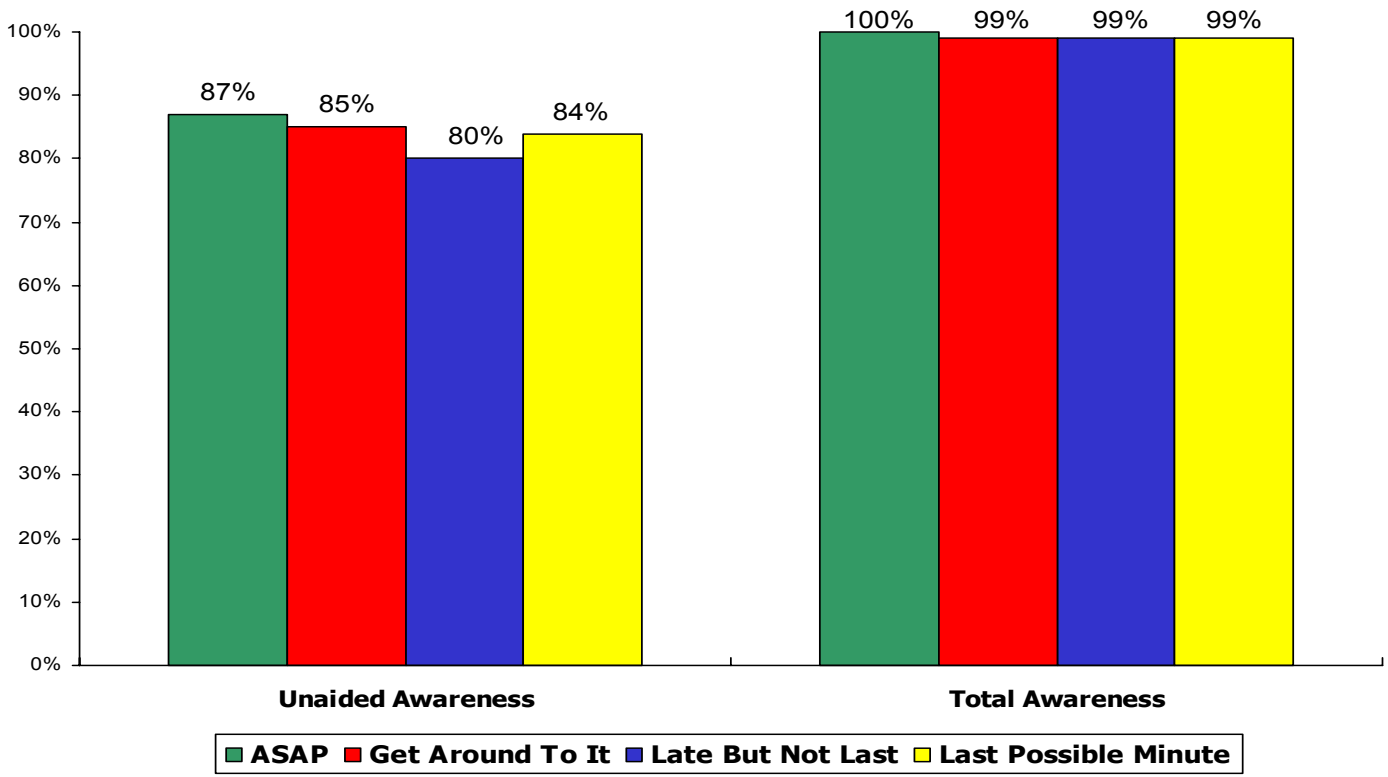
BASE:	ASAP 371 %	Get Around To It 418 %	Late But Not Last 81 %	Last Possible Minute 95 %
QA--Gender				
Male	44	52	(62)	46
Female	(56)	48	38	54
QB--Average Age	(39)	41	(46)	(45)
Q15--% Who Are Married	55	62	(73)	57
Q13--Average HH Size	2.8	2.8	3.0	2.8
Q14--% With Children	46	42	41	(49)
Q17--Median HH Income (000)	($44.4)	$56.5	($68.8)	$62.4
Q27 – % With College Education	(58)	68	75	(82)
% Who Are Spanish-Language Taxpayers	5	(10)	4	(11)
% With Balance-Due Returns	9	21	37	(51)
% With Refunds	(88)	(72)	54	42

Other Analysis Of The Filing Behavior Segments

- In the other analysis of the four Filing Behavior Segments, we also focus on:
  - The levels of awareness, usage (*e-file* experience), and consideration of *e-file* products across these segments.
  - And how the segments relate to each of the other segmentation analyses:
    - Technology Acceptance
    - Return Type
    - *e-file* Attitudes

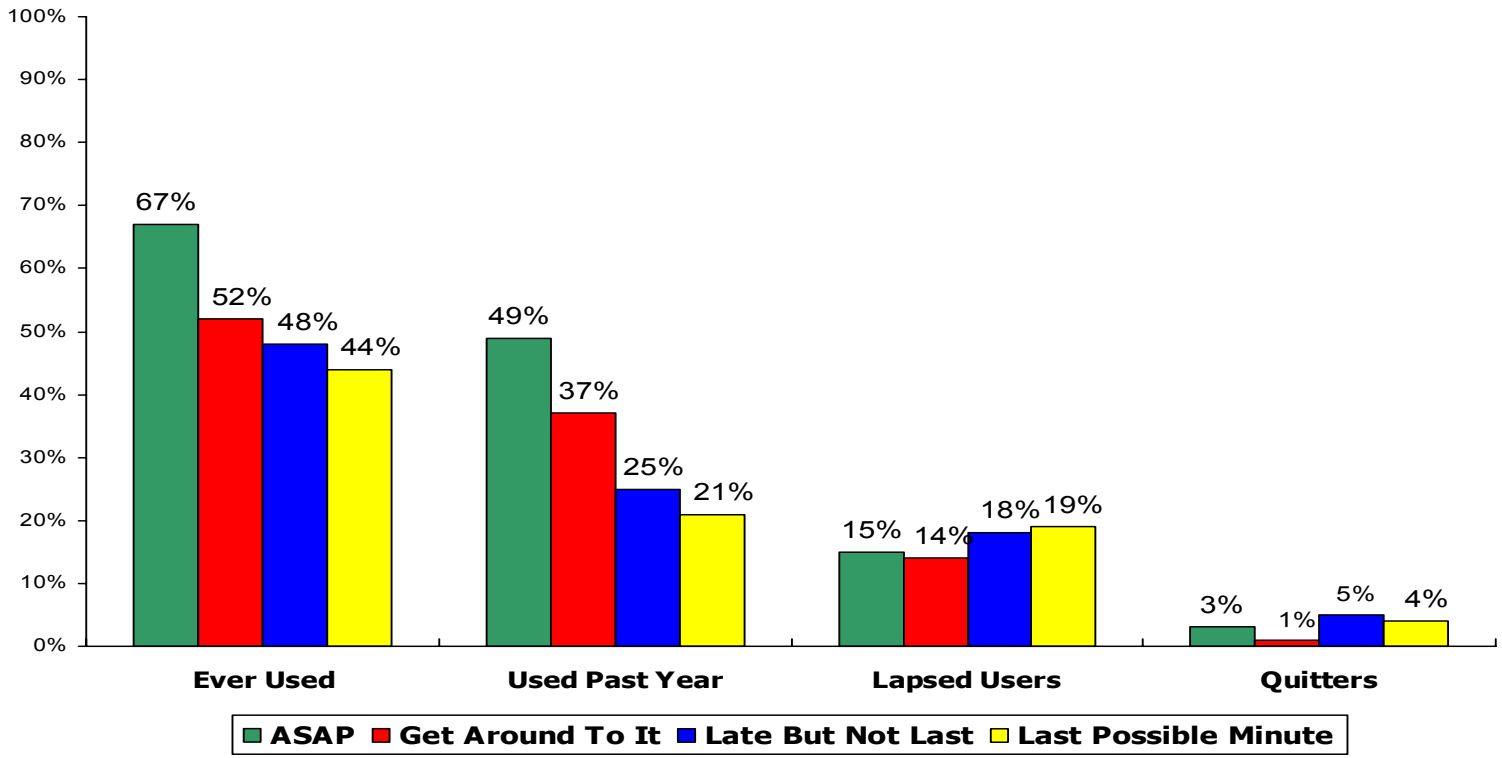
e-file Awareness Among The Filing Behavior Segments

- There are no strong differences in levels of awareness of *e-file* across these four segments.



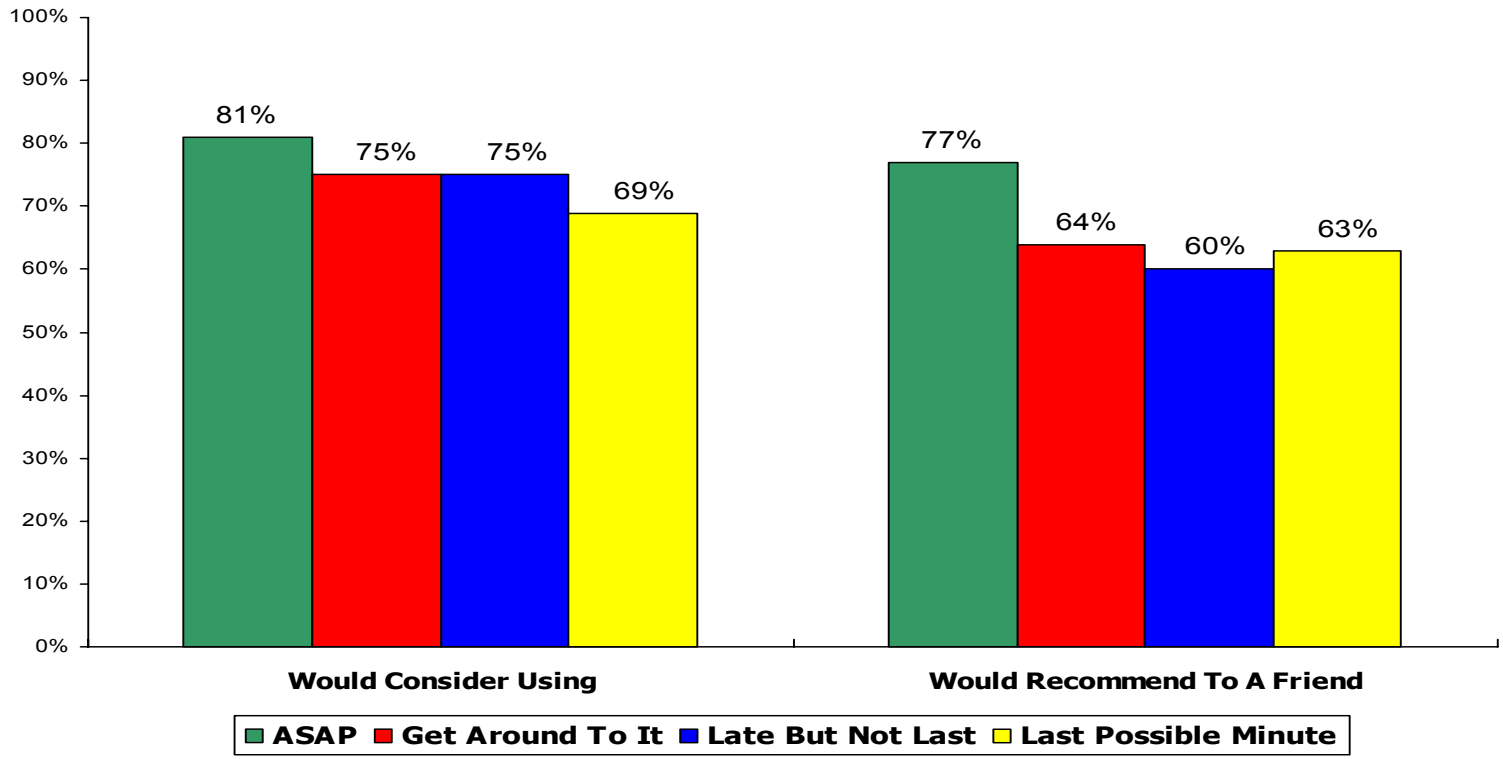
e-file Experience Among The Filing Behavior Segments

- There is a correlation of earlier, more eager filing with greater trial and usage of *e-file*. The data below show a pattern of higher trial and usage among the *ASAPs* and then the *Get Around To It*, with clearly lower trial and usage (and higher *e-file* lapsed usage and quitting) among *Late But Not Last* and *Last Possible Minute* filers.



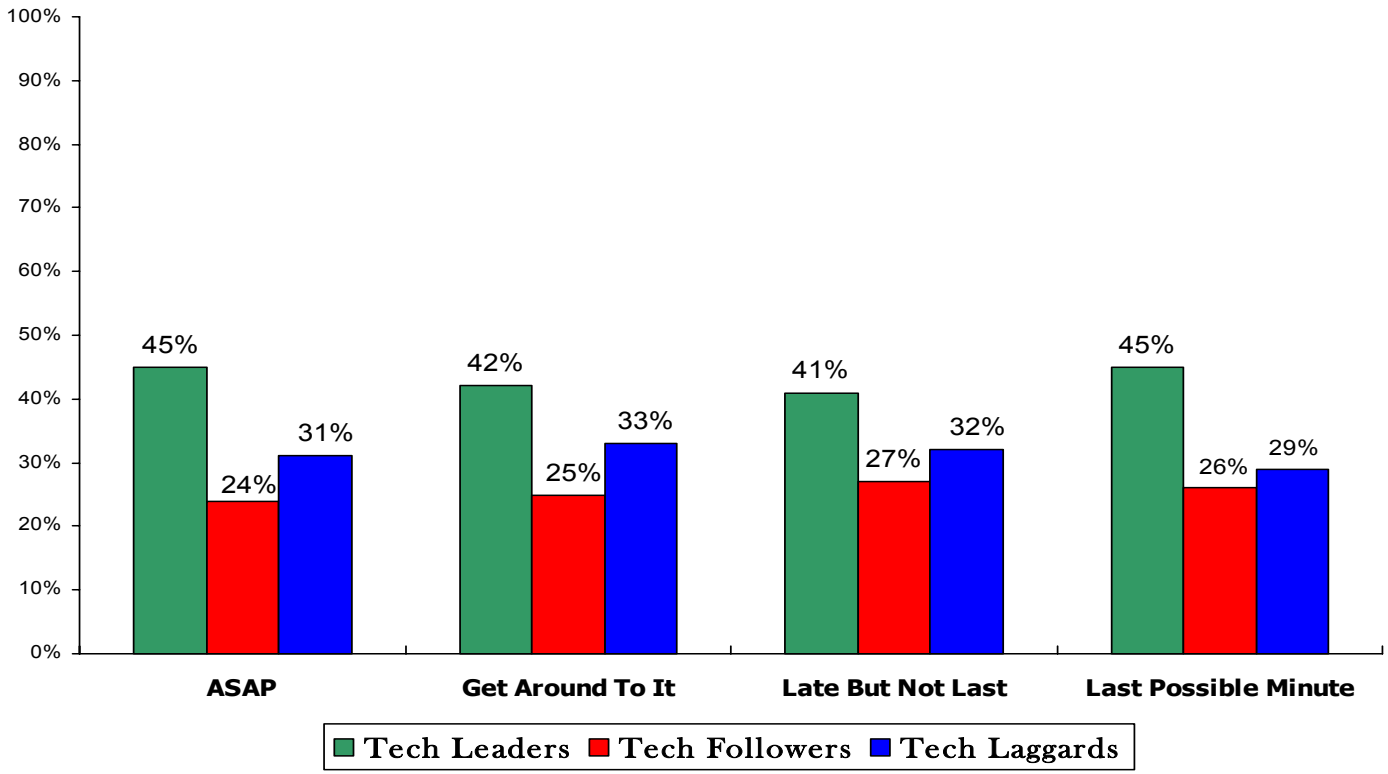
Usage/Consideration Among Filing Behavior Segments

- The earliest, most eager filers (ASAPs) also have higher consideration and recommendation of *e-file* than the other segments.



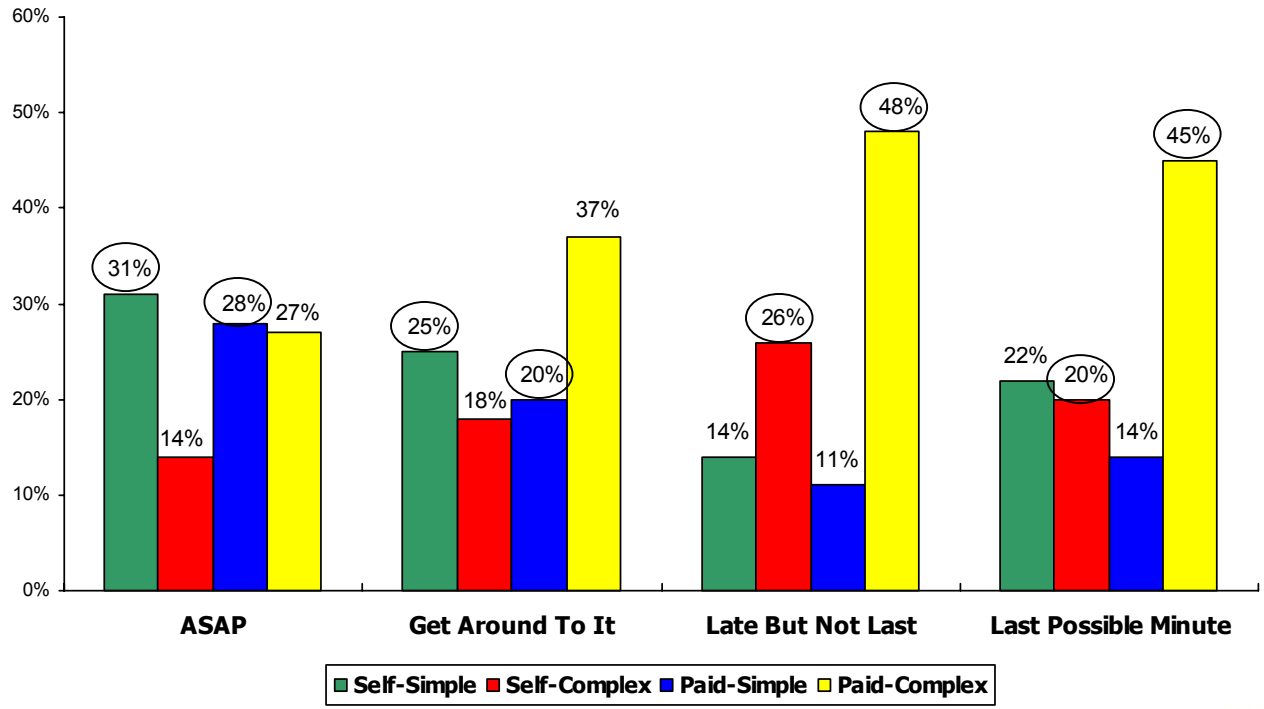
Technology Acceptance Among Filing Behavior Segments

- Linking the Tech Acceptance segmentation to this one, we see no substantial differences in tech acceptance mindsets across the four Filing Behavior Segments.



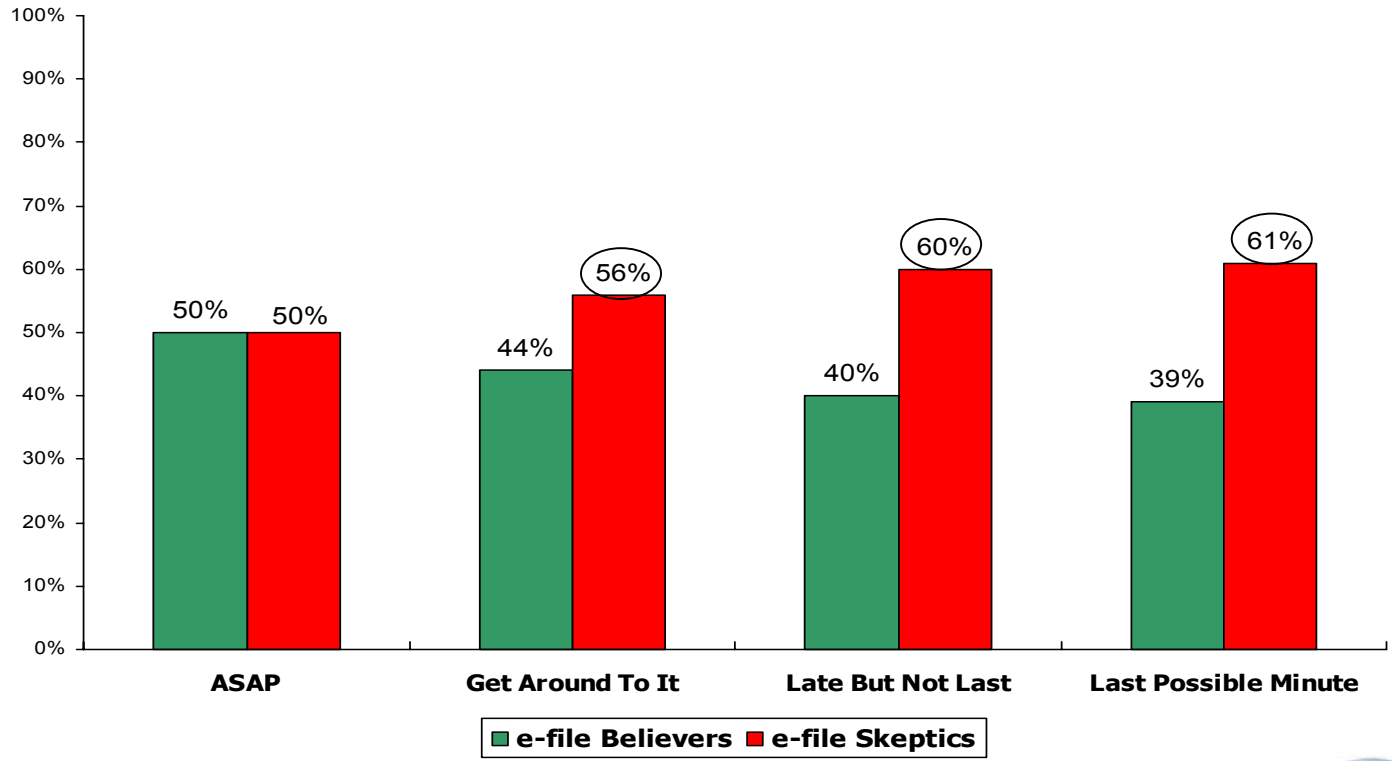
Return Type Of The Filing Behavior Segments

- However, linking the Return Type Segments to these, we do see clear differences -- with the earlier filers (*ASAP* and *Get Around To It*) having higher proportions of Simple returns while the later filers (*Late But Not Last* and *Last Possible Minute*) have higher proportions of Complex returns (especially Paid-Complex Returns).



e-file Attitudes Among The Filing Behavior Segments

- Finally, linkage of the two *e-file* Attitudinal Segments with the four Filing Behavior groups shows that *ASAPs* split evenly between *e-file Believers* and *Skeptics*, while the other three Filing Behavior segments skew toward *Skeptics*.



What Is The Opportunity Among These Segments?

- **Results of the Filing Behavior segmentation indicate that there may be an opportunity among the three later filer segments -- specifically, those filing in March or later (***Get Around To It*, *Late But Not Last*, and *Last Possible Minute*).**

- **These three groups (which account for 58% of all Taxpayers)…**

  - Have significantly lower *e-file* usage (21-37%) than earlier filers (at 49%) -- even though about 70% or more of them say they would consider *e-filing*.

  - Why don't they? Not because of lack of tech acceptance -- they have about as many *Tech Leaders* among them as the earlier filers. And, for most, it is not because they have a Balance Due and perceive *e-file* as being for people getting Refunds – on average across the 3 opportunity segments here, 65% got a refund in 2002.

  - Instead, it seems to be linked to Return Type -- each of these groups skew toward Complex returns (55-70% in each group) and, for many, it may be a matter of putting off an unpleasant task (about 40% of each group say they are "busy" or they "procrastinate"). Communications addressing these reasons for later filing as well as the benefits of *e-file* might be helpful in converting these late filers.

Other Special Segments

Spanish-Language Taxpayers

Spanish-Language Taxpayers

- For the first time during the Taxpayer Attitudinal tracking program, a cell of Spanish-Language Taxpayers was added to the sample (via augments of those occurring naturally in the Taxpayer random sample) to allow analysis of this part of the emerging Hispanic target audience. In analysis of this segment, we focus on their demographics as well as their:
  - Levels of awareness, usage (*e-file* experience), and consideration of *e-file* products among this group.
  - And how this segment relates to each of the other segmentation analyses:
    - Technology Acceptance
    - Return Type
    - *e-file* Attitudes
    - And Filing Behavior

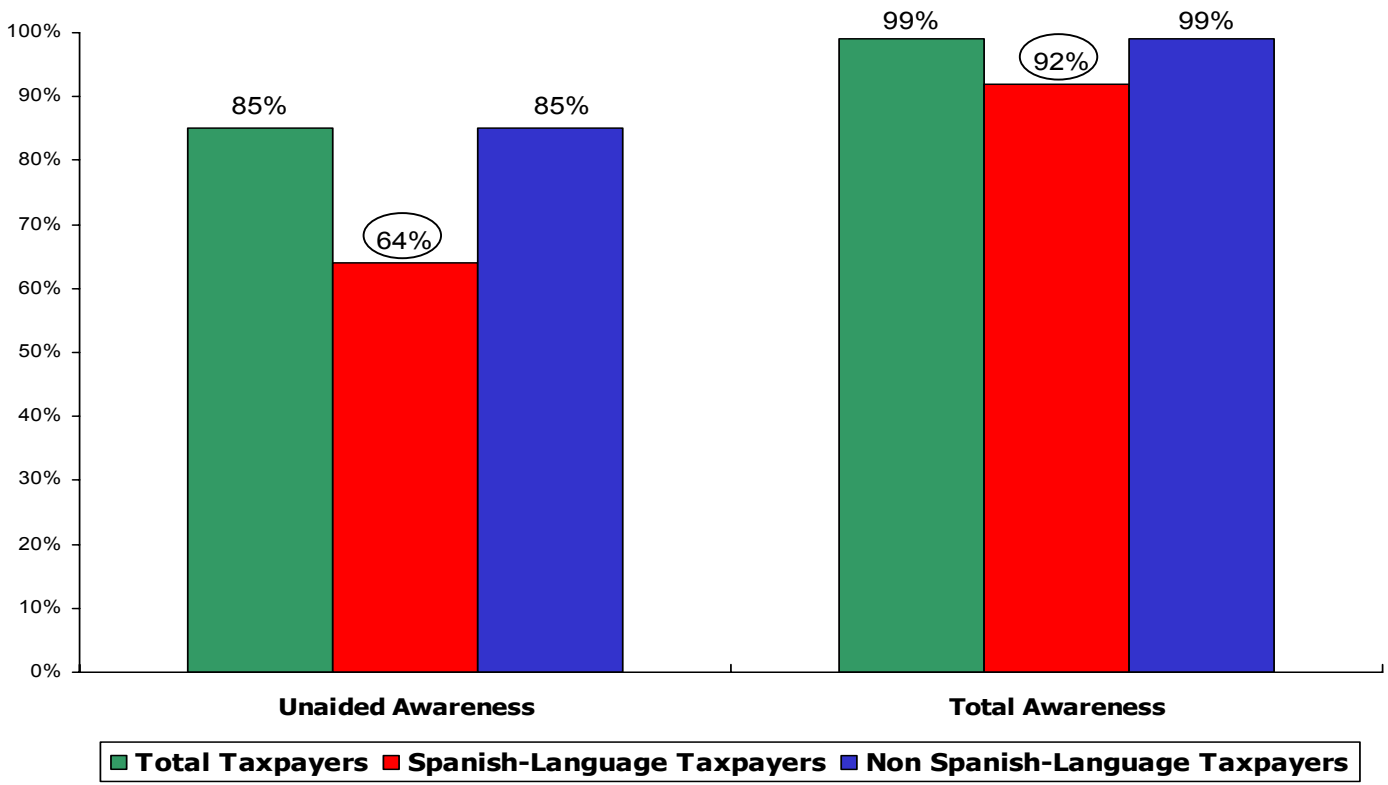
Demographic Characteristics Of Spanish-Language Taxpayers

- As might be expected from recent Census data and extensive media focus on the growth of the Hispanic market, Spanish-Language Taxpayers have a significantly different demographic profile from other Taxpayers -- this segment is younger, has more children and larger HH sizes, and has far lower income and education level.

BASE:	Total Taxpayers 1000 %	Spanish-Language Taxpayers 200 %	Non Spanish-Language Taxpayers 962 %
QA--Gender			
Male	49	50	49
Female	51	50	51
QB--Average Age	41	37	41
Q15--% Married	60	56	60
Q13--Average HH Size	2.8	3.7	2.8
Q14--% With Children	44	64	44
Q17--Median HH Income (000)	$52.9	$28.9	$53.7
Q27 – % With College Education	66	42	66

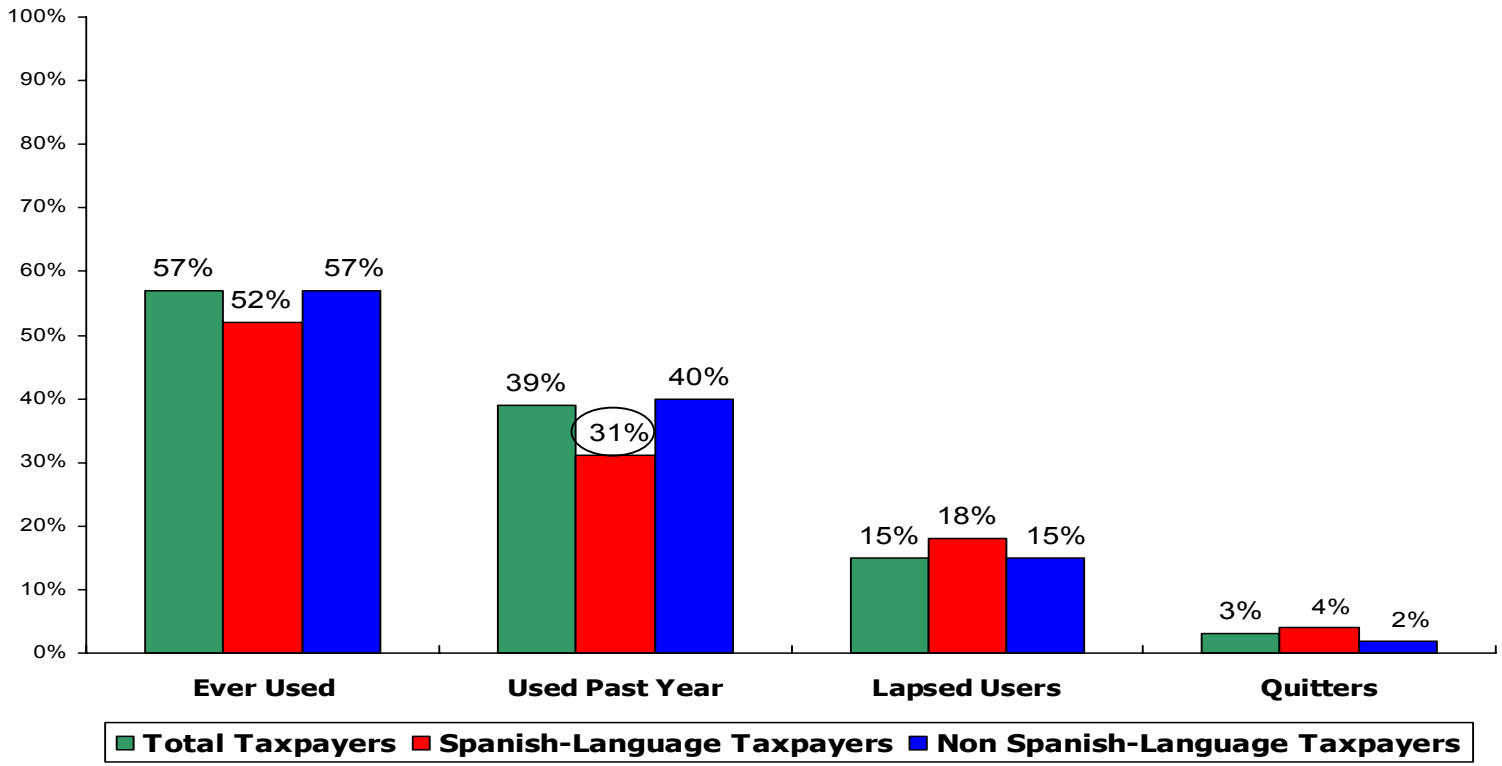
Awareness Of *e-file* Among Spanish-Language Taxpayers

- In the awareness measures, we found that Spanish-Language Taxpayers have significantly lower levels of both unaided and total awareness of *e-file.*



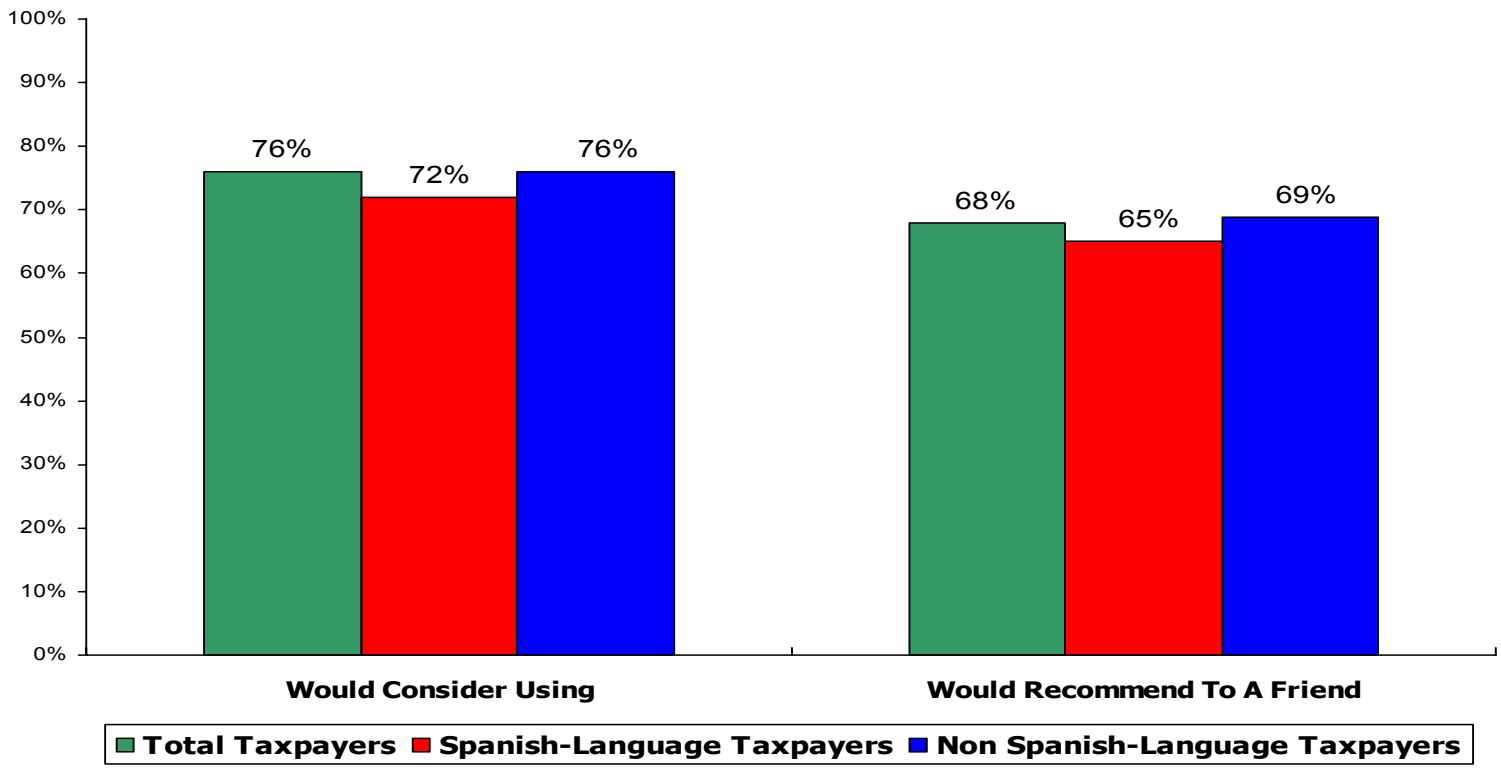
e-file Experience Among Spanish-Language Taxpayers

- They are also significantly less likely than other Taxpayers to try and use *e-file*, and statistically similar to other Taxpayers in terms of lapsed usage and quitting *e-file*.



Consideration & Recommendation Of *e-file*

- However, their levels of consideration and recommendation of *e-file* are only slightly (but not significantly) lower than the rest of the Taxpayer population.



Spanish-Language Taxpayers vs. Other Segments

- As shown in the next table, RMR analyzed Spanish-Language Taxpayers against all of the other segmentation data captured in this study and found that this segment differed from other Taxpayers only in terms of Tech Acceptance and Return Type:
  - In Tech Acceptance, Spanish-Language Taxpayers are far more likely to be *Tech Laggards* and far less likely to be *Tech Followers* or *Tech Leaders*.
  - In Return Type, Spanish-Language Taxpayers skew strongly toward Paid-Simple and away from all other Return Types, especially Self-Complex and Paid-Complex.

Spanish-Language Taxpayers vs. Other Segments (Cont'd.)

BASE:	Total Taxpayers 1000 %	Spanish-Language Taxpayers 200 %	Non Spanish-Language Taxpayers 962 %
Tech Acceptance Segments			
Tech Leader	44	36	44
Tech Follower	25	8	25
Tech Laggard	31	56	31
Return Type Segments			
Self-Simple	26	18	25
Self-Complex	17	6	17
Paid-Simple	22	53	22
Paid-Complex	35	23	36
e-file Attitudinal Segments			
e-file Believers	46	49	46
e-file Skeptics	54	51	54
Filing Behavior Segments			
As Soon As Possible	38	44	39
When I Get To It	42	47	41
Late, But Not Last Minute	7	5	8
Last Possible Minute	9	4	9
V-Coders	29	24	29

What Is The Opportunity In This Segment?

- **Over half of the Spanish-Language segment are Paid-Simple filers. That alone should make them strong candidates for *e-file* (with Paid-Simples having the highest level of use *e-file* of all Return Types -- 53%). Yet, the Spanish-Language segment is *e-filing* at just the 31% level. So why aren't more of this group *e-filing?***

  - We looked at technology acceptance to see if that was the problem. We found that, while they are heavily skewed toward *Tech Laggard* influences, this does not seem to affect their attitudes toward *e-file*, with this segment having equal proportions of *e-file Believers* and *Skeptics* (or about the same as that of the total Taxpayer sample).

  - We also looked at their income and their perceptions of *e-file's* cost. Even though they are far lower than other Taxpayers in HH income, they do not seem to perceive *e-file* as more expensive than other filing methods.

  - So, what is the problem? It may be simply lack of awareness -- only 64% are aware of *e-file* voluntarily (without prompting) vs. 85% among non-Spanish Language Taxpayers. The IRS's new communications focus on this segment should help correct this problem.

V-Coders

V-Coders

- Taxpayers who said that their return was prepared on a computer and then mailed in to the IRS -- **V-Coders** -- were separated out from other Taxpayers in the random sample (along with **Non V-Coding Paper Filers** and **Current/Past-Year *e-file* Users**) and analyzed for their demographics as well as their:
  - Levels of awareness, usage (*e-file* experience), and consideration of *e-file* products.
  - And their relationship to each of the other segmentation analyses conducted here:
    - Technology Acceptance
    - Return Type
    - *e-file* Attitudes
    - And Filing Behavior

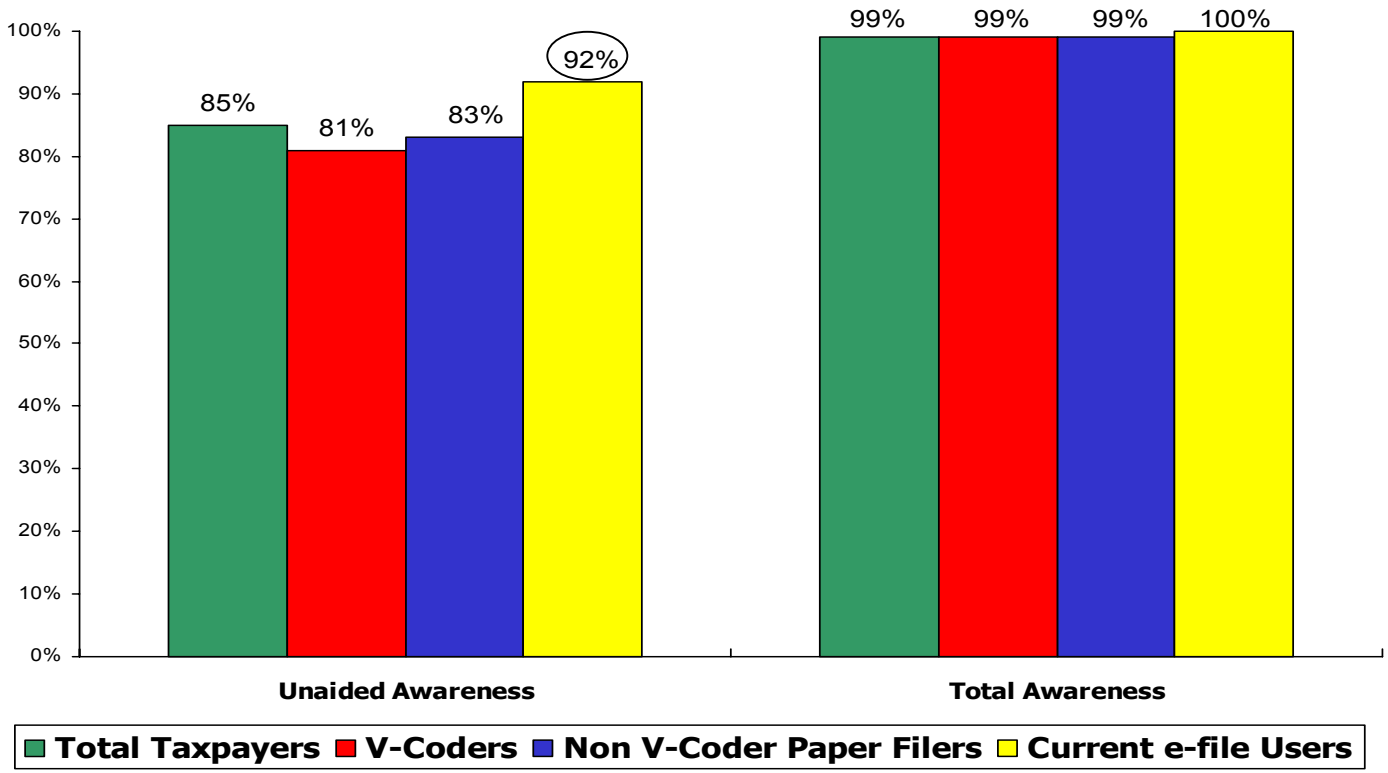
Demographic Characteristics Of V-Coders

- Demographically, V-Coders differ from Non V-Coding Paper Filers and other Taxpayers mainly in that they are older, more likely to be married, and have notably higher incomes.

BASE:	Total Taxpayers 1000 %	V-Coders 310 %	Non V-Coder Paper Filers 266 %	Current *e-file* Users 370 %
QA--Gender				
Male	49	52	46	49
Female	51	48	54	51
QB--Average Age	41	(44)	41	39
Q15--% Married	60	(72)	53	56
Q13--Average HH Size	2.8	2.9	2.7	2.8
Q14--% With Children	44	47	37	47
Q17--Median HH Income (000)	$52.9	($59.9)	$49.1	$49.9
Q27 – % With College Education	66	68	68	63

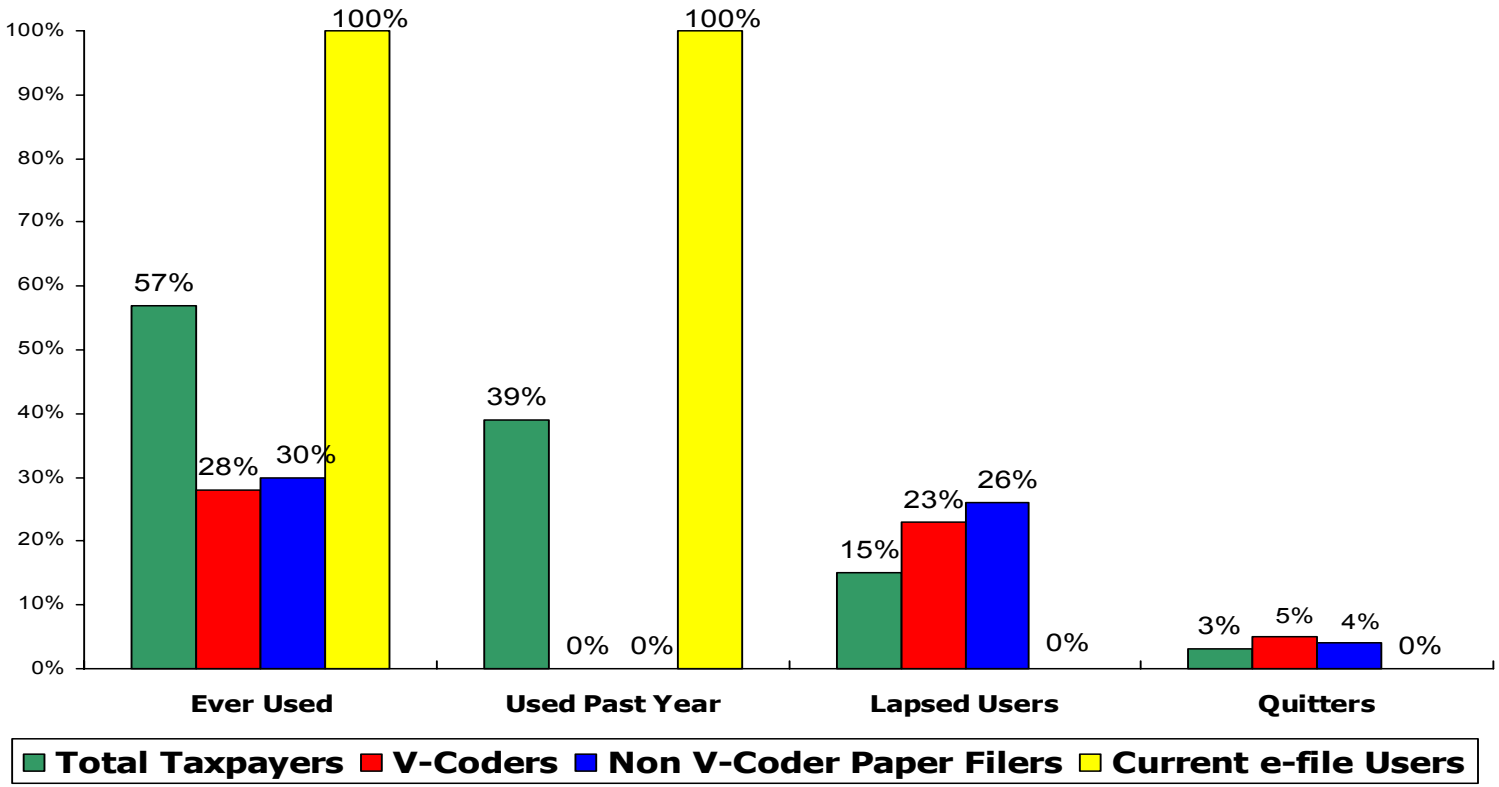
Awareness of *e-file* Among V-Coders

- The awareness data shows that V-Coders have only slightly lower unaided awareness of *e-file* than Non V-Coding Paper Filers, but significantly lower awareness than Current *e-file* Users.



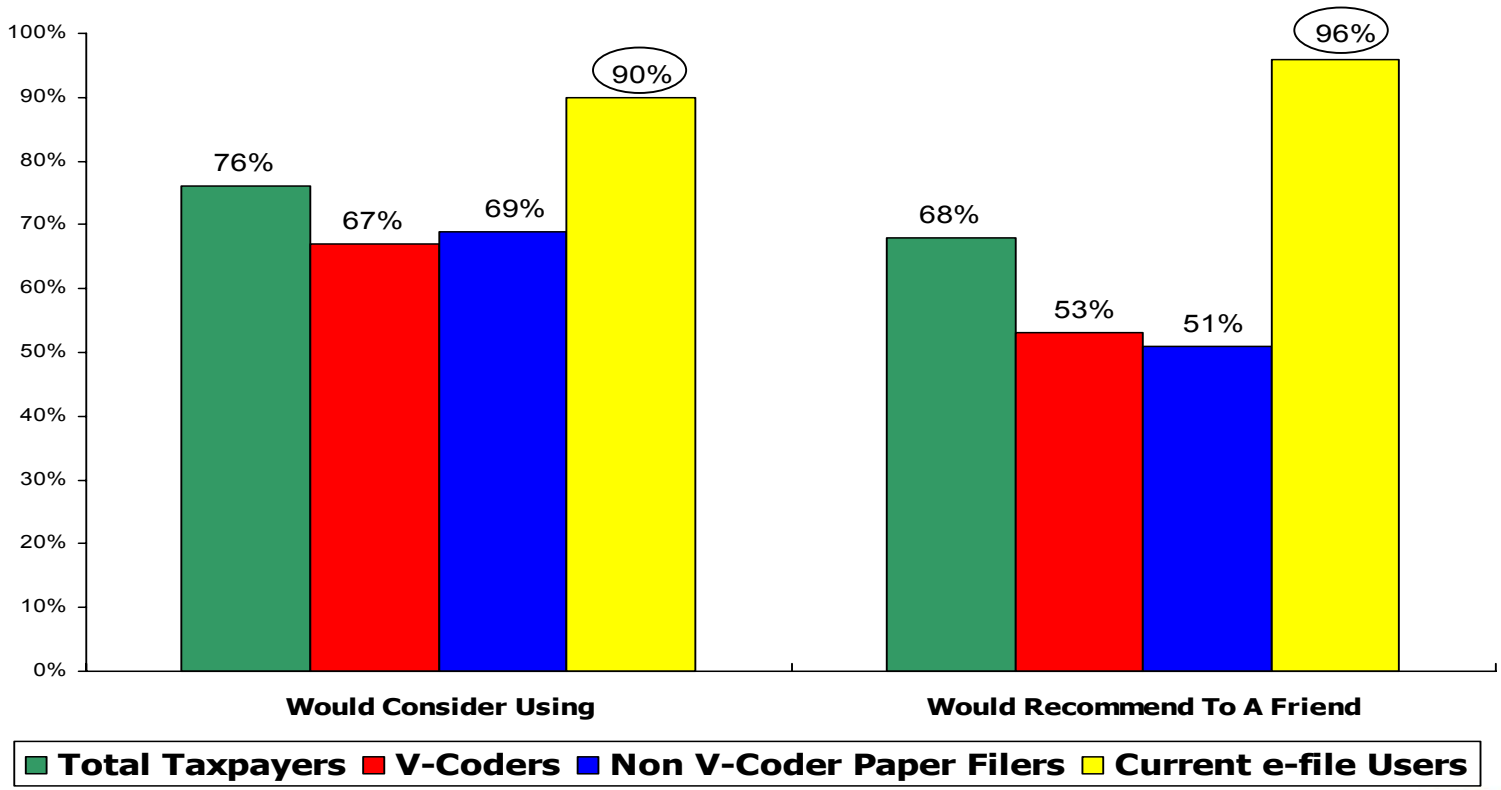
e-file Experience Among V-Coders

- 28% of V-Coders claimed to have tried *e-file*, but these are not *e-file* Quitters. Instead, they are Lapsed Users -- similar to what we see for Non V-Coding Paper Filers.



Consideration & Recommendation Among V-Coders

- V-Coders are also very similar to Non V-Coding Paper Filers in their consideration and potential recommendation of *e-file* -- though both are significantly below Current *e-file* Users on these measures.



V-Coders vs. Other Segments

- In the table that follows, we show how V-Coders, Non V-Coding Paper Filers, and Current *e-file* Users relate to all of the other segmentation data captured in the survey. This shows that V-Coders:
  - Include fewer *Tech Leaders* (as do the Non V-Coding Paper Filers), while Current Users skews toward *Tech Leaders*.
  - They skew heavily toward Paid-Complex Returns, while Non V-Coding Paper Filers skew heavily toward Self-Filing (both Simple and Complex) and Current Users have more of a mix of return types (though skewing somewhat toward Paid returns).
  - V-Coders (like Non V-Coding Paper Filers) are mainly *e-file Skeptics*, while Current Users of course are mainly *e-file Believers*.
  - Finally, looking at how V-Coders relate to the Filing Behavior Segments, we see that they (and Non V-Coding Paper Filers) include substantially more later filers.

V-Coders vs. Other Segments

BASE:	Total Taxpayers 1000 %	V-Coders 310 %	Non V-Coder Paper Filers 266 %	Current *e-file* Users 370 %
Tech Acceptance Segments				
Tech Leader	44	40	40	(52)
Tech Follower	25	26	28	21
Tech Laggard	31	34	32	27
Return Type Segments				
Self-Simple	26	9	(49)	23
Self-Complex	17	12	(32)	12
Paid-Simple	22	23	8	(29)
Paid-Complex	35	(56)	11	36
e-file Attitudinal Segments				
e-file Believers	46	33	32	(69)
e-file Skeptics	54	67	68	31
Filing Behavior Segments				
As Soon As Possible	38	29	38	(48)
When I Get To It	42	44	43	39
Late, But Not Last Minute	7	11	7	5
Last Possible Minute	9	12	11	5
Spanish-Language Taxpayers	8	7	10	7

What Is The Opportunity In This Segment?

- **In analyzing the opportunity with this segment, we looked closely at who the V-Coders are. They are…**
  - That portion of Paper Filers who have higher income and greater complexity of return (68% have Complex returns).
  - And 82% of them are paying a Preparer to do their return (only 18% are V-Coding on their own).
  - In addition, those with Complex returns tend to be later filers (March or later).
  - So, essentially these are later-season users of Preparers who are not telling their Preparer to *e-file* their return -- either because of their own insecurities about *e-file* (two-thirds of them are *e-file Skeptics* with low belief in *e-file*) or because of Preparer dominance in filing or negative Preparer influences (or all of the above).
- **With such high levels of return complexity, dependence on Preparers, and resistance to *e-file* among V-Coding Taxpayers, the opportunity would seem to be the Preparer -- who appears to be the real V-Coder here.**

e-file Experience Segments

(Including Lapsed Users & Quitters)

e-file Experience Segments

- Finally, RMR was asked to look at *e-file* Quitters as a segment.
- After defining **Quitters** as Taxpayers who had tried *e-file* in the past but had not used it in 2002 and would not consider using it again, we found that Quitters were actually quite a small segment (only 29 people in the 1,000 random sample). However, we did find a larger segment of **Lapsed Users** (149 Taxpayers who had used *e-file* in the past, did not use in 2002, but would consider using again in the future).
- These groups, along with Current Users, were analyzed as a separate *e-file* Experience Segmentation to see their demographic composition as well as their:
  - Levels of awareness and consideration of *e-file*.
  - And how these segments relate to all of the other segmentation analyses -- Technology Acceptance, Return Type, *e-file* Attitudes, and Filing Behavior.
  - Note that, with only 29 Quitters as a base, we could not run statistical analysis on this group vs. the others, so we looked for directional differences and highlighted them when they occurred.

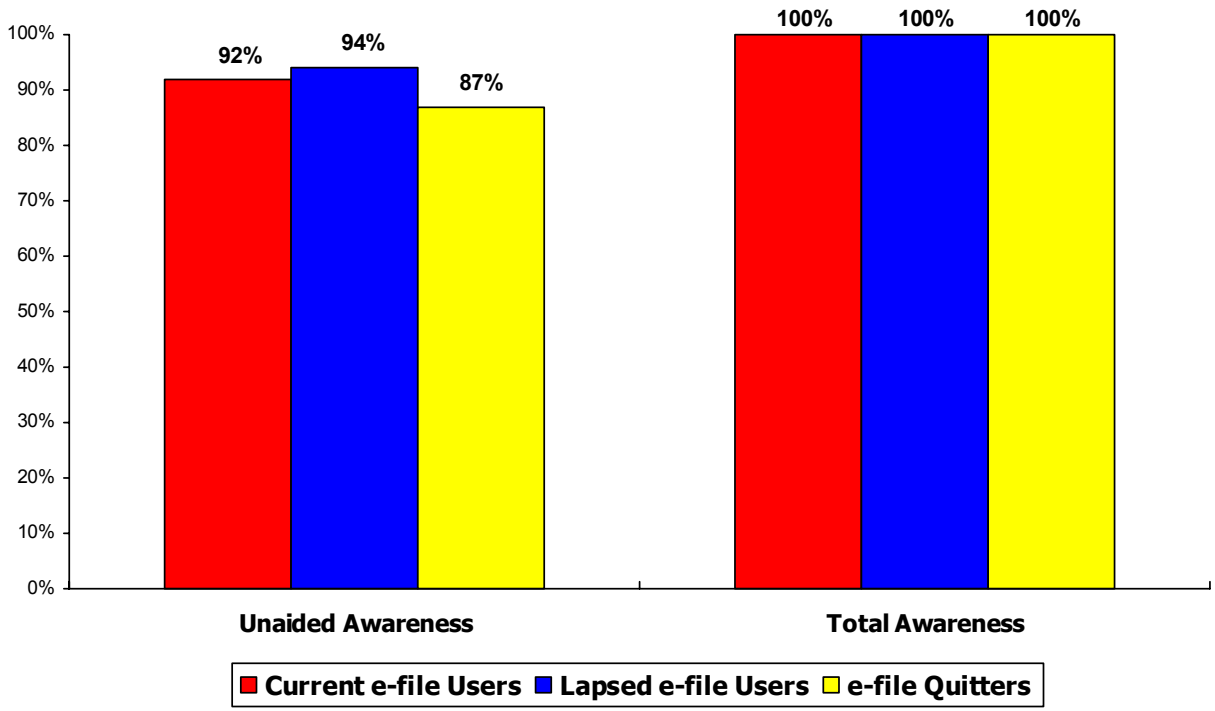
Demographics Of The *e-file* Experience Segments

- Demographically, the small base of Quitters seem to differ from Lapsed and Current Users mainly in income (they skew higher). The Lapsed Users were also higher than Current Users in HH income, and had a strong female skew as well.

BASE:	Current *e-file* Users 370 %	Lapsed *e-file* Users 149 %	*e-file* Quitters 29 %
QA--Gender			
Male	49	38	49
Female	51	62	51
QB--Average Age	39	42	41
Q15--% Married	56	64	68
Q13--Average HH Size	2.8	3.0	3.2
Q14--% With Children	47	49	50
Q17--Median HH Income (000)	$49.9	$53.5	$57.8
Q27 – % With College Education	63	72	68

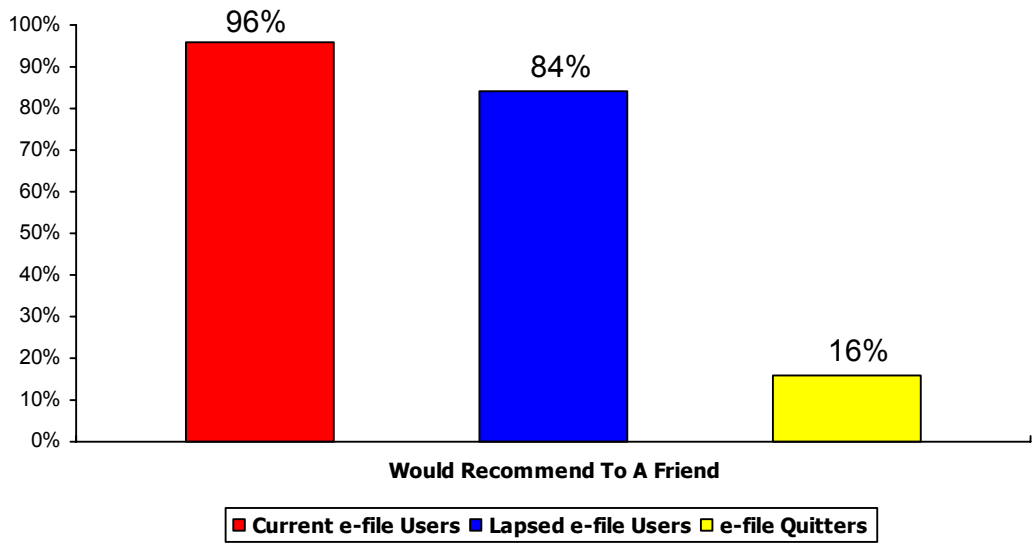
Awareness of *e-file* Among *e-file* Experience Segments

- There were no substantial differences in unaided awareness of *e-file* among these segments and all had universal awareness of *e-file* after prompting.



Recommendation Of *e-file*

- By definition, none of the Quitters would consider using *e-file* again and all of the Lapsed Users would consider using it again, so we focused here on the proportion of each segment who would recommend *e-file*. We found 84% of Lapsed Users (and even 16% of Quitters) would recommend *e-file* to others vs. 96% among Current Users. This seems to indicate that while the small group of Quitters <u>are</u> completely "turned off" to *e-file*, the larger group of Lapsed Users <u>are not</u> and therefore may offer an opportunity for resumed usage.



e-file Experience Segments vs. Other Segments

- In the table that follows, we show how the *e-file* Experience Segments link to the other segmentation data in the study. We focused this analysis on the Lapsed Users, since Quitters are so small-based and Current User linkage has already been covered in preceding analyses. This analysis shows that Lapsed Users:
  - Are about as tech-forward as the Current Users.
  - Skew toward Self preparation (of mainly Simple returns).
  - Are an even mix of *e-file Believers* and *e-file Skeptics.*
  - And tend to be somewhat later filers than Current Users.

e-file Experience Segments vs. Other Segments

BASE:	Current *e-file* Users 370 %	Lapsed *e-file* Users 149 %	*e-file* Quitters 29 %
Tech Acceptance Segments			
Tech Leader	52	48	27
Tech Follower	21	29	37
Tech Laggard	27	23	36
Return Type Segments			
Self-Simple	23	36	28
Self-Complex	12	25	16
Paid-Simple	29	12	10
Paid-Complex	36	27	46
e-file Attitudinal Segments			
e-file Believers	69	52	24
e-file Skeptics	31	48	76
Filing Behavior Segments			
As Soon As Possible	48	38	44
When I Get To It	39	40	16
Late, But Not Last Minute	5	9	14
Last Possible Minute	5	12	15

What Is The Opportunity In This Segment?

- **The opportunity in this segment is not the Quitter group (as believed going into the survey) -- Quitters are only a small part of *e-file* non-use. The real opportunity is the Lapsed User of *e-file* (15% of all Taxpayers) -- this is the Taxpayer who has used *e-file* in the past but not the most recent year, and who would consider using *e-file* again. Who are Lapsed Users? They are…**
  - Heavily (62%) female.
  - Almost as tech-forward as Current Users of *e-file*.
  - With high awareness of *e-file* and no indication of unusual resistance to use.
  - Who skew strongly (61%) toward Self preparation of their tax return (though with a close mix of Simple and Complex returns).
- **The opportunity here may be one of targeting via media selection, bearing in mind this segment's strong female skew and do-it-yourself approach to tax filing.**

Other Learning

From The Study

Learning From Other Measures

- **While the Attitudinal Tracking Study is not the primary source of awareness and usage levels for *e-file*, the survey does include these measures and, given the high random sample base in the study (1,000), we report this data for information purposes each year.**

  - The first set of 3 tables which follow show awareness, usage, consideration, and recommendation of filing methods (with recommendation added as a measure in 2003). In reading these tables, keep in mind that we changed the manner of presenting On-Line Filing (breaking it out into O-L With An On-Line Company and O-L Filing With Software) -- plus, we added *e-file* as a general mention. As expected, these changes resulted in instability in data for specific *e-file* products compared to 2002 (though the "net" data for *e-file* was generally stable). We will resume year-to-year comparisons of this data in the 2004 study, when we present On-Line Filing in a manner consistent with this year.

  - The second set of 2 tables show data from all of the remaining measures in the study -- questions about EITC filing, balance due and method of receipt, use of a preparer, Fed-State *e-filing*, etc. Some of these data have been incorporated into the earlier segmentations. They are reported here for information purposes only.

Awareness Of Tax Filing Methods -- 1998-2003

BASE:	Taxpayer Attitudinal Tracking **1998** 1017 %	Taxpayer Attitudinal Tracking **1999** 1005 %	Taxpayer Attitudinal Tracking **2000** 1000 %	Taxpayer Attitudinal Tracking **2001** 1000 %	Taxpayer Attitudinal Tracking **2002** 1000 %	Taxpayer Attitudinal Tracking **2003** 1000 %
Unaided Method Awareness						
Self-Prepared Paper Return	67	74	73	74	75	76
Paper Return Using A Tax Professional	54	46	52	48	44	62
Electronic Filing Using A Tax Professional	**41**	**42**	**41**	**44**	**43**	**41**
On-Line Filing (Net)	**29**	**41**	**47**	**48**	**59**	**37**
O-L With On-Line Company	x	x	x	x	x	22
O-L With Software	x	x	x	x	x	23
TeleFile	**21**	**24**	**25**	**27**	**22**	**27**
e-file Unspecified	**x**	**x**	**x**	**x**	**x**	**21**
Net Unaided Mentions of ETA Products	**70**	**74**	**77**	**79**	**83**	**85**
Total Method Awareness (Unaided + Aided)						
Self-Prepared Paper Return	96	97	97	97	97	97
Paper Return Using A Tax Professional	96	96	97	98	96	98
Electronic Filing Using A Tax Professional	**84**	**87**	**86**	**89**	**92**	**93**
On-Line Filing (Net)	**70**	**78**	**82**	**83**	**88**	**85**
O-L With On-Line Company	x	x	x	x	x	63
O-L With Software	x	x	x	x	x	75
TeleFile	**62**	**60**	**61**	**61**	**57**	**57**
***e-file* Unspecified**	**x**	**x**	**x**	**x**	**x**	**52**
Net Total Mentions of ETA Products	**95**	**97**	**97**	**98**	**99**	**99**

Usage Of Tax Filing Methods -- 1998-2003

BASE: 1017	Taxpayer Attitudinal Tracking **1998** 1005 %	Taxpayer Attitudinal Tracking **1999** 1000 %	Taxpayer Attitudinal Tracking **2000** 1000 %	Taxpayer Attitudinal Tracking **2001** 1000 %	Taxpayer Attitudinal Tracking **2002** 1000 %	Taxpayer Attitudinal Tracking **2003** %
Methods Ever Used						
Self-Prepared Paper Return	70	74	71	73	75	71
Paper Return Using A Tax Professional	66	68	66	64	65	67
Electronic Filing Using A Tax Professional	**26**	**29**	**31**	**34**	**41**	**37**
TeleFile	**10**	**12**	**14**	**16**	**17**	**15**
On-Line Filing (Net)	**3**	**8**	**9**	**13**	**16**	**18**
O-L With On-Line Company	x	x	x	x	x	7
O-L With Software	x	x	x	x	x	15
e-file Unspecified	**x**	**x**	**x**	**x**	**x**	**13**
Net Mentions Of ETA Products	**34**	**41**	**45**	**49**	**57**	**57**
Method Used in Past Year (2002)						
Paper Return Using A Tax Professional	41	39	39	35	33	29
Self-Prepared Paper Return	36	35	35	37	35	31
Electronic Filing Using A Tax Professional	**12**	**14**	**19**	**20**	**23**	**24**
TeleFile	**4**	**5**	**5**	**4**	**5**	**4**
On-Line Filing (Total)	*****	**1**	**2**	**4**	**4**	**8**
O-L With On-Line Company	x	x	x	x	x	2
O-L With Software	x	x	x	x	x	6
e-file Unspecified	**x**	**x**	**x**	**x**	**x**	**4**
Net Mentions Of ETA Products	**16**	**20**	**26**	**28**	**32**	**39**

Consideration & Recommendation -- 1998-2003

BASE:	Taxpayer Attitudinal Tracking **1998** 1017 %	Taxpayer Attitudinal Tracking **1999** 1005 %	Taxpayer Attitudinal Tracking **2000** 1000 %	Taxpayer Attitudinal Tracking **2001** 1000 %	Taxpayer Attitudinal Tracking **2002** 1000 %	Taxpayer Attitudinal Tracking **2003** 1000 %
Methods They Would Consider Using						
Paper Return Using A Tax Professional	62	68	62	59	58	40
Self-Prepared Paper Return	57	61	50	49	48	52
Electronic Filing Using A Tax Professional	**47**	**57**	**55**	**58**	**61**	**50**
On-Line Filing	**41**	**49**	**46**	**49**	**52**	**42**
O-L With On-Line Company	x	x	x	x	x	25
O-L With Software	x	x	x	x	x	35
TeleFile	**34**	**43**	**35**	**35**	**33**	**26**
e-file Unspecified	**x**	**x**	**x**	**x**	**x**	**32**
Net Mentions Of ETA Products	**71**	**80**	**79**	**79**	**83**	**76**
Methods They Would Recommend To A Friend						
Paper Return Using A Tax Professional	x	x	x	x	x	38
Self-Prepared Paper Return	x	x	x	x	x	53
Electronic Filing Using A Tax Professional	**x**	**x**	**x**	**x**	**x**	**45**
On-Line Filing	**x**	**x**	**x**	**x**	**x**	**30**
O-L With On-Line Company	x	x	x	x	x	16
O-L With Software	x	x	x	x	x	25
TeleFile	**x**	**x**	**x**	**x**	**x**	**19**
e-file Unspecified	**x**	**x**	**x**	**x**	**x**	**23**
Net Mentions Of ETA Products	**x**	**x**	**x**	**x**	**x**	**68**

Totals For Other Measures -- 2003 Only

	Taxpayer Attitudinal Tracking **2003 Only**
BASE:	1000 %
Q. 15 -Type Of Return Filed	
Basic Return With No Schedules Attached	48
Return With Schedules Attached	52
Q. 16 -Additional Forms/Attachments Filed	
Form 2106 – The Business Expense Form	13
Schedule "C"	11
Schedule "E"	4
Schedule "F"	2
Q. 14 - Did You Receive the Earned Income Tax Credit?	
Yes	25
No	46
Don't Know	29
Q. 11 - Result of Tax Filing	
Balance Due To The IRS	20
Received A Refund	74
Had A Zero Balance	2
Q. 12 - How Paid the Balance Due	
NEW BASE: TOTAL WITH BALANCE DUE	*209*
Automatic Withdrawal from a Checking/Savings	5
Credit Card	3
Wrote A Check	84
Q. 13 - Method of Receiving Refund	
NEW BASE: TOTAL RECEIVED A REFUND	*731*
Direct Deposit to Checking/Savings	38
Received A Check From The IRS	59

Totals For Other Measures -- 2003 Only (Cont'd.)

	Taxpayer Attitudinal Tracking **2003 Only**
BASE:	1000
	%
Q. 10a - Method Of Preparing Paper Return	
NEW BASE:TOTAL PAPER RETURN USERS	*618*
Pen/Pencil	46
On A Computer, Then Printed Out And Mailed (V-Coder)	47
Can't Recall/Don't Know	7
Q. 10b - Who Prepared Return	
TOTAL RESPONDENTS	*1000*
Paid Preparer	57
Self, Family Member, Or Friend	43
Q. 10c - If Paid Preparer Above, Was the Preparer A...	
NEW BASE:TOTAL WHO USED A PAID PREPARER	*551*
Certified Public Accountant (CPA)	66
Other Tax Professional	21
Can't Recall/Don't Know	13
Q. 10d - Did The Paid Preparer Offer e-file?	
Yes	65
No	24
Can't Recall	11
Q. 17a – If State Income Tax, Is There A Fed/State e-file Option?	
TOTAL RESPONDENTS	*1000*
Yes, Had A Fed/State *e-file* Option	19
No, Did Not Have A Fed/State *e-file* Option	30
No State Income Tax	6
Don't Know	44
Q. 17b – Use Of Combined Fed/State e-file Tax Option	
NEW BASE:TOTAL WITH FED-STATE e-file OPTION	*194*
Use Combined Fed/State *e-file* Option	46
Did Not Use Combined Fed/State *e-file* Option	45
Can't Recall	9

Re-Based -- V-Coders Among Total Sample = 29%

Summary & Conclusions

Summary & Conclusions

Following are the key findings from the 2003 IRS *e-file* Attitudinal Tracking Study:

1. **Taxpayers & Technology: Results of the 2003 IRS *e-file* Attitudinal Tracking Study show a continuation of two important trends observed in earlier waves of tracking…**

   - **Slowly, but steadily, Taxpayers are increasing their acceptance of technology.**
     - With a +7 point average increase in Taxpayers' *tech leader*-like thinking and a -7 point decrease in their *tech follower*-like thinking over the course of this tracking program.
   - **At the same time, Taxpayers are much more rapidly adopting technology.**
     - With a +21 point average increase in claimed adoption of that group of technologies which have been covered in the survey since 1998.
   - **This suggests that people will adopt specific technologies (based on a real or perceived need or even other influences, such as advertising, word-of-mouth recommendation, etc.) even before they have reached emotional acceptance of technology in general. We see this in the case of *e-file* too, where we found that not all Past-Year Users were attitudinally accepting of *e-file* benefits, yet were using it.**

Summary & Conclusions (Cont'd.)

2. **Segmenting Taxpayers On Technology Acceptance: As expected, the statistical model used to segment Taxpayers by their technology attitudes and behaviors over the past 5 years has aged (as people and technology products have evolved) and, in a re-segmentation effort this year, we found that Taxpayers should be segmented into three groups and not four as in the past. These three groups are:**

   - ***Tech Leaders*** -- 44% of all Taxpayers, leading the way in acceptance of technology and *e-file*.
   - ***Tech Followers*** -- 25% of Taxpayers, cautious about technology, but open to trial of *e-file.*
   - ***Tech Laggards*** -- 31% of Taxpayers, resisting technology yet accounting for 25% of *e-file* usage.
   - **All three groups can -- and, if the 80% goal is to be reached, must -- be treated as opportunities for increasing usage of *e-file*; though emphasis should be on the *Followers* and *Laggards*, who are the key to future growth and who need more education about the benefits of *e-file*.**
   - **One further note: the new segmentation of Taxpayers aligns closely with the similar segmentation of Tax Preparers (in the Preparer Attitudinal Study), which means that IRS now has a basis for comparison of acceptance and adoption of technology among its two most important targets.**

Summary & Conclusions (Cont'd.)

3. **Segmenting Taxpayers On Other Attitudes & Behaviors: The suggestions from both FCB and IRS for expanding the study this year to include exploration of other Taxpayer prospects, together with deeper analysis of Taxpayer Return Type, yielded 6 other possible opportunities for growth of *e-file*, including opportunities within:**

- **Return Type** -- The high opportunity segments here are the Self-Simple and Self-Complex. At 29-32% actual *e-file* usage, both are well below the usage levels of the other two Return Types -- even though the Paper Filers in these segments are more tech-forward and have higher interest in and acceptance of *e-file* than Paper Filers in the other two segments. If other recent IRS research is a guide, then the barrier to use for the Self-Simple is a profound lack of knowledge of *e-file* and its benefits and high comfort with paper filing. The barriers among Self-Complex should also be explored (since this study does not provide usage diagnostics).

- **Attitudes Toward *e-file*** -- Taxpayers split into two segments in terms of their attitudes toward *e-file* -- with 46% being *e-file Believers* and 54% being *e-file Skeptics*. With *Believers* already having high *e-file* use (60%), the opportunity here are the *Skeptics* -- who have the twin barriers of somewhat weaker awareness of *e-file* generally and sharply lower recognition of *e-file* benefits.

- **Filing Behavior** -- In terms of when and why Taxpayers file, there are four segments and three of them (*Get Around To It*, *Late But Not Last*, and *Last Possible Minute* -- all generally filing in March or later) account for 58% of all Taxpayers and have significantly lower usage of *e-file* than the other segment (*ASAPs*). Their reasons for later filing and non-use of *e-file* appear to be linked to Return Type (they skew strongly toward Complex returns). The opportunity here is for communications or messages which address this Return Type and *e-file's* benefits for it.

Summary & Conclusions (Cont'd.)

3. Segmenting Taxpayers On Other Attitudes & Behaviors (Cont'd.)

- **Spanish-Language Taxpayers** -- With over half of this segment being Paid-Simple filers and with usage of *e-file* highest among this Return Type, the Spanish-Language segment should be using *e-file* at a higher rate than now (only 31% are users). So, why aren't more of them using it? The problem (and the opportunity here) appears to be weak awareness -- only 64% are aware of *e-file* voluntarily vs. 85% among other Taxpayers. IRS's communications focus on this segment should help with this problem.

- **V-Coders** -- To better understand this segment and why they do not *e-file*, we looked at who they are and found that they are essentially later-season, Complex filers who use Preparers at an exceptional rate (79%) and who are not telling their Preparer to *e-file* their return -- either because of their own insecurities about *e-file* (two-thirds of them are *e-file Skeptics* with low belief in *e-file*) or because of Preparer dominance in filing or negative Preparer influences (or all of the above). Given this profile and the apparent dependence on Preparers in this segment, the opportunity here would seem to be the Preparer.

- **Quitters & Lapsed Users** -- While we went into this particular exploration thinking the focus should be on *e-file* Quitters, we found instead that Quitters are a very small segment and that the real opportunity are the Lapsed Users of *e-file* (15% of all Taxpayers) -- these are people who have used *e-file* in the past, but not during the most recent tax year, and who would consider using it again. They are skewed female (62%) and toward Self preparation of their return (61%), which suggests that they can be reached with targeted media and appropriate messages.

Appendix

Methodological Appendix

Methodological Appendix

- Each wave of the study is conducted by telephone from RMR's national interviewing facility in Wayne, NJ. This wave of the study was conducted January 24--March 2, 2003.
- The sample each year consists of a nationally representative Random Sample of approximately 1000 U.S. Taxpayers each year, drawn from a computer-generated random digit dialing (RDD) sample of listed and unlisted telephone households. In 2003, the IRS also added an augment of Spanish-Language Taxpayers up to the 200 level (with these interviews conducted in the appropriate language).
- To qualify for the study, Taxpayers have to be ages 18-64, employed, and must have filed taxes in the previous tax year (in this year's case -- 2002 for tax year 2001).
- Interviews are conducted during evening hours (5--9 p.m. in each time zone), with the interview averaging about 15 minutes per respondent. To assure that the survey is representative of the target audience, repeated contacts are made on each interviewing attempt to achieve a high rate of response -- 64% in the 2003 study.
- Note: data are weighted to reflect the previous year's tax filing patterns by filing method. The reported use of filing methods in the survey tends to be naturally very close to actual patterns, so weights have only a very minor effect on data.
- As shown in the following chart, the demographic composition of the Random Sample is very similar each year, though with a naturally increasing median HH income along with a decreasing presence of HHs with children -- both mirroring Census trends occurring during the tracking period.

Demographic Composition Of Tracking Samples

BASE:	Taxpayer Attitudinal Tracking **1998** 1017 %	Taxpayer Attitudinal Tracking **1999** 1005 %	Taxpayer Attitudinal Tracking **2000** 1000 %	Taxpayer Attitudinal Tracking **2001** 1000 %	Taxpayer Attitudinal Tracking **2002** 1000 %	Taxpayer Attitudinal Tracking **2003** 1000 %
QA--Gender						
Male	46	48	49	49	49	49
Female	54	52	51	51	51	51
QB--Average Age	40	41	41	40	41	41
Q15--Marital Status						
Married	62	60	60	56	57	60
Single	23	24	24	29	27	24
Separated, Divorced or Widowed	15	16	16	15	16	16
Q13--Average HH Size	2.9	3.0	2.9	2.8	2.8	2.8
Q14--Presence of Children						
Have Children	54	52	48	46	45	44
No children present	46	48	49	51	55	55
Q17--Median HH Income (000)	$43K	$47K	$47K	$49K	$50K	$53K

Detailed Support Data For Tech Acceptance Segments

Tech Attitudes Of The 3 Technology Acceptance Segments

Technological Leader Statements (% Agree)

BASE:	Tech Leaders 450 %	Tech Followers 243 %	Tech Laggards 307 %
Have a good idea of what the World Wide Web is	**97**	**98**	**64**
I think most technology can be trusted	**80**	60	**45**
Wish all government forms could be filed by computer	**92**	**44**	**37**
I'm one of the first to try new technology	**71**	**28**	**35**
The kind of person who needs lots of phone technology	**61**	**18**	48
If I could, I'd do all my financial dealings by computer	**74**	**11**	**23**
The easiest way to do banking is by personal computer	**75**	**27**	**23**
Rather e-mail friends/family than talk to them on phone	**37**	**17**	**24**

BOLD GREEN=SCORES HIGH ON THIS ITEM; BOLD BLUE=SCORES NOTABLY LOWER THAN OTHERS.

Q1 -- Agree Completely or Agree Somewhat With Each Statement

Tech Attitudes Of The 3 Tech Acceptance Segments (Cont'd.)

Technological Follower Statements
(% Agree)

BASE:	Tech Leaders 450 %	Tech Followers 243 %	Tech Laggards 307 %
Most kids can handle new tech.; most adults can't	**51**	**56**	**83**
When you order by phone, you're really taking a chance	**35**	**49**	**79**
Should never put financial information on a computer	**29**	**65**	**75**
I cannot keep up with all the new technology	**30**	**63**	**81**
We control computers today, someday they'll control us	**20**	**18**	**61**
Can't imagine filing taxes except using paper returns	**6**	**31**	**57**
Computers scare me -- so much that can go wrong	**7**	**11**	**62**
I'm one who has no luck programming a VCR	**17**	**28**	**53**

BOLD RED=SCORES HIGH ON THIS ITEM; BOLD BLUE=SCORES NOTABLY LOWER THAN OTHERS.

Q1 -- Agree Completely or Agree Somewhat With Each Statement

Use Of Technology Among Tech Acceptance Segments

% Use Each Regularly/Occasionally

BASE:	Tech Leaders 450 %	Tech Followers 243 %	Tech Laggards 307 %
Use of a telephone to order from a catalog	66	**74**	**53**
Use of a PC for work	87	81	**43**
Use of a PC for entertainment	**84**	73	**43**
Use of the Internet to search for information	98	95	**64**
Use of a Debit Card to pay for purchases	**79**	**53**	**50**
Use of a telephone for doing personal banking	**66**	**53**	**42**
Use of e-mail for personal correspondence	**95**	88	**48**
Use of e-mail for business correspondence	**84**	72	**30**
Use of the Internet to order products or services	**88**	**67**	**31**
Use of a PC for doing personal banking	**65**	**23**	**14**
Use of Government Websites	**71**	60	**26**
Use of Beeper/Pager	29	**21**	29
Use of Broadband, DSL, or cable modem	**59**	**33**	**20**
Use of a PDA, like a Palm Pilot	**31**	**9**	**5**

BOLD GREEN=SCORES HIGH ON THIS ITEM; BOLD BLUE=SCORES NOTABLY LOWER THAN OTHERS.

Q3--Use Each Technology

Psychographics Of Technology Acceptance Segments

% Agree With Each Statement

BASE:	Tech Leaders 450 %	Tech Followers 243 %	Tech Laggards 307 %
I like to be around people who are open-minded	98	98	96
I like to experiment with new ways of doing things	**94**	**81**	**79**
Over next few years, my financial situation will improve	**93**	**85**	**86**
I make time for things that are really important to me	93	92	90
My family is my main source of satisfaction	90	89	92
I need to remind myself to slow down and enjoy life	**77**	**77**	**87**
Like to be up on latest events, movies, fashions, etc.	**67**	**53**	**57**
Generally make decisions on what the group will do	**66**	**56**	**55**
I often worry about money	61	**56**	**68**
I like to do a lot of entertaining in my home	**58**	**48**	**49**
Prefer to shop better stores -- though things cost more	50	43	43
Like to be in situations where unexpected can happen	**47**	**35**	**36**
Having a lot of money is very important to me	**47**	**37**	39
The world is changing too fast	**46**	62	**85**
I worry that I don't spend enough time with my family	42	42	50
I live from pay check to pay check	**40**	**35**	**52**
Am more comfortable at computer than anywhere else	**27**	**11**	**14**
It is the luxuries in life that make life worthwhile	25	**20**	**31**

BOLD RED=SCORES HIGH ON THIS ITEM; BOLD BLUE=SCORES NOTABLY LOWER THAN OTHERS.

Q18--Agree Completely or Agree Somewhat With Each Statement

Demographics Of The Technology Acceptance Segments

BASE:	Tech Leaders 450 %	Tech Followers 243 %	Tech Laggards 307 %
QA--Gender			
Male	50	47	49
Female	50	53	51
QB--Average Age	**38**	**43**	**44**
Q15--Marital Status			
Married	62	57	60
Single	26	24	20
Separated, Divorced or Widowed	12	18	20
Q13--Average HH Size	**3.0**	**2.6**	2.8
Q14--Presence of Children			
Have Children	47	42	41
No children present	51	58	58
Q17--Median HH Income (000)	**$61.9**	$53.0	**$43.9**
Q27 – Education			
Some College or More	**80**	71	**42**
No College	**19**	28	**57**
Qs E-1 – E-3 – Spanish-Language Taxpayers	7	7	9

Distribution Of Tech Acceptance Segments By IRS Areas

BASE:	Tech Leaders 450 %	Tech Followers 243 %	Tech Laggards 307 %
Region			
Area #1 -- Northeast	11	15	9
Area #2 – Mid-Atlantic	20	12	17
Area #3 – Southeast	15	14	19
Area #4 – Great Lakes Region	15	22	17
Area #5 – Mid-America	18	17	15
Area #6 – West (Excl. CA)	10	12	9
Area #7 – California	13	9	14

Awareness Of *e-file* Among Tech Acceptance Segments

	Tech Leaders	Tech Followers	Tech Laggards
BASE:	**450**	**243**	**307**
	%	%	%
Q4 -- Unaided Method Awareness			
Self-Prepared Paper Return	80	78	**70**
Paper Return Using a Tax Professional	61	60	63
Electronic Filing Using a Tax Professional	**44**	**43**	36
On-Line Filing (Total)	**42**	**40**	**28**
On-Line Filing w/On-Line Company	25	25	**16**
On-Line Filing w/Software	26	25	**16**
TeleFile	28	26	25
***e-file* (non-specific)**	20	**29**	18
Net Mentions Of *e-file* Products	**89**	**92**	**75**
Q4+5--Total Method Awareness (Unaided + Aided)			
Self-Prepared Paper Return	97	98	96
Paper Return Using a Tax Professional	99	99	96
Electronic Filing Using a Tax Professional	96	95	**89**
On-Line Filing (Total)	**92**	**89**	**74**
On-Line Filing w/On-Line Company	**68**	**66**	**52**
On-Line Filing w/Software	**84**	**80**	**58**
TeleFile	59	56	55
***e-file* (non-specific)**	**55**	**59**	**43**
Net Mentions Of *e-file* Products	**100**	**99**	**98**

Usage Of *e-file* Among Tech Acceptance Segments

	Tech Leaders	Tech Followers	Tech Laggards
BASE:	**450**	**243**	**307**
	%	%	%
Q6--Methods Ever Used			
Self-Prepared Paper Return	**74**	**76**	**62**
Paper Return Using a Tax Professional	63	65	**74**
Electronic Filing Using a Tax Professional	41	35	33
On-Line Filing (Total)	**28**	13	9
On-Line Filing w/On-Line Company	**11**	**4**	**2**
On-Line Filing w/Software	**23**	11	7
TeleFile	16	14	13
***e-file* (non-specific)**	18	14	**7**
Net Mentions Of *e-file* Products	**64**	**55**	**47**
Q7-- Method Used In Past Year (2002)			
Self-Prepared Paper Return	29	36	25
Paper Return Using a Tax Professional	**25**	**30**	**41**
Electronic Filing Using a Tax Professional	28	22	21
On-Line Filing (Total)	**12**	**4**	**5**
On-Line Filing w/On-Line Company	3	1	1
On-Line Filing w/Software	**10**	3	4
TeleFile	2	3	7
***e-file* (non-specific)**	5	6	1
Net Mentions Of *e-file* Products	**46**	**34**	**34**

Tech Segment Consideration/Recommendation Of *e-file*

	Tech Leaders	Tech Followers	Tech Laggards
BASE:	**450**	**243**	**307**
	%	%	%
Q8--Methods They Would Consider Using			
Self-Prepared Paper Return	36	47	41
Paper Return Using a Tax Professional	**46**	58	56
Electronic Filing Using a Tax Professional	**58**	**48**	**42**
On-Line Filing (Total)	**57**	**38**	**23**
On-Line Filing w/On-Line Company	**36**	**19**	**14**
On-Line Filing w/Software	**47**	34	**19**
TeleFile	30	26	22
***e-file* (non-specific)**	**42**	**31**	**18**
Net Mentions Of *e-file* Products	**88**	**73**	**61**
Q9-- Methods Would Recommend To A Friend			
Self-Prepared Paper Return	33	46	38
Paper Return Using a Tax Professional	47	57	59
Electronic Filing Using a Tax Professional	52	43	**38**
On-Line Filing (Total)	**43**	**26**	**15**
On-Line Filing w/On-Line Company	**23**	**13**	**7**
On-Line Filing w/Software	**36**	**22**	**14**
TeleFile	22	18	16
***e-file* (non-specific)**	**29**	**24**	**15**
Net Mentions Of *e-file* Products	**81**	**63**	**55**

Filing Behavior Among Tech Acceptance Segments

	Tech Leaders	Tech Followers	Tech Laggards
BASE:	**450**	**243**	**307**
	%	%	%
Q. 15 -Type Of Return Filed			
Basic Return With No Schedules Attached	**44**	**43**	**56**
Return With Schedules Attached	**56**	**57**	**44**
Q. 16 -Additional Forms/Attachments Filed			
Form 2106 – The Business Expense Form	15	12	10
Schedule "C"	12	11	10
Schedule "E"	4	6	3
Schedule "F"	3	2	2
Q. 14 - Did You Receive the Earned Income Tax Credit?			
Yes	22	26	29
No	51	47	**38**
Don't Know	27	27	33
Q. 11 - Result of Tax Filing			
Balance Due To The IRS	22	18	19
Received A Refund	75	76	72
Had A Zero Balance	2	2	3
Q. 12 - How Paid the Balance Due			
NEW BASE: TOTAL WITH BALANCE DUE	*100*	*47*	*62*
Automatic Withdrawal from a Checking/Savings	**10**	3	0
Credit Card	3	3	2
Wrote A Check	80	87	90
Q. 13 - Method of Receiving Refund			
NEW BASE: TOTAL RECEIVED A REFUND	*334*	*182*	*215*
Direct Deposit to Checking/Savings	**48**	34	28
Received A Check From The IRS	**50**	**63**	**69**

Filing Behavior Among Tech Acceptance Segments (Cont'd.)

	Tech Leaders %	Tech Followers %	Tech Laggards %
Q. 10a - Method Of Preparing Paper Return			
NEW BASE:TOTAL PAPER RETURN USERS	*237*	*169*	*212*
Pen/Pencil	47	48	43
On A Computer, Then Printed Out And Mailed (V-Coder)	49	45	48
Can't Recall/Don't Know	4	6	9
Q. 10b - Who Prepared Return			
TOTAL RESPONDENTS	*450*	*234*	*307*
Paid Preparer	53	54	**65**
Self, Family Member, Or Friend	47	46	**35**
Q. 10c - If Paid Preparer Above, Was the Preparer A...			
NEW BASE:TOTAL WHO USED A PAID PREPARER	*218*	*129*	*204*
Certified Public Accountant (CPA)	68	69	61
Other Tax Professional	20	19	24
Can't Recall/Don't Know	12	12	15
Q. 10d - Did The Paid Preparer Offer e-file?			
Yes	65	66	64
No	23	24	25
Can't Recall	13	10	11
Q. 17a – If State Income Tax, Is There A Fed/State e-file Option?			
TOTAL RESPONDENTS	*450*	*234*	*307*
Yes, Had A Fed/State *e-file* Option	24	18	15
No, Did Not Have A Fed/State *e-file* Option	31	33	28
No State Income Tax	6	6	6
Don't Know	40	44	51
Q. 17b – Use Of Combined Fed/State e-file Tax Option			
NEW BASE:TOTAL WITH FED-STATE e-file OPTION	*105*	*44*	*45*
Use Combined Fed/State *e-file* Option	49	48	40
Did Not Use Combined Fed/State *e-file* Option	40	48	56
Can't Recall	11	4	4

Filing Behavior Among Tech Acceptance Segments (Cont'd.)

	Tech Leaders % (450)	Tech Followers % (243)	Tech Laggards % (307)
Return Type:			
Self-Simple	26	24	26
Self-Complex	**21**	**22**	**9**
Paid-Simple	**18**	**19**	**30**
Paid-Complex	35	35	35
Total Simple	**44**	**43**	**56**
Total Complex	**56**	**57**	**44**
Total Self	**47**	**46**	**35**
Total Paid	**53**	**54**	**65**

Filing Behavior Among Tech Acceptance Segments (Cont'd.)

	Tech Leaders % (450)	Tech Followers % (243)	Tech Laggards % (307)
Filing Behavior (When File Each Year):			
As Soon As Possible	40	37	38
When I Get Around To It	40	43	43
Late, But Not At The Last Minute	7	8	8
At The Last Possible Minute	9	9	9
Varies/Can't Recall	4	4	4

Reaching The Technology Acceptance Segments

Media Habits -- Print & Radio

	Tech Leaders	Tech Followers	Tech Laggards
BASE:	**450**	**243**	**307**
	%	%	%
Q21--Media Read/Subscribed To			
Your Local Newspaper(s) (NOTE: CAPTURED BUT NOT FEASIBLE)	**69**	**77**	**77**
The Internet	**76**	**61**	**40**
News Magazines -- Time, Newsweek, USN&WR	29	33	**22**
Entertainment Magazines -- Ent. Weekly, People, etc.	25	28	29
Women's Magazines – Oprah, Rosie, Family Circle etc.	24	26	33
Sports Magazines such as SI or Inside Sports	22	22	23
Business Magazines -- Bus Week or Forbes	**23**	16	12
National Newspapers -- NY Times or USA Today	24	18	17
Fashion Magazines -- Allure, Elle, Cosmopolitan, etc.	20	14	17
Computer Magazines	**19**	**11**	**8**
Q22--Radio Stations Listened To Regularly			
FM Music Stations	**89**	**90**	**88**
All News Stations	37	33	29
AM Mixed Format Stations (Talk + News + Features)	26	31	21
All Talk Stations	27	25	21
AM Music Stations	**14**	**15**	**26**
All Sports/Sports Talk Stations	11	14	14
Financial News Stations	14	9	8

Reaching The Technology Acceptance Segments (Cont'd.)

Media Habits -- TV

BASE:	Tech Leaders 450 %	Tech Followers 243 %	Tech Laggards 307 %
Q23--TV Programming Watched Regularly			
Early evening news programs	**66**	**71**	**75**
All news cable -- CNN, Fox, Headline News, MSNBC	**65**	**58**	**59**
Late evening news programs	**57**	**56**	**61**
Non-premium cable movie channels such as AMC	**53**	**54**	**50**
Sports programs (e.g. Tennis, Baseball, etc.)	**52**	**48**	**53**
Cable family/life programs	41	**49**	**57**
Early evening investigative shows	38	38	**55**
Premium cable movie channels -- HBO, Showtime, etc.	40	34	39
Early eve. enter. shows such as Entertainment Tonight	**37**	**35**	**46**
Early morning shows -- Today, This Morning, etc.	**33**	**31**	**40**
Late night talk or variety shows	31	25	29
Game shows	**17**	**20**	**28**
Later morning talk -- Regis & Kelly, etc.	9	10	12
Afternoon soap operas	**5**	9	**13**