

Final Report

**2006 Customer Satisfaction Survey
For Information Form 990/990EZ e-file**

*The Return Of Organizations
Exempt From Income Tax*

Prepared for:



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Background, Objectives, Method & Sample Size

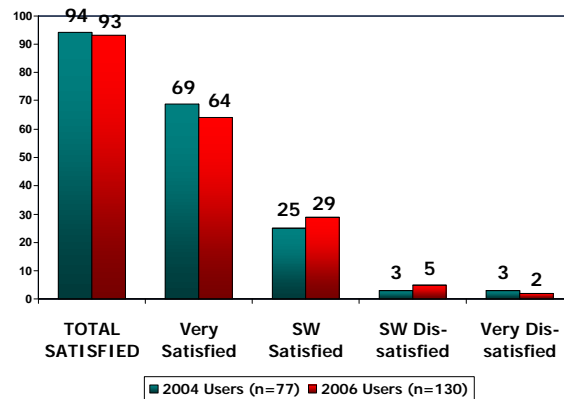
- As *e-file* products come on line, IRS conducts customer satisfaction research for each product, and then continues tracking satisfaction periodically as the product matures.
- Information Form 990/990EZ, the *US Return of Organizations Exempt From Income Taxes*, is one of the *e-file* products being tracked. The benchmark survey for this product was conducted in 2004, with the first followup wave occurring in late 2005/early 2006 (and reported here).
- The purpose of the *e-file* product tracking research is to monitor User satisfaction with each *e-file* form; to look for ways to increase usage among Non-Users; and to provide IRS with quantitative data and analysis to use in making policy decisions related to each product as IRS moves toward its 80% *e-file* usage goal.
- Fieldwork for this wave of the 990/990EZ Satisfaction Survey was started in late December 2005 but completed mainly in January 2006. Interviewing was conducted via telephone from Russell's national field facility in Wayne, NJ, with respondents drawn from IRS lists of 990/990EZ Users and Non-Users.
- The sample consisted of 634 interviews conducted among 990/990EZ preparers...
 - 130 with Users of 990/990EZ e-file (with half *external* Preparers answering for client organizations); and...
 - 504 with Eligible Non-Users of 990/990EZ e-file (with half also being *external* Preparers).

Sampling Notes: 1) the IRS **User** list was too small to yield the desired ending sample of 500 – as the program grows, future User samples will increase; 2) the IRS's User and Non-User lists separated 990 from 990EZ usage, so respondents were asked which they use and then to talk about that specific product. Among Users, 63% used 990 and 37% 990EZ (with the base of EZ Users, only 48 people, being too small for analysis vs. 990 Users). Among Non-Users, 75% used 990 and 25% 990EZ (we looked for differences between these two groups and found their responses to be very similar).

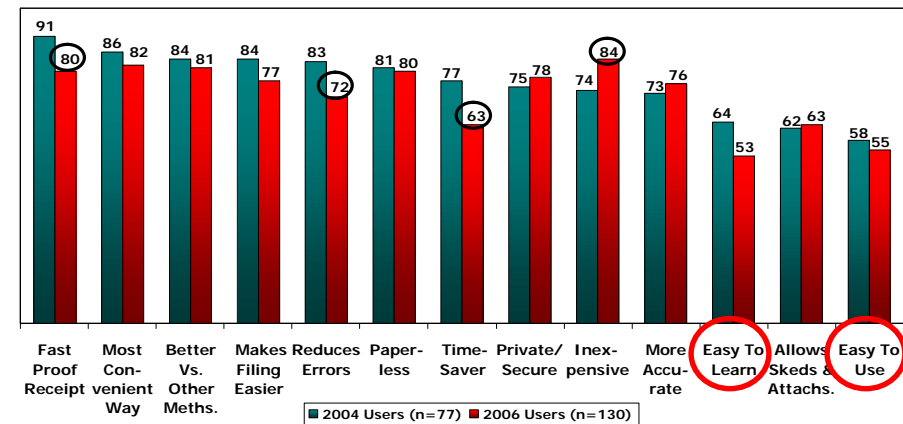
Key Findings

Key Findings From 2004 990/990EZ e-file Customer Satisfaction Survey

Overall User Satisfaction With 990/990EZ e-file Remains High, But Has Slipped From The Levels Found In 2004



And There Is Lower Satisfaction With Several Product Attributes, Though *Ease Of Learning* and *Use* Are Still The Main Weaknesses



Meanwhile, Among Non-Users...

- Awareness Of Eligibility To Use 990/990EZ e-file was up – from 64% in '04 to 71% this year. But Likelihood Of Use was down (70% to 64%).
- As in '04, we found two main barriers to use:
 - Lack of knowledge of how the product works
 - And not having the right software.
 - Among those Not Likely To Use, there was also resistance to the perceived added work involved in learning to use it.
- Finally, if Non-Users are to be reached with IRS product communication, how is that best done? Via Regular Mail in most cases.

We Also Found More Users Suggesting Product Improvements...

...With the level of suggestions rising sharply from 39% in 2004 to 52% this year. Top suggestions are: simplify the Form, make it clearer, allow more user notes/comments, allow direct filing with the IRS, make the Form better organized and easier to navigate, and make allowances for very small organizations.

In The Other Key Learning Among Users...

We found continuing high satisfaction with both signature options – especially the PIN.

Detailed Findings

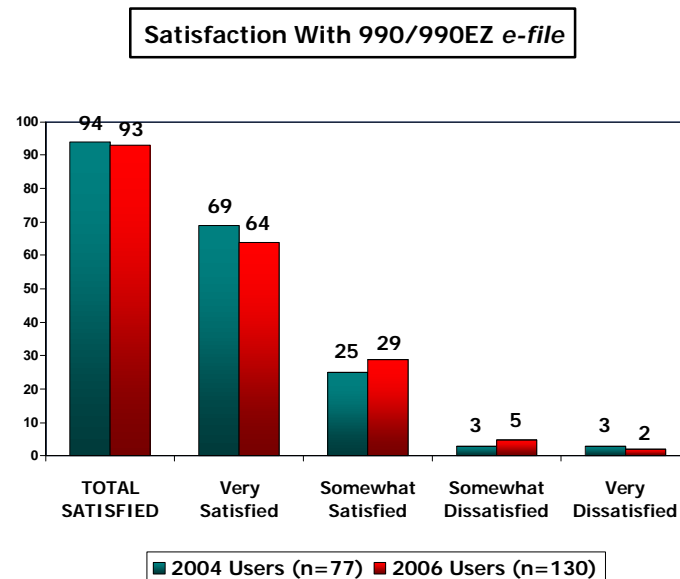
Statistical & Analytical Notes

- Circle Indicates Significant Difference vs. 2004 Survey (At 90% Confidence Level, 2-Tailed).
- Other Graphics (Boxes, Arrows, Color Fonts, etc.) Are Also Used To Draw Attention To Patterns Of Data.

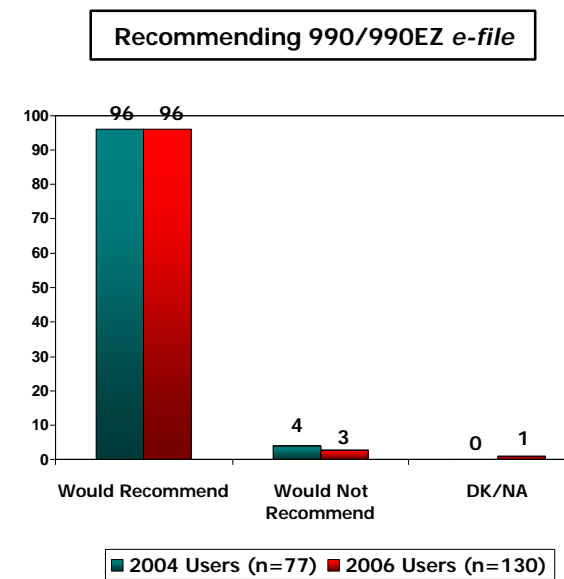
Findings Among Users

Satisfaction With & Recommendation Of Form 990/990EZ e-file

- 93% of Users are at least *somewhat satisfied* with the 990/990EZ e-file program, with 64% being “very satisfied”.
- While this year’s satisfaction levels are statistically equal to those we found in the 2004 satisfaction survey, we do notice slight slippage in the percent “very satisfied”.



- Almost all (96%) of the 990/990EZ e-file Users say they would recommend this method of filing 990s to others.
- This extremely high level of intended recommendation is virtually the same as that which we found in the 2004 satisfaction survey.



What Users Like About Form 990/990EZ e-file

- When we code User's reasons for the satisfaction rating, we see (as in 2004) that **ease** and **convenience** continue to drive satisfaction with 990/990EZ e-file.

Top Reasons For Satisfaction With 990/990EZ e-file

	2006 Users (121) %
Total 990/990EZ e-file Users Very/Somewhat Satisfied	(121) %
<u>Ease/Convenience (Net)</u>	57
Easy/easy to use/convenient (unspecified)	17
Less paper/paperwork/paperless	11
Easier than paper filing	6
Don't have to mail it/go to the post office	4
Ease of filing/easier to file (unspecified)	4
 <u>All Mentions Of Speed/Saves Time/Etc. (Net)</u>	 <u>12</u>
 <u>Like It/Satisfied In General (Net)</u>	 <u>11</u>
 <u>It's Accurate (Net)</u>	 <u>9</u>
Eliminates errors/no errors	3
No calculation errors/checks your calculations	2

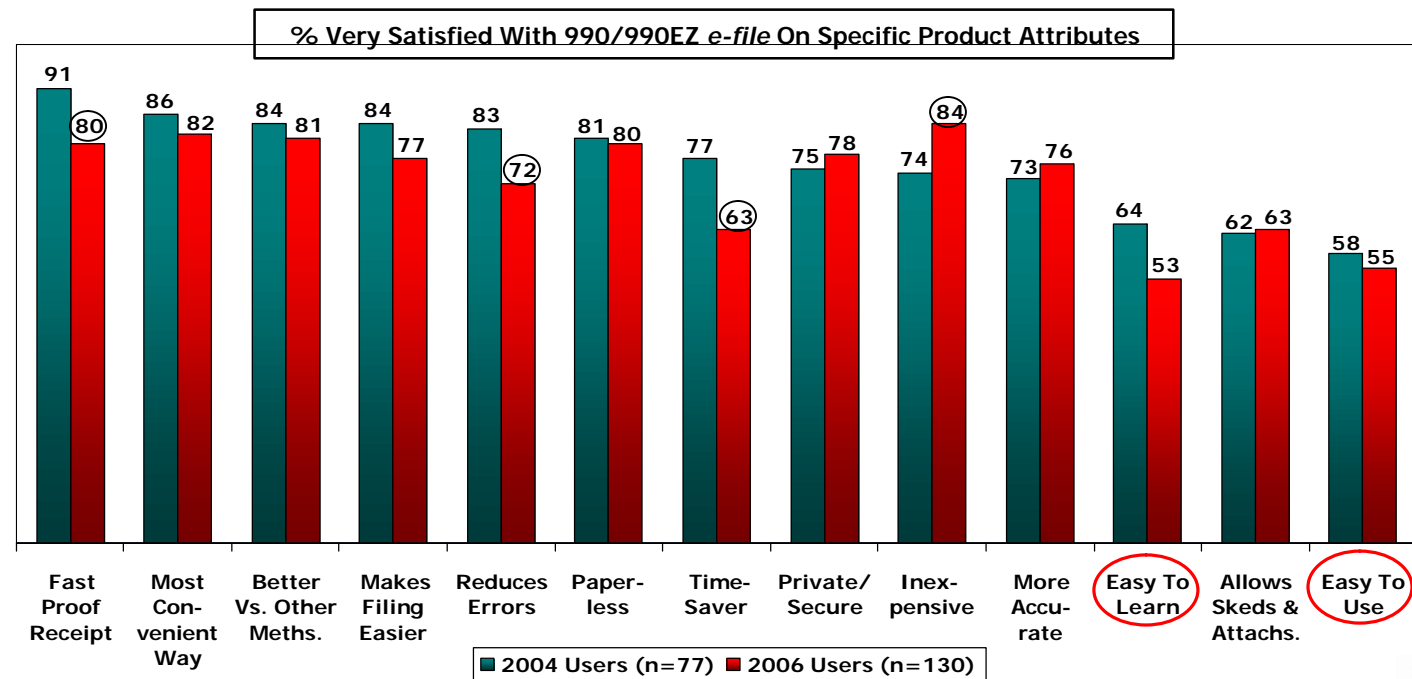
- The above coded responses show the main drivers, but do not tell the whole story of how Users feel about the product. So, we look to their **verbatim responses** (to the right) and find that they include some interesting comments as well as suggestions for product improvement.

Verbatim Reasons For Satisfaction
--

- I was excited when it became available online because I file all other forms online. I much prefer doing things online because it's easier, you get immediate confirmation that it's been received, and I store it on hard drive, with no paper copies no files We need this.
- Being able to do it on the computer is far easier. I don't have to worry about mailing it & it simplified the process that in prior years I had to do by hand.
- It's easier than filing it manually, quicker, less paperwork.
- It's very easy. There's a lot continuity with it, since it holds the information from prior years. When I go back to compare certain schedules, it compares the info, and there is an edit check feature that checks the information.
- It was much better *e-filing* than filing on paper. However, there were some very klutzy things about the information requested which are cumbersome and keeps changing every year – especially where you analyze your basis of support (in the support schedule Part IV-A, Question 26 is a pain in the *!x*). We have no records for 4 years back!!!! It must be set up so we could track donations in advance.
- It was too confusing – it needs more plain talk.
- I like it, but the instructions are a little confusing.

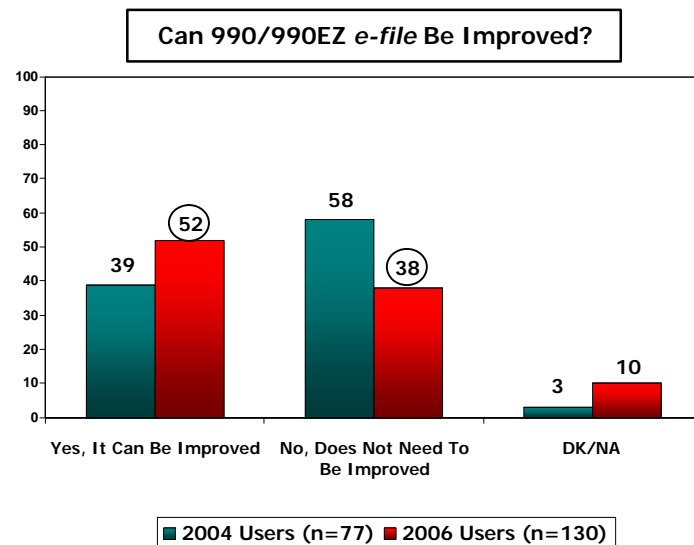
Satisfaction With Specific Characteristics Of 990/990EZ e-file

- To better understand product strengths and weaknesses, we asked Users to rate their satisfaction with 990/990EZ e-file on specific product dimensions. Comparing 2004 to 2006 ratings of “Very Satisfied”, we see lower satisfaction this year with **Fast Proof Of Receipt**, **Reduces Filing Errors**, and **Being A Time-Saver**; and higher satisfaction with the product **Being An Inexpensive Method Of Filing**.
- But **Fast Proof Of Receipt** is still a product strength, as is **Convenience**, **Better Than Other Methods**, **Being Paper-Less**, and **Being Inexpensive**. Weaknesses persist however and center around being **Easy To Learn** and **Easy To Use** – all of which tells us that while Users find the product easier and more convenient compared to paper filing, they still have problems in learning and using it.



Can Form 990/990EZ e-file Be Improved?

- Even with the high satisfaction rating, an unusually large proportion of Users (52%) say 990/990EZ e-file can be improved.



- Top suggestions for improvement, grouped to the right, include simplify the Form, make it clearer, allow more notes/comments, allow direct filing with IRS, make the Form better organized/easier to navigate, and make allowances for very small organizations. (Note: Any suggestion with 2 or more mentions is noted parenthetically.)

Specific Suggestions For Improvement

Make It Simpler/Easier

- Simplify/shorten Form; take less time/more user-friendly/easier. (7)
- Improve/streamline electronic signature process. (3)

More Clarity/Less Confusion

- Better definition/explanation of what they want. (3)
- Clearer language/wording. (2)
- Clarify "liabilities" and "assets".
- Confused about where to put expenses.
- Has 2 classes of non-profits and that's confusing.
- Too many options in Part 3 on Page 2.

Expand What Can Be Entered/Attached

- Allow more room per line for notes/computation; maybe links (6)
- Should be able to e-file/link/scan attachments. (3)

Allow Direct Filing With IRS & Have IRS Provide List Of Approved Preparers

- Would like to file directly with IRS; not thru a 3rd party. (4)
- Hard to find preparer/wish IRS would suggest preparers. (4)

Better Organization/Navigation

- Organize the Form differently/re-format it. (2)
- Should be easier to move around the Form.
- Improve the conversion of depreciation schedules.

Should Make Allowances For Very Small Organizations

- We're too small/budget's too low; shouldn't have to file. (3)
- We're too small for size/requirements of the Form we had to file. (2)
- Should be able to eliminate attachments that don't apply to us.
- Should be able to enter a small amount on Line 16 and not justify it.
- They ask for too much information in the short Form.

Errors/Rejection Issues

- Should be able to proceed even if there's an error/just flag it. (2)
- If one little thing is wrong, it gets rejected.

How Were They Introduced To The Product & Main Drivers Of Usage

- We probed Users on how they first learned about electronic filing of Form 990/990EZ and found – as in 2004, that they are introduced to it mainly via the Internet, software companies, and IRS marketing and/or communications.

How First Learned About 990/990EZ e-file

	<u>2006 Users</u> (130) %
Total 990/990EZ e-file Users	
From The Internet (unspecified)	33
A Software Company	16
IRS Marketing/Communications	13
From A (Another) Tax Professional	6
At An Industry Association Conference	6
Contact With An IRS Tax Specialist/IRS Employee	2
From The IRS Website	2
From A IRS Local Office	2
At An IRS Workshop or Tax Forum	2

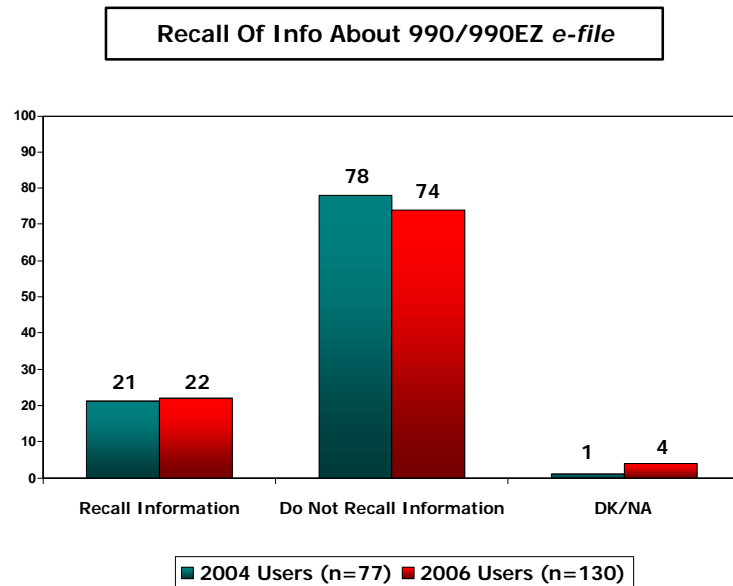
- We asked them what they learned about the product that made them consider using it and found that learning about its ease and convenience are the main drivers again this year (as was the case in 2004).

Learning That Moved Users To Usage

	<u>2006 Users</u> (130) %
Total 990/990EZ e-file Users	
<u>Ease/Convenience (Net)</u>	<u>43</u>
That it's easier/easy to use/convenient	20
That it means less paperwork	8
<u>Learned I Could Fill Out The Form Online</u>	<u>13</u>
<u>Learned It Was Available</u>	<u>12</u>
<u>Heard It Was Faster (Net)</u>	<u>12</u>
Instant verification/quick acknowledgement of receipt	5
<u>Learned That It's More Accurate/Less Errors</u>	<u>11</u>
<u>Decided That It's The Way Of The Future (Net)</u>	<u>11</u>
Wanted to go electronic/e-file	5

Exposure To Form 990/990EZ e-file Information

- Just as we found in the 2004 survey, only about one-fifth of Users said they recall seeing information related to 990/990EZ e-file (vs. the 30-50% levels we have seen in other Business e-file product satisfaction surveys).



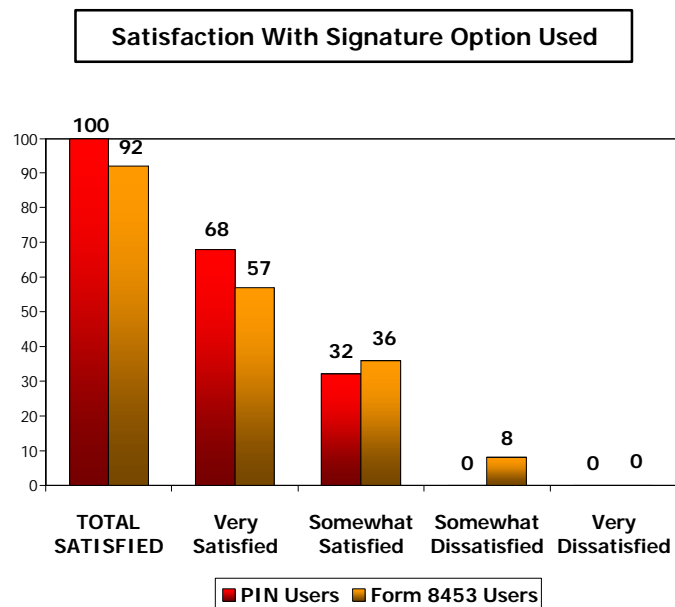
- Among the small sub-sample recalling information, the top types of information were *info at irs.gov* and *IRS forms, publications, instructions* – with *irs.gov* being the main information source. About 8 in 10 of those recalling information about Form 990 considered it helpful.

Info Type, Receipt & Helpfulness

	2006 Users (29) %
(NEW BASE: Total Recall 990/990EZ e-file Information)	
<u>Types Of Information Recall Seeing</u>	
Information At IRS's Website - irs.gov	62
IRS Forms	55
IRS Publications	55
IRS Instructions	52
Information From Other Internet Websites	31
Information From Software Companies	21
<u>How Information Was Received</u>	
From The IRS's Website - irs.gov	52
In The Mail	34
From Other Internet Websites	31
Via e-mail	24
From Software Companies	24
<u>% Said Information Was Very/Somewhat Helpful</u>	83

Usage Of & Satisfaction With Signature Alternatives

- 48% of Users use the PIN signature alternative to file their Form, 41% use the Scanned Form 8453 signature document in PDF format, and 11% do not recall their signature method. Usage of the PIN is lower here than in 2004 (when it was 75%).
- Still, as we found in 2004, satisfaction is strong for both signature options, especially the PIN.



- Asked what they liked about each option, most Users mention the ease or convenience of the method – usually expressed as “it’s easy to do”, “easy to use”, or “very convenient”.

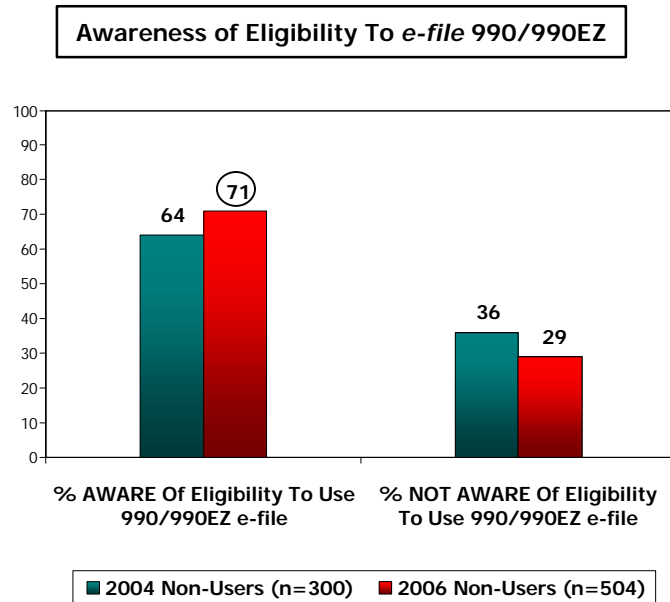
Reasons For Satisfaction w/Signature Method		
	PIN Users	Form 8453 Users
990/990EZ e-file Users Very/SW Satisfied w/Option	(62) %	(49) %
<u>Ease/Convenience (Net)</u>	60	43
Easy to do/use/very convenient	39	24
Less paperwork/saves paper/paperless	5	0
Simple (unspecified)	5	0
<u>Speed (Net)</u>	6	8
<u>Additional Mentions</u>		
It's secure	11	8
Works/works well	2	8



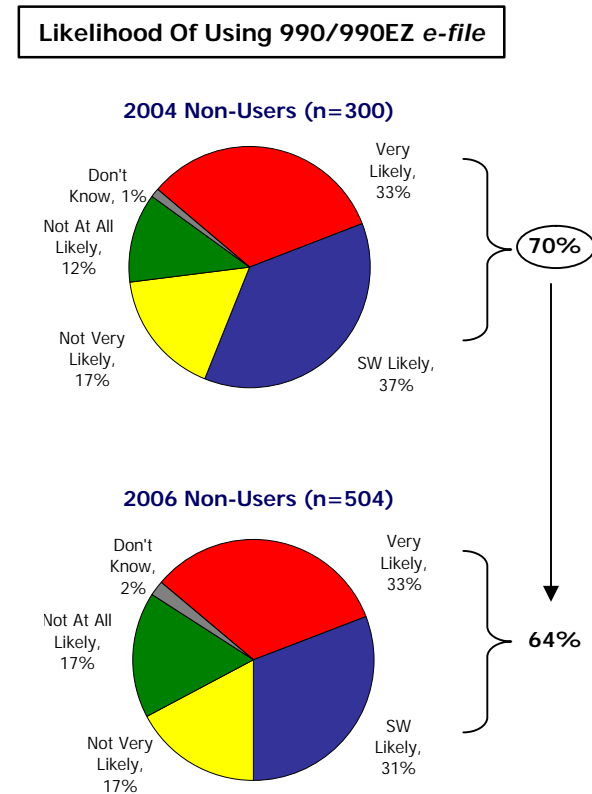
Findings Among Non-Users

Awareness Of Eligibility & Likelihood Of Using 990/990EZ e-file

- Focusing on Non-Users of 990/990EZ e-file, we see that 71% are now aware that they *could have* filed 990/990EZ electronically – which is up significantly from the 64% that we found in 2004.

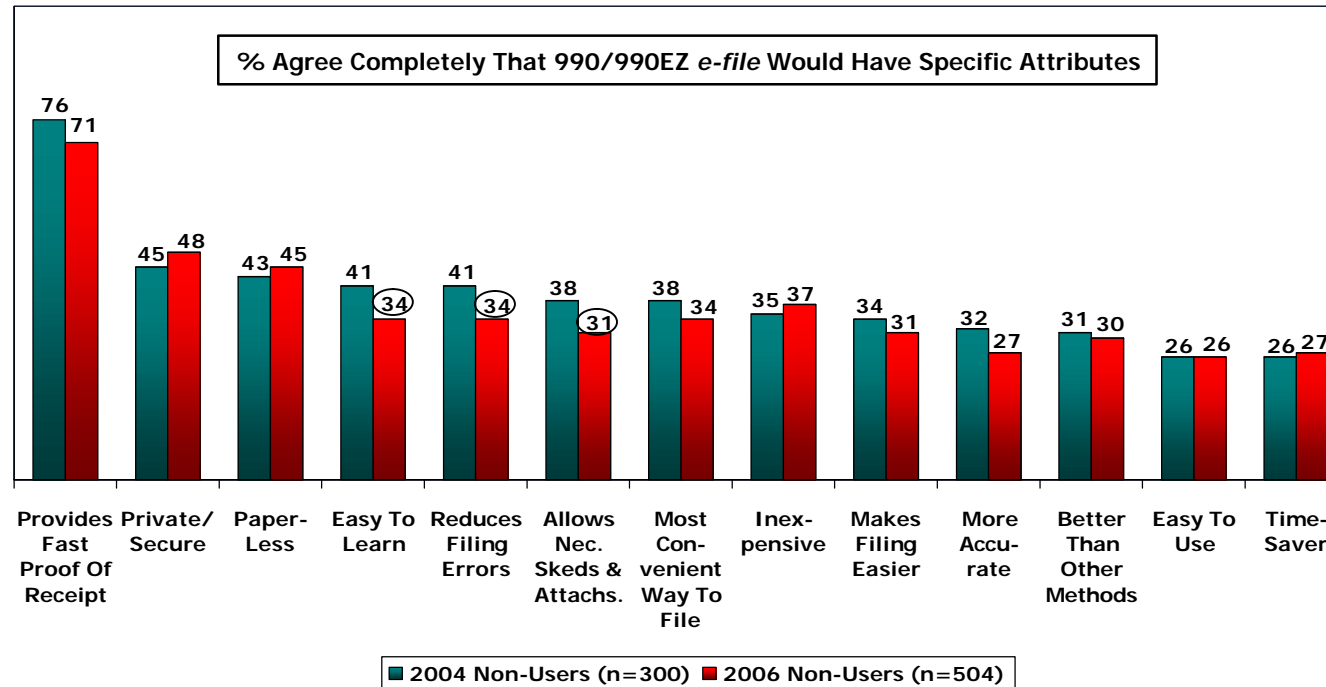


- However, after hearing a description of 990/990EZ e-file, only 64% of Non-Users say they are likely to use it in the future – which is significantly *lower* than the 70% we found in 2004.



Non-User Perceptions Of 990/990EZ e-file

- Based on the product description (plus any existing knowledge of the product), Non-Users were asked for their impressions of 990/990EZ e-file via a rating of agreement with a series of statements.
- Looking at their “Agree Completely” ratings, we see that they basically know only what Non-Users knew in 2004 – mainly that 990/990EZ e-file provides **Fast Proof Of Receipt**; otherwise, ratings (and knowledge) are weak. In addition, we see some decline in ratings of three product image points in particular – **Easy To Learn**, **Reduces Filing Errors**, and **Allows Necessary Schedules & Attachments**.



Reasons For Non-Usage & What IRS Can Do To Increase Likelihood Of Usage

- Confirming the lack of knowledge evident in ratings, we found that the top stated barrier to use among Non-Users is lack of knowledge, followed by not wanting to learn something else, waiting to see how it works, and concerns about software costs and needs.
 - Among those Not Likely To Use (in the rating on Page 15), another strong reason for non-use was a perception 990/990EZ e-file **means more work for them**.

Reasons For Non-Usage			
	2006 Non-Users	Likely To Use	Not Likely To Use
	(504)	(325)	(173)
	%	%	%
Total 990/990EZ e-file Non-Users			
Just don't know enough about it yet	62	64	58
It's just something else I'd have to learn	37	31	49
Cautious, waiting to see how works for others	37	34	44
The software costs money	35	28	48
My software doesn't support it	31	34	24
It's too much work - have enough to do	27	19	42
My software package does not offer an e-file option	24	28	17
Lack of confidence/too much can go wrong	22	18	29
No interest in trying it	21	10	43
Don't have the necessary computer hardware	21	15	31
My clients don't ask for it or want it	19	19	20
Req. for e-filing return are diff/too much trouble	19	13	29
Want a bundled suite of standardized SW products	19	19	18
Lack of confidence in the security	18	14	26
The application process is too difficult/tricky	14	13	16
Don't like doing the IRS's work for them	13	8	22
The cost of transmission is too high	13	9	20
The computer software is too difficult	11	7	17

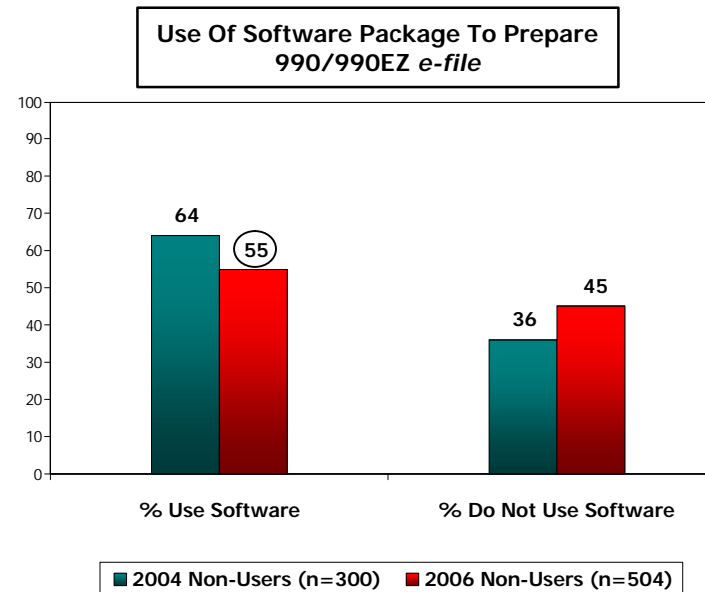
- About two-thirds of Non-Users have suggestions for what IRS can do to increase their likelihood of use, but they are scattered across a wide range of mentions. The top set of suggestions are to change the program in some way – to simplify it, make it mandatory, or expand it.

What IRS Can Do To Increase Likelihood Of Usage

	2006 Non-Users
	(504)
	%
Total 990/990EZ e-file Non-Users	
Change The Program (Net)	25
Simplify it/make it more efficient	10
Make it mandatory/required	7
Expand it (make all forms e-file, allow attachments)	4
Provide More Information/Training (Net)	13
Need to know more about it	4
Send more information (unspecified)	2
Provide Better Cost/Incentives (Net)	11
Provide the software/make software free	6
Make it free	2
Other Suggestions:	
Will do it next year/will do it in the future/will use e-file	4
If it was offered through our software company	2
Nothing/Don't Know/No Suggestions	33

The Role Of Software In Non-Usage

- In the last of the Non-User measures, we found that only 55% of Non-Users use software to file 990/990EZ while 45% do not – with software usage lower than in 2004.



- In addition to the 45% not using software, another 20% (part of the software user group) are using software without an e-file option. So, in total, software is an issue for 65% of Non-Users and may still be a major barrier to adoption of 990/990 EZ e-file.

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

Communicating With 990/990EZ e-file Users & Non-Users

- In survey measures taken of both Users and Non-Users of 990/990EZ e-file, we found (as we did in 2004) that e-file Users generally prefer receiving product information electronically (via e-mail/irs.gov), while Non-Users accept electronic info but tend more toward receipt via regular mail.

How Prefer To Receive Info About 990/990EZ

	<u>Users</u> (130) %	<u>Non-Users</u> (504) %
Via e-mail	81	57
From The IRS's Website - irs.gov	79	58
In The Mail	58	69
From Software Companies	32	26
From News Articles	28	17
From Contact With IRS Tax Specialist/Employee	18	9
Via Electronic Bulletin Board	18	9
From Other Internet Websites	15	9
From Advertising	14	11
Pick(ed) Up At Post Office/Library	10	8
Pick(ed) Up At An IRS Office	5	5
A CPA	4	4

- Respondents were asked if they had tried to access 990/990EZ publications or returns via irs.gov and, if so, were asked about their experiences in retrieving these documents from the website. Users are significantly more likely than Non-Users to have accessed docs at the site, but both groups agree that the docs found on the site *provide enough information, are appropriately detailed, easy to find, and easy to understand.*

Evaluation Of 990/990EZ Pubs At irs.gov

	<u>Users</u> (130) %	<u>Non-Users</u> (504) %
<u>% Who Have Tried To Access 990 Publications>Returns At irs.gov</u>	77	58
(Total Tried To Access 990 Pubs>Returns at irs.gov)	(100)	(290)
<u>% Feel Pubs>Returns at irs.gov...</u>		
Are Appropriate In Their Detail	81	89
Provide Enough Information	80	89
Are Easy To Find	74	84
Are Easy To Understand	73	77

Rejected 990/990EZ e-file Returns

- Only 9% (or 12) of the Users and 1% (or 5) of the Non-Users have had 990/990EZ e-file returns rejected by the IRS, with the average number of rejects at about 3-4 in each case. Users, of course, were far more likely than Non-Users to have made another attempt to electronically file a rejected return.

Rejected 990/990EZ e-file Returns

	<u>Users</u> (130) %	<u>Non-Users</u> (504) %
Total Respondents		
<u>% Who Have Had 990/990EZ e-file Rejected By The IRS</u>	9	1
(Total Who Have Had 990/990EZ e-file Rejected By IRS)	(12)	(5)
Mean # of 990/990EZ e-file Forms Rejected By The IRS	3.3	3.8
% Who Made Another Effort To e-file 990/990EZ	58	20

- Among the 12 Users with rejected returns, the top reasons cited for return rejections were missing data, data not matching, and math errors.
- However, most of them were either not discouraged by the rejection or not discouraged enough to not try again.

Course Taken After Rejection

	<u>Users</u> (12) %
Total Who Have Had 990/990EZ e-file Rejected By IRS	
% Discouraged By Rejection & Did Not e-file After That	17
<u>% Discouraged By Rejection But Did e-file Successfully Afterward</u>	8
<u>% Not Discouraged By Rejection & Continued To e-file 990</u>	75
Don't Know/Refused To Answer	0

Characteristics Of Users & Non-Users Of 990/990EZ e-file

- Finally, we looked at the characteristics of 990 preparers in the two survey cells and found that...
 - As in the benchmark 2004 study, Users and Non-Users include similar proportions of internal vs. external preparers (it's about 50% for each type in each cell).
 - However, they differ in employee size and budget, with the Non-User organizations being larger in both respects.
 - Note that there are very large differences between the mean/average and median number of employees and budget in each cell – this is due to the presence of a few very large organizations, which are driving up the means/averages in each case.
 - We also looked for differences between the external preparers present in each cell to see if professional preparers (CPAs/accountants/tax preparers) differed in each group. They did, with the external preparers in the User cell preparing more 990 returns as well as somewhat more individual returns, and being more likely to be an ERO/Electronic Return Originator.

User & Non-User Characteristics		
	2006 Users (300) %	2006 Non-Users (504) %
BASE: Total Respondents		
% Who Are <u>Internal</u> Preparers	51	50
% Who Are <u>External</u> Preparers	49	50
Avg. # People Employed By Organization	33	82
Median # People Employed By Organization	6	8
<u>Budget Of Organization</u>		
Less Than \$100,000	41	30
\$100,000 To \$249,999	16	15
\$250,000 To \$499,999	9	11
\$500,000 To \$999,999	10	6
\$1,000,000 To \$4,999,999	11	13
\$5,000,000 To \$24,999,999	8	8
\$25,000,000 Or More	0	5
Refused	5	12
Avg. Budget Of Organization (millions)	\$1.5M	\$6.5M
Median Budget Of Organization (thousands)	\$161K	\$236K
<u>If An External Preparer...</u> (Base:)		
Avg. # 990 Returns Per Year	(64)	(249)
% File Individual Returns	41	36
% Who Are EROs	94	89
	92	82

