# Findings From
# The Customer Satisfaction Study
# Of Form 990/990EZ e-file

*The Return Of Organizations*

*Exempt From Income Tax*

**Prepared for:**

## Internal Revenue Service

**Department of the Treasury**

**June 6, 2007**

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# Introduction

# Research Background, Purpose, Method, Scope & Timing

- **IRS tracks User satisfaction with electronic 990/990-EZ and looks for ways to stimulate Non-Users to usage, having begun this research in '04 and updated it in '05/'06.**

- **In '07, IRS and Russell began a new wave of User/Non-User tracking that would hopefully include a look at Users Mandated to file Form 990 electronically for the TY ending on/after 12/31/05 – i.e., organizations with $100M+ assets and filing 250+ annual forms/returns.**

  - **Why focus on '05 and not on the '06 Mandate (with its lower, $10M+ asset criteria)? Because IRS lists used in sampling are provided in March and cover returns filed 12/30/05 through 11/30/06.**

    - **As a result, questions were focused on "last year's filing", without alluding to a specific time period – the assumption being that most would be talking about a return filed after the '05 but before the '06 Mandate.**

  - **And why do we say "hopefully include a look at Mandated Users"? Because IRS lists do not show # forms/returns filed and it was not known how many listed Users would be '05 Mandate-qualified.**

- **The sample for the '07 wave consisted of 942 actual preparers of 990/990EZ – with 48% being internal preparers and 52% external preparers.**

- **The sample was divided as follows:**

  - **441 Users of electronic 990/990EZ (356 using 990 and 85 using 990EZ – with these two groups weighted in any combined data to reflect their 3/4th – 1/4th natural split).**

    - **Note, however, that only 4% of the 990 Users (only 18 organizations) turned out to be '05 Mandated, giving us too few to analyze statistically. Instead, we look at those 18 respondents in a broad, qualitative manner.**

  - **501 Non-Users of electronic 990/990EZ (these fell out naturally weighted at 376 using 990 and 125 using 990EZ, or 3/4th – 1/4th).**

- **Interviewing for this wave was conducted by telephone, March 15 to April 19, 2007.**

- **In the report, whenever multiple groups (or years) are compared, any statistically significant differences are noted with a circle around the higher figure or a box around the lower figure.**
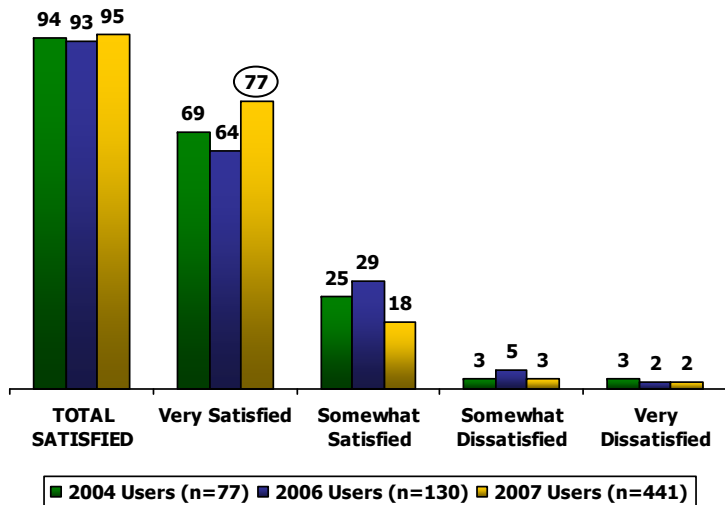
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# Detailed Findings

# Findings Among
# 990/990EZ e-file Users

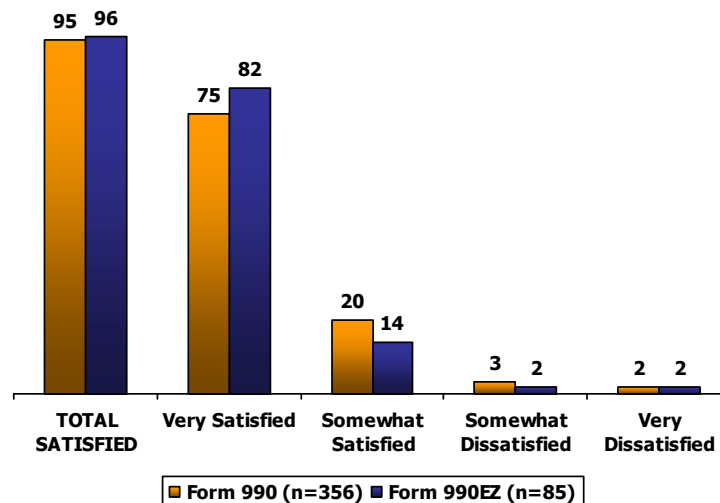# Satisfaction With (Both) Electronic 990/990EZ Remains High

- **Total Satisfaction** with electronic filing of Form 990/990EZ (% "very"/"somewhat" satisfied with either form) <u>remains quite high</u> – at 95% this year vs. 93-94% in past tracking surveys.

  - In addition, the <u>slippage in % "very satisfied" that we noted last year has reversed</u> and we see a significant past-year increase in this strongest measure of satisfaction levels.

- Looking at <u>each product</u>, we see that <u>Satisfaction is similar</u> for electronic <u>Form 990</u> (among its Users) and for <u>990EZ</u> (among its Users)…

  - With 95-96% total Satisfaction for each product.

  - And with the percent "Very Satisfied" in the 75-82% range for each product.  Note: the difference here between 990 and 990EZ is not statistically significant.



**Year-To-Year Satisfaction With Electronic 990/990EZ**

Legend: 2004 Users (n=77) — 2006 Users (n=130) — 2007 Users (n=441)

| | TOTAL SATISFIED | Very Satisfied | Somewhat Satisfied | Somewhat Dissatisfied | Very Dissatisfied |
|---|---|---|---|---|---|
| 2004 | 94 | 69 | 25 | 3 | 3 |
| 2006 | 93 | 64 | 29 | 5 | 2 |
| 2007 | 95 | 77 | 18 | 3 | 2 |



**'07 Satisfaction With Each Electronic Product**

Legend: Form 990 (n=356) — Form 990EZ (n=85)

| | TOTAL SATISFIED | Very Satisfied | Somewhat Satisfied | Somewhat Dissatisfied | Very Dissatisfied |
|---|---|---|---|---|---|
| Form 990 | 95 | 75 | 20 | 3 | 2 |
| Form 990EZ | 96 | 82 | 14 | 2 | 2 |

QM/N4 – Overall, how satisfied are you with electronic filing as a method of filing Form 990?

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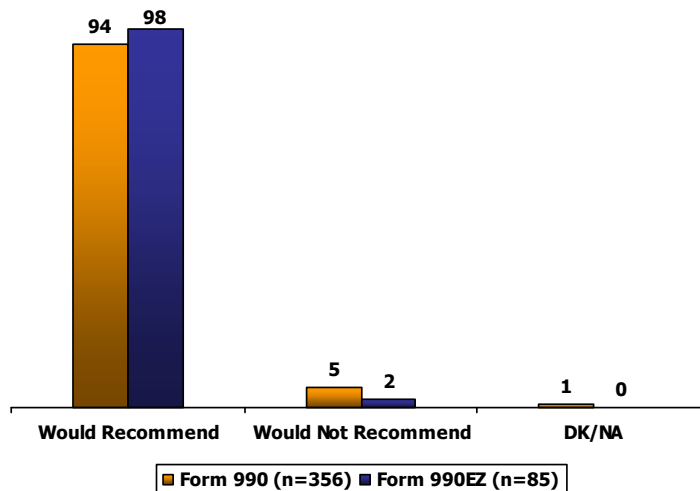
# Recommendation Levels Are Also Holding Strong

- As a further indication of satisfaction, the proportion of Users of electronic 990/990EZ who say they would **Recommend it to others remains extremely high** – at 95-96%.

- The intended Recommendation level is <u>virtually the same for 990 and for 990EZ</u> – with the difference in the two below again not statistically significant.



**Year-To-Year Recommendation Scores For Electronic 990/990EZ**

| | Would Recommend | Would Not Recommend | DK/NA |
|---|---|---|---|
| 2004 Users (n=77) | 96 | 4 | 0 |
| 2006 Users (n=130) | 96 | 3 | 1 |
| 2007 Users (n=441) | 95 | 4 | 1 |



**'07 Recommendation Scores For Each Electronic Product**

| | Would Recommend | Would Not Recommend | DK/NA |
|---|---|---|---|
| Form 990 (n=356) | 94 | 5 | 1 |
| Form 990EZ (n=85) | 98 | 2 | 0 |

QM/N8 – Would you recommend electronic filing to others as a method of filing Form 990?

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# Ease & Convenience Are The Main Drivers To Satisfaction

- **When we code all Users' reasons for the Satisfaction rating, we see (as in each past wave) that <u>ease and convenience</u>, followed by <u>speed</u> and <u>accuracy</u>, continue to drive satisfaction with electronic 990/990EZ.**

- **The same rank order of reasons for Satisfaction holds for both electronic products, 990 and EZ. The only differences are that EZ generates more mentions of <u>ease and convenience</u>, while 990 has more mentions of <u>accuracy</u>.**

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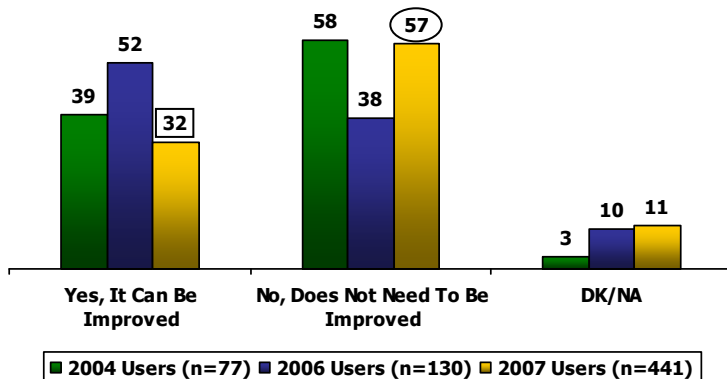| **Top '07 Reasons For Satisfaction With Electronic 990/990EZ** |
| --- |

| Total 990/990EZ *e-file* Users Very/Somewhat Satisfied | 2007 Users (441) % |
| --- | --- |
| **Ease/Convenience (net)** | **71** |
| **Easy/Convenient/Simple** | **25** |
| **Less paperwork** | **14** |
| **Acknowledgement of receipt** | **6** |
| **Don't have to mail it in** | **5** |
| | |
| Speed (net) | 19 |
| Quicker/Faster | 10 |
| Immediate acknowledgement of receipt | 5 |
| Saves time | 5 |
| | |
| Accuracy (net) | 11 |
| Checks for errors | 3 |
| | |
| Like It/Satisfied (net) | 9 |
| Works well | 3 |

| **Top Reasons For '07 Satisfaction For Each Electronic Product** |
| --- |

| Total 990/990EZ *e-file* Users Very/Somewhat Satisfied | 990 Users (356) % | 990EZ Users (85) % |
| --- | --- | --- |
| **Ease/Convenience (net)** | **69** | **78** |
| **Easy/Convenient/Simple** | **23** | **33** |
| **Less paperwork** | **14** | **12** |
| **Acknowledgement of receipt** | **5** | **7** |
| **Don't have to mail it in** | **5** | **5** |
| | | |
| Speed (net) | 19 | 21 |
| Quicker/Faster | 11 | 9 |
| Immediate acknowledgement of receipt | 5 | 4 |
| Saves time | 4 | 7 |
| | | |
| Accuracy (net) | 12 | 7 |
| Checks for errors | 4 | 2 |
| | | |
| Like It/Satisfied (net) | 9 | 9 |
| Works well | 3 | 3 |

QM/N5 – Specific reasons for satisfaction with 990/990EZ.

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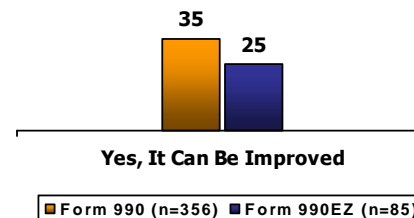# With Higher Satisfaction, Fewer Think It Should Be Improved

- **In line with the higher Satisfaction (top-box Satisfaction) that we saw earlier, <u>there is a clear drop this year in the number of Users who say electronic 990/990EZ can be improved</u>.**

- **Taken together, these two gains for the program among Users indicate that <u>either IRS has made improvements to it</u> or that <u>there is a growing acceptance of the program over time</u>.**

**Year-To-Year Measures Of Whether The Program Can Be Improved**

| | Yes, It Can Be Improved | No, Does Not Need To Be Improved | DK/NA |
|---|---|---|---|
| 2004 Users (n=77) | 39 | 58 | 3 |
| 2006 Users (n=130) | 52 | 38 | 10 |
| 2007 Users (n=441) | 32 | 57 | 11 |

■ 2004 Users (n=77)  ■ 2006 Users (n=130)  ■ 2007 Users (n=441)

- **There is a difference by product, however, with directionally <u>more Users of 990 saying it can be improved</u> compared to what we see for 990EZ.**

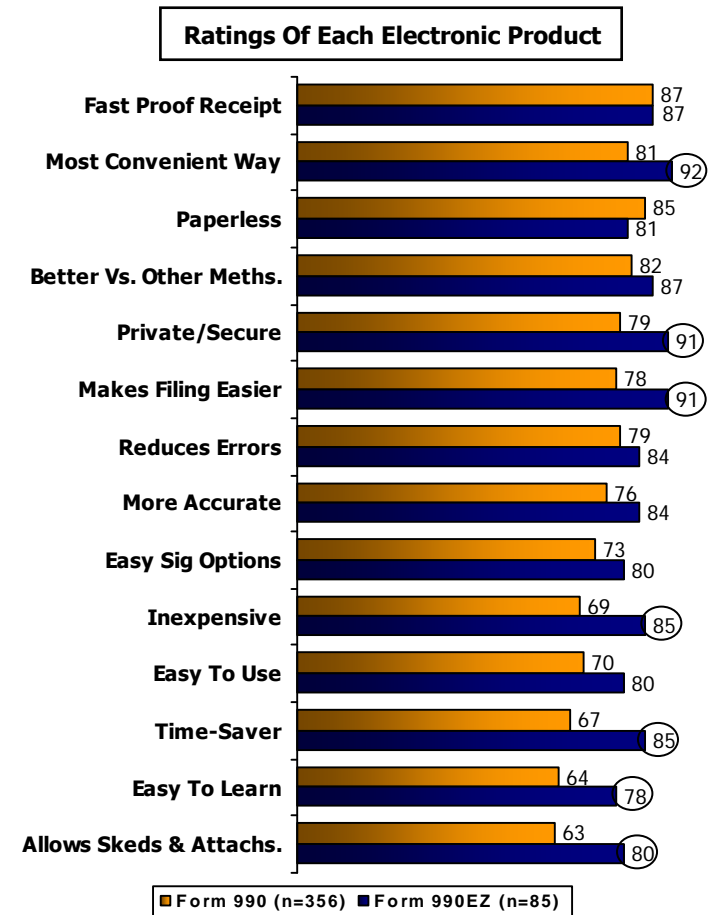**'07 Improvement Scores By Electronic Product**

| | Yes, It Can Be Improved |
|---|---|
| Form 990 (n=356) | 35 |
| Form 990EZ (n=85) | 25 |

■ Form 990 (n=356)  ■ Form 990EZ (n=85)

- **When we look at <u>specific suggestions for 990</u>, we see that they center around <u>ease of use</u>:**

  ■ **Just make it simpler/easier to use/shorten the form. (17)**

  ■ You should be able to attach Microsoft Word and Excel documents – e.g., things like a mission statement etc. (5)

  ■ Some information (which is the same each year) should just come up each year – e.g., different schedules, where the names would be the same and only the numbers would change. Would be less work. (4)

  ■ IRS should indicate what compatible software is available. (3)

  ■ We get a lot of rejection issues on the zip codes, addresses of the board members, etc. (3)

QM/N6 – In your opinion, can electronic filing of Form 990 be improved? (If so:) How?

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# Ratings Remain Strong, Especially For Electronic 990EZ

- **Comparing User ratings of the program today vs. 2004, we see <u>a strong gain in perceived ease of use</u>, along with stability in other ratings.**
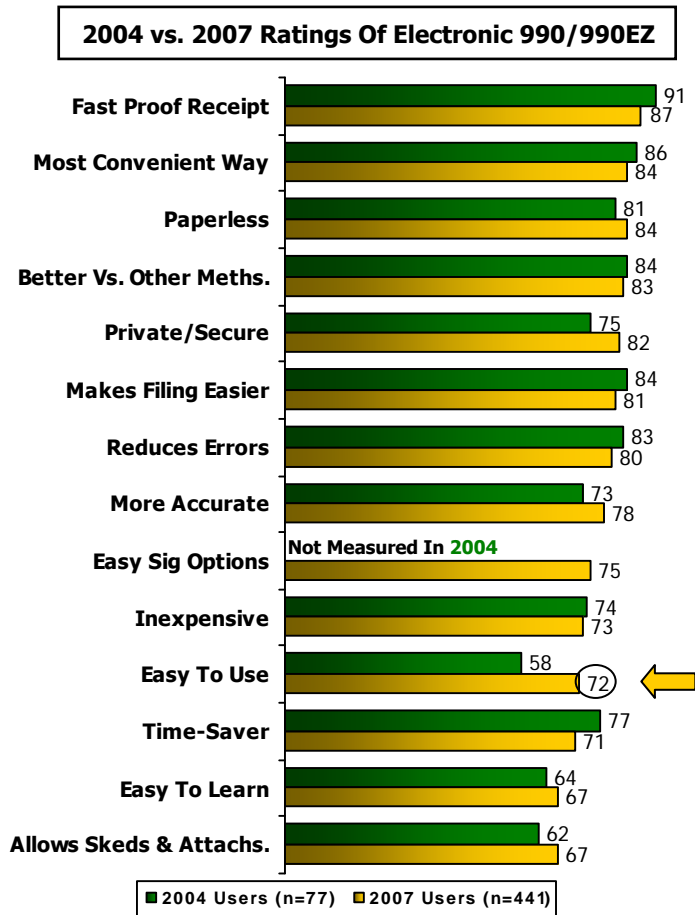
- **But <u>990EZ is responsible for most of the strength in the ratings</u>, with EZ rated consistently stronger among its Users than 990 among its Users.**

### 2004 vs. 2007 Ratings Of Electronic 990/990EZ

| Characteristic | 2004 Users (n=77) | 2007 Users (n=441) |
|---|---|---|
| Fast Proof Receipt | 91 | 87 |
| Most Convenient Way | 86 | 84 |
| Paperless | 81 | 84 |
| Better Vs. Other Meths. | 84 | 83 |
| Private/Secure | 75 | 82 |
| Makes Filing Easier | 84 | 81 |
| Reduces Errors | 83 | 80 |
| More Accurate | 73 | 78 |
| Easy Sig Options | Not Measured In 2004 | 75 |
| Inexpensive | 74 | 73 |
| Easy To Use | 58 | 72 ← |
| Time-Saver | 77 | 71 |
| Easy To Learn | 64 | 67 |
| Allows Skeds & Attachs. | 62 | 67 |

### Ratings Of Each Electronic Product

| Characteristic | Form 990 (n=356) | Form 990EZ (n=85) |
|---|---|---|
| Fast Proof Receipt | 87 | 87 |
| Most Convenient Way | 81 | 92 |
| Paperless | 85 | 81 |
| Better Vs. Other Meths. | 82 | 87 |
| Private/Secure | 79 | 91 |
| Makes Filing Easier | 78 | 91 |
| Reduces Errors | 79 | 84 |
| More Accurate | 76 | 84 |
| Easy Sig Options | 73 | 80 |
| Inexpensive | 69 | 85 |
| Easy To Use | 70 | 80 |
| Time-Saver | 67 | 85 |
| Easy To Learn | 64 | 78 |
| Allows Skeds & Attachs. | 63 | 80 |

QM/N9 – Please rate how satisfied you are with each of the following characteristics of electronic (990) (990EZ).

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# SW Companies Are Their Intro, But Ease & Experience Compel Them

- **Looking at how <u>Non-Mandated Users</u> are first introduced to electronic 990/990EZ, we see that it's the software companies who are providing most of the early introduction to the program. This is especially true in the case of 990 Users.**

| How First Learned About 990/990EZ e-file | 2007 Users (423) % | 990 Users (338) % | 990EZ Users (85) % |
|---|---|---|---|
| Total 990/990EZ *e-file* Users Not Mandated | | | |
| **A software company** | **40** | **43** | **33** |
| IRS marketing/communications | 8 | 7 | 9 |
| Internet/online | 8 | 6 | 12 |
| IRS website/irs.gov | 8 | 7 | 8 |
| From a (another) tax professional | 4 | 5 | 4 |
| From an IRS local office | 3 | 2 | 4 |
| Commissioner's letter | 2 | 2 | 4 |
| Contact with IRS tax specialist/employee | 2 | 2 | 1 |
| Someone In my firm | 2 | 2 | 1 |

- **Both Non-Mandated User sub-groups (990 and 990EZ) say that it was their <u>learning about its ease and convenience</u>, together with <u>their own previous experience</u> in e-filing, that led them to first consider using the program.**

| Learning That Moves Users To Usage | 2007 Users (423) % | 990 Users (338) % | 990EZ Users (85) % |
|---|---|---|---|
| Total 990/990EZ *e-file* Users Not Mandated | | | |
| **Ease/Convenience (net)** | **38** | **36** | **42** |
| **Easier/More Convenient** | **20** | **18** | **26** |
| **Less paperwork** | **6** | **6** | **7** |
| **Had Experienced Using e-file (net)** | **23** | **24** | **22** |
| **Already e-file other forms** | **18** | **19** | **15** |
| It's The Way Of The Future (net) | 10 | 12 | 5 |
| I want to go all electronic w/filing | 4 | 4 | 2 |
| It will be required in the future anyway | 4 | 4 | 1 |
| Speed (net) | 10 | 9 | 12 |
| Quicker/faster | 4 | 4 | 4 |
| Instant verification | 3 | 3 | 2 |
| Saves time | 3 | 2 | 6 |
| Others | | | |
| It became available | 14 | 14 | 13 |
| My boss wanted me to e-file | 5 | 7 | 1 |
| It was mandated | 5 | 5 | 5 |

QN11 – How did you first learn about 990/990EZ e-file?          QN11(P) – What specifically did you learn about 990/ 990EZ that made you consider using it?

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- The survey covered other issues among total Users (Mandated/Not), including first-time use of electronic 990/990EZ and transmission of the form to IRS.

- About half of all Users say that the year in question (their previous filing year, presumably 2005) was their <u>first year</u> at filing 990/990EZ electronically — with <u>more first-time filers among electronic 990 Users</u> than among 990EZ Users.

  - We asked <u>first-time electronic filers if they had to do anything different in e-filing the form</u> and <u>about two-thirds or more said that they did</u> — mainly they have to get trained or set up, get a PIN/electronic signature, fill out more information, apply more due diligence (checking data and information more carefully), and in a few cases (mainly EZ) they have to get help from a 3ʳᵈ party, from IRS, or from online websites.

- In terms of <u>transmission of the form to the IRS</u>, about <u>8 in 10 say they used a 3ʳᵈ party</u>, though 14% also think they transmitted directly. With Users unable to transmit directly, this is confusion/misperception (which is higher among the 990EZ Users than among 990 Users).

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**First-Time Filing & Transmission To IRS**

| | 2007 Users | 990 Users | 990EZ Users |
|---|---|---|---|
| Total 990/990EZ *e-file* Users | (441) | (356) | (85) |
| | % | % | % |
| **% 1ˢᵗ-Time 990/990 EZ Electronic** | **52** | **55** | **42** |
| (New Base: 1ˢᵗ-Time Filers) | (231) | (195) | (36) |

**What Did 1ˢᵗ-Time Filers Have To Do Differently In Their First Year?**

| | 2007 Users | 990 Users | 990EZ Users |
|---|---|---|---|
| **% Who Had To Do Something Different** | **67** | **66** | **72** |
| Had to get trained or set up for it | 10 | 13 | 6 |
| Had to get PIN/electronic signature | 8 | 9 | 8 |
| Had to fill out more information | 7 | 8 | 6 |
| Took more time/checked names/add/etc. | 8 | 8 | 9 |
| Had to get help/3ʳᵈ party/IRS/go online | 4 | 3 | 8 |
| (New Base: Total Users Not Mandated) | (441) | (356) | (85) |

**How Transmitted Form To IRS**

| | 2007 Users | 990 Users | 990EZ Users |
|---|---|---|---|
| % Used A 3ʳᵈ Party To Transmit | 79 | 81 | 75 |
| Software vendor | 49 | 54 | 33 |
| Online provider | 27 | 23 | 36 |
| ERO | 4 | 4 | 6 |
| % Transmitted Directly To IRS | 14 | 11 | 21 |
| Don't Recall How Transmitted | 7 | 8 | 4 |

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- **In total, <u>84% of total Users say that IRS provides adequate information</u> for filing 990/990EZ electronically.**

  - **Among the few who feel that the IRS DOES NOT provide adequate information, the need is for more detailed, easier-to-understand information.**

- **While the vast majority say the IRS meets their 990/990EZ information needs, <u>only about one-sixth say they recall</u> any information about electronic 990/990EZ...**

- **With <u>virtually all of the information recall coming from Users of 990</u> (and with only two mentions of recall among Users of 990EZ).**

- **When we look at feedback on the IRS information among 990 Users, we see that <u>9 in 10 rate the information helpful</u> and that they receive the information mainly from irs.gov, via mail, and via e-mail.**

| Recall & Feedback On IRS-Provided Information | | | |
|---|---|---|---|

| | 2007 Users | 990 Users | 990EZ Users |
|---|---|---|---|
| Total 990/990EZ *e-file* Users | (441) % | (356) % | (85) % |
| **% Say IRS Provides Adequate Info For Filing 990/990EZ Electronically** | **84** | **87** | **78** |
| **% Say IRS Didn't Provide Adequate Info** | **16** | **13** | **22** |
| **What Could Be Improved About This?** | | | |
| More detailed/easier-to-understand info | 6 | 5 | 8 |
| **% Recall IRS Info About 990/990EZ** | **16** | **21** | **2** |
| (New Base: Recall IRS Information) | (76) | (74) | (2) |
| **Types Of Information Recalled** | | | |
| Newspaper/magazine articles | | 50 | Too Few To Analyze (2 People) |
| IRS publications | | 49 | |
| IRS forms | | 41 | |
| IRS instructions | | 38 | |
| Information from Internet websites | | 31 | |
| **% Rated The Information Helpful** | | **91** | |
| **How Received Information** | | | |
| From the IRS's website, irs.gov | | 45 | |
| In the mail | | 41 | |
| Via e-mail | | 38 | |
| From software companies | | 26 | |
| From news articles | | 11 | |

QM/N12 – Did IRS provide adequate info to guide you in filing 990/990EZ?
QM/N13 – Have you seen any info related to 990/990EZ since learning of it?
QM/N14 – Which types of information relating to e-file have you seen?
QM/N15 – How helpful was this information?
QM/N17 – How did you receive this information?

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# Most Users Are Using A PIN And Are Highly Satisfied With It

- **The <u>PIN signature method has the highest usage among electronic 990/990EZ Users</u>, with…**

  - **63% of all Users saying that they use a PIN number, while only 30% say they are using Form 8453 (though this is higher among 990EZ Users).  7% do not recall their signature method.**

- **<u>Satisfaction with the PIN number is almost universal</u> (with 88% "very" satisfied and another 9% "somewhat" satisfied)…**

  - **With the primary selling point of this method being its ease, convenience, time-saving, and reduced work.**

- **<u>Satisfaction with the Form 8453 signature method is lower (than that of the PIN)</u> – at 70% in total, but this is at least directionally higher among 990EZ Users who use this method.**

  - **While the main attributes of Form 8453 are also its ease and convenience…**

  - **We do hear – from those not satisfied with this signature method – that "it is not convenient"/"it involves an extra step", and "it's time-consuming".**

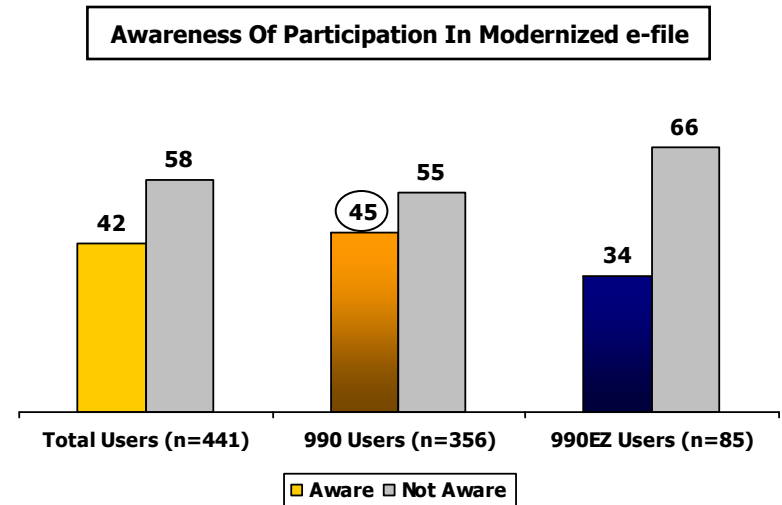### Usage Of & Feedback On Signature Methods

| | 2007 Users | 990 Users | 990EZ Users |
|---|---|---|---|
| Total 990/990EZ *e-file* Users | (441) % | (356) % | (85) % |
| **Electronic 990/990EZ Signature Method** | | | |
| PIN Number | 63 | 66 | 52 |
| Form 8453 | 30 | 27 | 41 |
| Don't Recall | 7 | 7 | 7 |
| **For PIN Number, Specifically** | | | |
| (New Base: Total Use PIN Number) | (274) | (234) | (44) |
| **Satisfaction With PIN Number** | | | |
| Very Satisfied | 88 | 89 | 86 |
| Somewhat Satisfied | 9 | 8 | 14 |
| Not Very/Not At All Satisfied | 3 | 3 | 0 |
| **Main Reasons For Satisfaction** | | | |
| Easy/convenient/saves time/less work | 81 | 82 | 80 |
| Fast | 11 | 10 | 14 |
| Secure | 6 | 5 | 9 |
| **For Form 8453 Sig Method, Specifically** | | | |
| (New Base: Total Use Form 8453) | (130) | (95) | (35) |
| **Satisfaction With Form 8453** | | | |
| Very Satisfied | 70 | 64 | 80 |
| Somewhat Satisfied | 20 | 23 | 14 |
| Not Very/Not At All Satisfied | 10 | 13 | 6 |
| **Main Reasons For Satisfaction** | | | |
| Easy/convenient/save time/less work | 64 | 66 | 61 |
| Fast | 9 | 8 | 9 |
| Secure | 4 | 2 | 6 |

**Among The Few Not Satisfied w/8453, Top Reasons Were:**
It's not convenient – involves an extra step (71%)
It's time-consuming (22%)

QM/N18 – (To file electronically…) Taxpayer must sign the return using a PIN number or a scanned Form 8453 signature document in PDF format.  Which of these two methods do you use?
QM/N19 – Overall, how satisfied are you with this method (Q20) Why?

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- **Finally for this year's <u>total electronic 990/990EZ Users and their sub-groups</u>...**

- **In a new question, we asked if they are aware they are participating in the Modernized e-file program.**

- **In total across both User sub-groups, <u>42% are aware of this</u>.**

- **However, <u>awareness of participation in Modernized e-file is significantly higher among 990 Users</u> than among 990EZ Users.**

**Awareness Of Participation In Modernized e-file**

| | Aware | Not Aware |
|---|---|---|
| Total Users (n=441) | 42 | 58 |
| 990 Users (n=356) | 45 | 55 |
| 990EZ Users (n=85) | 34 | 66 |

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# Findings Among
# 990/990EZ e-file Mandated Users

- As noted at the outset, <u>the number of Mandated Users of electronic Form 990 within the list of total Users provided by IRS was extremely small</u> – only 18 organizations.

- Still, <u>with IRS wanting to learn as much as possible about this group</u>, we summarize (to the right) any questions unique to them as well as where they differ from Non-Mandated Users.

- While we cannot apply statistical analysis to such a small group, we can <u>look at them qualitatively</u> and this shows that they may…

  - Include <u>more 1st-Time Electronic Filers</u>, who <u>have to things differently to file electronically</u> – with about <u>one-third having to accelerate filing</u>.

  - They seem to learn of the Mandate mainly through <u>another tax professional</u>.

  - Overall, they appear to be <u>marginally less satisfied with 990 e-file</u> and <u>more likely to feel it can be improved</u> – especially in terms of <u>saving time</u>, being <u>easy to learn</u>, <u>allowing necessary schedules and attachments</u>, providing <u>easy signature options</u>, and being <u>easy to learn</u>.

**Summary Of Learning About Mandated 990 Users**

Caution: EXTREMELY Small Base ──────────→

| | Mandated 990 Users (18) % | Non-Mandated 990 Users (338) % |
|---|---|---|
| Mandated & Non-Mandated 990 *e-file* Users | | |
| **% Say This Was 1st Year They Filed Electronically** | **89** | **53** |
| % 1st-Time Filers & Had To Do Things Differently | 88 | 64 |
| **% Had To Accelerate Filing** | **33** | **na** |
| **% Plan To Accelerate Filing This Year** | **33** | **na** |
| **Top Mentions Of How First Learned Of Mandate** | | |
| From Another Tax Professional | 28 | na |
| Commissioner's Letter | 11 | na |
| IRS Employee | 6 | na |
| IRS Website | 6 | na |
| From Software Company | 6 | na |
| **Signature Method:** | | |
| PIN Number | 28 | 68 |
| Form 8453 | 50 | 25 |
| Don't Recall | 22 | 7 |
| **% Very/Somewhat Satisfied With 990 e-file** | **83** | **96** |
| **Reasons For Negative Satisfaction:** | | |
| It's not convenient/is more work | 33 | 6 |
| It's time-consuming | 11 | 1 |
| **% Feel Electronic 990 Can Be Improved** | **50** | **34** |
| **% Would Recommend It To Others** | **83** | **95** |
| **Average % Very Satisfied With 990 Attributes** | **43** | **76** |
| **Attributes Rated Lowest For "Very Satisfied"** | | |
| Being A Time-Saver | 11 | 70 |
| Being Easy To Learn | 17 | 66 |
| Allowing Necessary Schedules & Attachments | 22 | 65 |
| Providing Easy-To-Use Signature Options | 33 | 75 |
| Being Easy To Use/With Little Hassle | 39 | 71 |

# Findings Among
# 990 and 990EZ e-file Non-Users

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# There Is High Non-User Awareness Of & Intent To Use e-file

- **In our first measure among Non-Users of electronic 990/990EZ, we see that <u>Non-User awareness of their eligibility to e-file the form is unchanged</u> from last year, <u>though still up significantly</u> from the first tracking wave in 2004.**

**Awareness of Eligibility To e-file 990/990EZ**
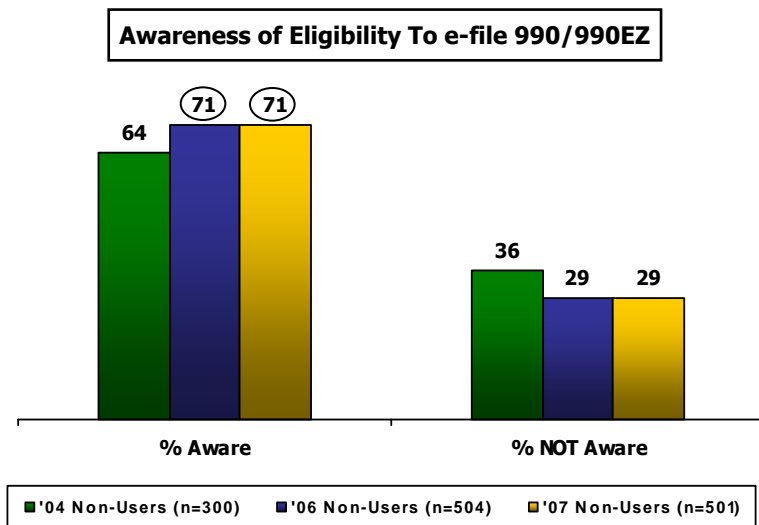


- **<u>Note</u>: <u>11 of the 501 total Non-Users (2%) reported as large organizations</u> ($100M+ & 250+) subject to the '05 Mandate.**

  - **<u>Five of the 11 said they knew of the electronic filing requirement at the time of their paper filing last year</u>. There were no followup probes of this extremely small group.**

- **<u>After hearing a description of the electronic program</u>, 66% of all Non-Users indicated they are very/somewhat likely to use e-file. This is <u>statistically the same</u> as what we found in each previous tracking wave.**

- **Looking at the <u>990 vs. 990EZ</u> breaks within Non-Users, we see <u>no significant difference in intended usage</u> of electronic filing of the form.**

**Likelihood Of Using 990/990EZ e-file**

| | 2004 Non-Users (300) % | 2006 Non-Users (504) % | 2007 Non-Users (501) % | 2007 990 Non-Users (376) % | 2007 990EZ Non-Users (125) % |
|---|---|---|---|---|---|
| Total 990/990EZ *e-file* Non-Users | | | | | |
| **Total Very/Somewhat Likely** | **70** | **64** | **66** | **68** | **61** |
| Very Likely | 33 | 33 | 33 | 35 | 28 |
| Somewhat likely | 37 | 31 | 33 | 33 | 33 |
| Not Very Likely | 17 | 17 | 20 | 18 | 24 |
| Not At All Likely | 12 | 17 | 12 | 12 | 13 |
| Don't Know | 1 | 2 | 2 | 2 | 2 |

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# And Non-User Perceptions Of The Electronic Products Are Improving

- **Comparing Non-User ratings of the program today vs. 2004, we see <u>clear gains</u> in perceived <u>privacy/security</u>, <u>ease of use</u>, and <u>being paperless</u>.**
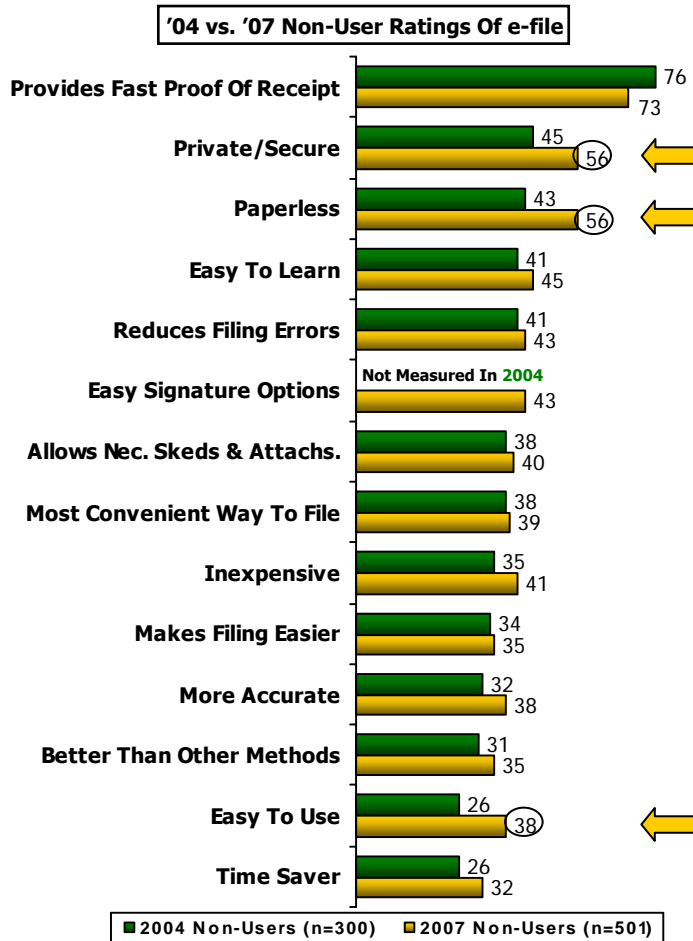
- **There are <u>no significant differences</u> in perceptions of electronic filing of the form among <u>990 vs. 990EZ Non-Users</u>.**

## '04 vs. '07 Non-User Ratings Of e-file

| Category | 2004 | 2007 |
|---|---|---|
| Provides Fast Proof Of Receipt | 76 | 73 |
| Private/Secure | 45 | 56 |
| Paperless | 43 | 56 |
| Easy To Learn | 41 | 45 |
| Reduces Filing Errors | 41 | 43 |
| Easy Signature Options | Not Measured In 2004 | 43 |
| Allows Nec. Skeds & Attachs. | 38 | 40 |
| Most Convenient Way To File | 38 | 39 |
| Inexpensive | 35 | 41 |
| Makes Filing Easier | 34 | 35 |
| More Accurate | 32 | 38 |
| Better Than Other Methods | 31 | 35 |
| Easy To Use | 26 | 38 |
| Time Saver | 26 | 32 |

■ 2004 Non-Users (n=300)  ■ 2007 Non-Users (n=501)

## '07 990 vs. 990EZ Non-Users

| Category | '07 990 N-Us | '07 990EZ N-Us |
|---|---|---|
| Provides Fast Proof Of Receipt | 71 | 73 |
| Private/Secure | 58 | 53 |
| Paperless | 57 | 54 |
| Easy To Learn | 47 | 39 |
| Reduces Filing Errors | 44 | 39 |
| Easy Signature Options | 45 | 36 |
| Allows Nec. Skeds & Attachs. | 41 | 34 |
| Most Convenient Way To File | 39 | 38 |
| Inexpensive | 41 | 38 |
| Makes Filing Easier | 36 | 32 |
| More Accurate | 39 | 35 |
| Better Than Other Methods | 35 | 35 |
| Easy To Use | 37 | 38 |
| Time Saver | 31 | 37 |

■ '07 990 N-Us (n=376)  ■ '07 990EZ N-Us (n=125)

QNU7 – Based upon what you now know, tell me whether you agree completely, agree somewhat, disagree somewhat, or disagree completely with each of the following statements about electronic filing of Form (990) (990-EZ).

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# But Lack Of Mandate, Knowledge & Software Are Still Barriers

- **The top barriers to usage are the same, regardless of whether they intend to use or not. Main barriers are <u>not being mandated</u>, <u>lack of knowledge</u>, and <u>not having the right software</u>.**

  - **In addition, <u>among Non-Users not intending to use</u>, there is lack of interest, lack of confidence in it, and fear of added workload.**

**Reasons For Non-Usage**

| | 2007 Non-Users (501) % | Likely To Use (330) % | Not Likely To Use (160) % |
|---|---|---|---|
| Total 990/990EZ *e-file* Non-Users | | | |
| **We are not mandated to e-file** | **51** | **42** | **68** |
| **Just don't know enough about it yet** | **45** | **42** | **51** |
| **My software package does not offer e-file** | **44** | **45** | **40** |
| No interest in trying it | 29 | 18 | **53** |
| It's just something else I'd have to learn | 29 | 22 | **46** |
| It's too much work - have enough to do | 24 | 17 | **39** |
| Lack of confidence/too much can go wrong | 24 | 16 | **41** |
| The software costs money | 21 | 18 | 29 |
| Req. for e-filing return are diff/too much trouble | 19 | 15 | 26 |
| The cost of transmission is too high | 17 | 15 | 23 |
| We cannot transmit it using our software | 16 | 20 | 9 |
| Our software doesn't support it | 15 | 18 | 9 |
| We can't transmit it directly to the IRS | 15 | 17 | 9 |
| We don't know how to transmit it | 14 | 16 | 11 |
| The technology hasn't been around long enough | 13 | 8 | 23 |
| Our software doesn't allow us to attach schedules | 13 | 14 | 13 |
| Lack of confidence in the security | 13 | 8 | 24 |

- **It is interesting to note that <u>the '06 Mandate would appear to capture only 6% of Non-Users</u>, with just 28 of the 501 reporting as having $10M assets & 250+ forms/returns.**

- **As we have found in the past, about two-thirds of Non-Users have <u>suggestions for what IRS can do to increase their likelihood of use</u>. The top suggestions are "make it mandatory" and "provide free software".**

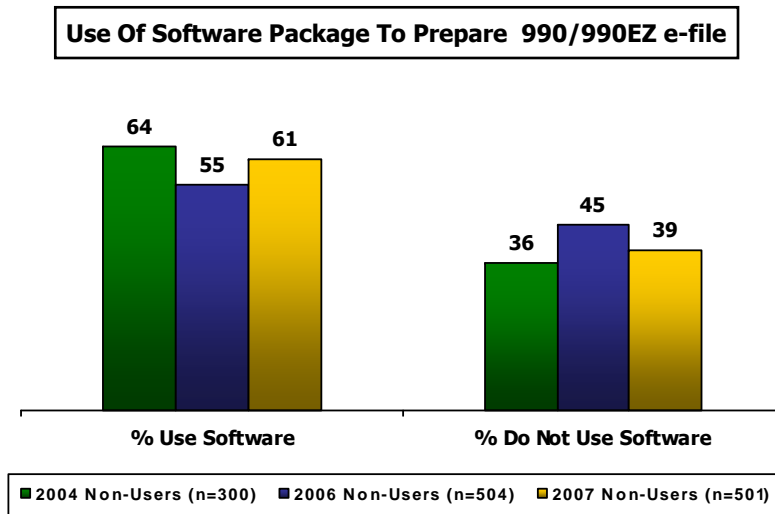**What IRS Can Do To Increase Likelihood Of Usage**

| | 2007 Non-Users (501) % |
|---|---|
| Total 990/990EZ *e-file* Non-Users | |
| **<u>Total With Suggestions</u>** | **<u>63</u>** |
| **<u>Process (net)</u>** | **<u>25</u>** |
| **Make it mandatory/required** | **12** |
| Simplify It/Make It Easier | 5 |
| <u>Cost/Incentive (net)</u> | <u>12</u> |
| **Make the software free** | **10** |
| <u>Information/Training (net)</u> | <u>8</u> |
| Send more information/directions | 4 |
| Explanation of how to do it | 2 |

# The Software Issue Includes No-Software And Non e-file Software

- In the last of the Non-User measures, we found that **61% of Non-Users use software to file 990/990EZ** while 39% do not — with software usage back up somewhat vs. 2005.

**Use Of Software Package To Prepare 990/990EZ e-file**



| | 2004 Non-Users (n=300) | 2006 Non-Users (n=504) | 2007 Non-Users (n=501) |
| --- | --- | --- | --- |
| % Use Software | 64 | 55 | 61 |
| % Do Not Use Software | 36 | 45 | 39 |

- In addition to the 39% of Non-Users who do not use software, another 17% (part of the software user group) say they are using software *without* an e-file option\*.  So, in total, **software is a perceived barrier for 56%** — though this is down from the 65% level we found a year ago.

- Among Non-Users **using software but saying that their software DOES NOT support e-file**\*, the software brands being used are...

**Return Prep Software Used By Non-Users**

| | 2007 Non-Users |
| --- | --- |
| Total Using Software w/o e-file Option | (83) |
| | % |
| **Intuit Software (net)** | **20** |
| **Lacerte** | **11** |
| **Pro Series** | **7** |
| **Intuit** | **2** |
| QuickBooks | 8 |
| Pro System FX | 7 |
| CCH | 6 |
| ATX | 5 |
| Pro FX | 5 |
| Pro System | 5 |

- Finally for Non-Users, among that group isolated above who say that **they use software that does not offer an e-file option**, 78% **would like their software to offer the option** for 990/990EZ.

\* Note: Many of the software companies listed above and mentioned by some Non-Users as not offering an e-file option do offer it, so this would seem to be a misperception on the part of this small sub-group of Non-Users.

QNU2 – Did you use a software package to prepare your 990/990EZ?

QNU5 – What software package did you use?
QNU4 – Would you like your software to have an e-file option?

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# Other Learning From Both Users & Non-Users

- **Reported <u>rejections</u> are <u>significantly higher among Users this year than last</u> (21% vs. 9%) and are still <u>higher among Users than Non-Users</u>. Most of those rejected try to e-file again, but 40-46% say they are discouraged by rejections.**

**Rejected Returns & Reactions To Them**

| Total 990/990EZ *e-file* Users & Non-Users | 990 Users (441) % | 990 Non-Users (501) % |
|---|---|---|
| **2007 – % Attempted To e-file & Been Rejected** | **21** | **5** |
| **2006 – % Attempted To e-file & Been Rejected** | **9** | **1** |
| (New Base) Total Who Have Been Rejected | (94) | (24) |
| **Mean Number Of Times Been Rejected** | **2.5** | **6.5** |
| **<u>Reaction To The Rejection</u>** | | |
| Made another effort to file return electronically | 81 | 71 |
| Switched back to paper for that return | 19 | 29 |
| **<u>Reason For The Rejection</u>** | | |
| Data submitted doesn't match IRS data | 38 | 21 |
| IRS said required data is missing * | 19 | 29 |
| **<u>% Say Rejection Discouraged Them From e-file</u>** | **40** | **46** |
| (New Base) Total Who Were Discouraged | (38) | (11) |
| **<u>Reasons For Being Discouraged</u>** | | |
| I thought I was finished with the return | 18 | 18 |
| The reject codes were too difficult to understand | 17 | 45 |
| It took too much time to revise the return | 10 | 27 |

   \* Note: Filers apparently do not know that the software, not IRS, provides all of the feedback they receive on rejects.

- **In terms of <u>information needs</u>, we see...**

  - **As in the past, <u>Users generally prefer receiving product info electronically (e-mail/irs.gov)</u>, while <u>Non-Users accept electronic but tend more toward regular mail</u>.**

  - **<u>Most Filers (66-75%) have accessed 990/990EZ publications or returns via irs.gov</u> and, among these, there is high agreement that the irs.gov info provides <u>enough information</u>, is <u>appropriately detailed</u>, <u>easy to find</u>, and <u>easy to understand</u>.**

**990/990EZ User Information Needs**

| Total 990/990EZ *e-file* Users & Non-Users | 990 Users (441) % | 990 Non-Users (501) % |
|---|---|---|
| **<u>How They Want To Receive Info About 990/EZ</u>** | | |
| **Via e-mail** | **65** | **51** |
| **From the IRS's website - irs.gov** | **47** | **48** |
| **In the mail** | **42** | **69** |
| From software companies | 31 | 24 |
| **<u>% Have Tried To Access Pubs At irs.gov</u>** | **75** | **66** |
| (New Base) Total Who Have Tried To Access Info At irs.gov | (94) | (24) |
| **<u>% Saying 990/990EZ Pubs at irs.gov</u>...** | | |
| Provided enough information | 91 | 92 |
| Were appropriate in their detail | 87 | 91 |
| Were easy to find | 86 | 90 |
| Were easy to understand | 77 | 81 |

QO1/2 – Have you ever attempted to e-file and been rejected? How many times?
QO3 – Did you make another effort after being rejected?
QO4 – What was the reason for the rejection?
QO5 – Which best describes how you felt after the rejection?
QO06 – What was it about the return rejection that discouraged you?

QO7 – How would you like to receive info about 990/EZ?
QO8 – Have you tried to access any of the 990/990EZ publications at irs.gov?
QO9 – Do the publications at irs.gov...

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- Finally, the organization and filing characteristics of key groups and sub-groups within the sample are shown to the right.   These data show that...

  - **Users of 990/990EZ** are higher-asset organizations with more forms/returns than **Non-Users** (see connected columns).

  - **990 Users are clearly larger organizations** than 990EZ Users.  The same holds for Non-Users, where 990 Non-Users are larger entities than 990EZ Non-Users.  (See boxed pairings of each form type under both Users and Non-Users.)

  - The **Mandated 990 Users** are, as expected, much larger organizations, with greater assets and number of forms/returns than any sub-group.  They also seem to have skews toward certain IRS Areas and away from others.  **Keep in mind though that the base size of this group is extremely small and all data from them are non-projectable**.

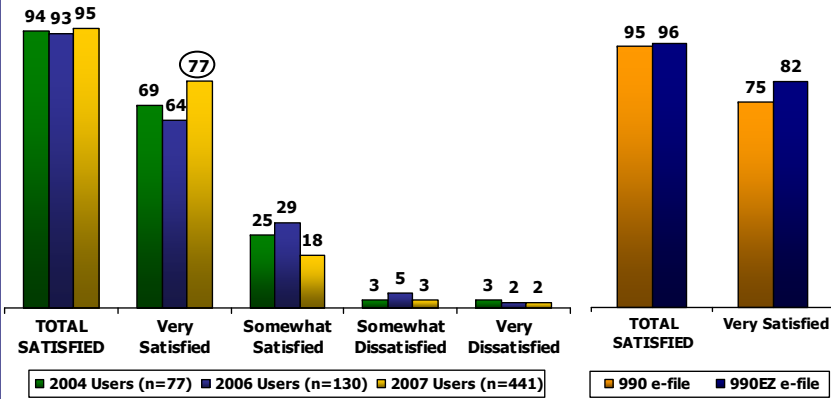**Characteristics Of Sample & Sub-Groups**

| Total Respondents | Total Users (441) % | **Man-dated (18) %** | Non-Man dated (423) % | 990 (356) % | 990 EZ (85) % | Total Non-Users (501) % | 990 (376) % | 990 EZ (125) % |
|---|---|---|---|---|---|---|---|---|
| Internal vs. External Prep | | | | | | | | |
| Preparer Is Internal | 48 | **83** | 47 | 41 | 68 | 49 | 41 | 72 |
| Preparer Is External | 52 | **17** | 53 | 59 | 32 | 51 | 59 | 28 |
| Organization Size | | | | | | | | |
| Avg. # Employees Of Orgn. | 55 | **532** | 36 | 72 | 5 | 59 | 65 | 40 |
| Avg. Total Assets ($Millions) | 18M | **190M** | 11M | 24M | 1M | 13M | 17M | 2M |
| Returns/Forms Filed | | | | | | | | |
| % w/250+ Forms/Returns | 9 | **100** | 5 | 12 | 0 | 9 | 11 | 2 |
| Avg. # Forms/Returns | 165 | **2334** | 79 | 217 | 6 | 100 | 127 | 17 |
| IRS Areas: | | | | | | | | |
| Area #1 | 11 | **50** | 10 | 13 | 7 | 10 | 10 | 10 |
| Area #2 | 18 | **0** | 19 | 17 | 21 | 21 | 22 | 19 |
| Area #3 | 11 | **11** | 12 | 10 | 16 | 12 | 13 | 10 |
| Area #4 | 22 | **17** | 22 | 22 | 19 | 19 | 19 | 22 |
| Area #5 | 20 | **22** | 20 | 20 | 19 | 16 | 16 | 17 |
| Area #6 | 13 | **0** | 14 | 13 | 12 | 13 | 13 | 14 |
| Area #7 | 4 | **0** | 5 | 4 | 6 | 7 | 7 | 8 |

# Key Findings

**Total _satisfaction_ with 990/990EZ e-file remains high, with the drop in "very satisfied" that we saw in 2006 having been reversed. Satisfaction is equally high for both electronic products (990 and 990EZ).**

Chart 1 (left): bars labeled
- TOTAL SATISFIED: 94, 93, 95
- Very Satisfied: 69, 64, (77)
- Somewhat Satisfied: 25, 29, 18
- Somewhat Dissatisfied: 3, 5, 3
- Very Dissatisfied: 3, 2, 2

Legend: ■ 2004 Users (n=77) ■ 2006 Users (n=130) ■ 2007 Users (n=441)

Chart 2 (left):
- TOTAL SATISFIED: 95, 96
- Very Satisfied: 75, 82

Legend: ■ 990 e-file ■ 990EZ e-file

**Overall, 990/990EZ image ratings remain high (and the program is now seen as easier to use). But, the high overall ratings are bolstered by 990EZ, which is perceived better than 990 on each of the points circled below.**

Chart (right), Form 990 (n=356) vs Form 990EZ (n=85):
- Fast Proof Receipt: 87, 87
- Most Convenient: 81, (92)
- Paper-Less: 85, 81
- Better Than Others: 82, 87
- Priv/Secure: 79, (91)
- Makes Filing Easier: 78, (91)
- Reduc Errs: 79, 84
- More Accurate: 76, 84
- Easy Sign. Options: 73, 80
- Inexpensive: 69, (85)
- Easy To Use: 70, 80
- Time Saver: 67, (85)
- Easy Learn: 64, (78)
- Allows Nec. Skeds & Attachs: 63, (80)

Legend: ■ Form 990 (n=356) ■ Form 990EZ (n=85)
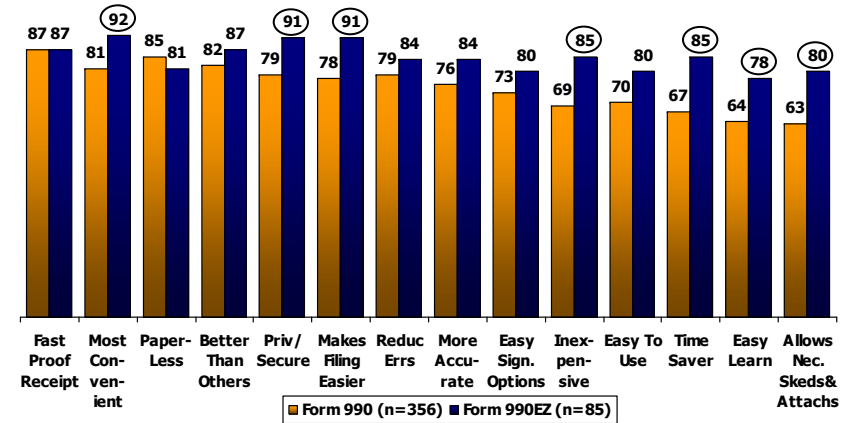
**Meanwhile, _among Non-Users_...**

- **_Awareness of eligibility to use electronic 990/990EZ remains high_ (at 71%), _and likelihood of use is stable_ (at 66%, and this is about even across the two product types – 990 and EZ).**

- **In terms of _Non-User perceptions of the e-file program_, there are three _notable improvements this year_, with more Non-Users seeing it as more private/secure, paperless, and easy to use.**

- **However, there are _still 3 main barriers to use_ – lack of mandate, lack of knowledge, and not having software (or believing they do not have e-file ready software).**

- **Finally, how do Non-Users _want to receive IRS 990/990EZ communications_? Mainly via _regular mail_, less so electronically.**

**With more Users "very satisfied" this year (upper left chart), _fewer say there's a need to improve the program – 32% vs. 52% in '06_. However, there are _more suggestions for Form 990_ (than EZ), including _make it easier to use_ (simplify/shorten), _allow Microsoft Word and Excel attachments_, and _repeat any information that's constant_ (e.g., names).**

**_In the other User learning_, _satisfaction with the PIN signature option is very high_, but _satisfaction with Form 8453 is lower_ – with some seeing it as an inconvenient, time-consuming extra step.**

**Finally for Users, there are too few _Mandated Users_ (only 18) to analyze statistically, but directionally, _they appear to be_ less satisfied with 990 than other 990 Users and more likely to feel 990 should be improved.**

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