

The *94x* Customer Satisfaction Study (IRS Forms *940/941 XML*)

Prepared For:



December 11, 2003



Department of the Treasury
Internal Revenue Service

www.irs.gov

Publication 3830 (12-2003)
Catalog Number 32104B

Prepared By:



Background & Purpose

- To aid marketing decision-making for its electronic filing products, the IRS conducts customer satisfaction research for each new electronic product as it comes on line.
- The latest new product ready for customer satisfaction research is *94x*, which includes both Form 940 (*the Employer's Annual Federal Unemployment [FUTA] Tax Return*) and Form 941 (*the Employer's Quarterly Federal Tax Return*) in the XML/extensible markup language format.
- The first step in monitoring customer satisfaction with *94x* was to conduct a benchmark wave of research among Users and Non-Users of the new system, with the purpose being...
 - To determine levels of satisfaction among *94x* Users, and to secure any new ideas that Users would like the IRS to explore in terms of XML filing of Forms 940 and 941.
 - And to determine the level of interest in the product among Non-Users of *94x*, as well as their barriers to use and what the IRS can do to stimulate their usage.
- The "Users" and "Non-Users" in this study are end-users (people who actually prepare 940s or 941s). Reporting agents were not included in the study.
 - Note: since survey respondents were unlikely to know the *94x* products as "940 XML" or "941 XML", all products were referred to during interviewing as "the new Employment Tax *e-file* System". In the report, we use the shorthand references of *94x* and *940/941 XML*.

Method, Scope & Timing

- Interviewing was conducted by telephone from Russell Research's national call center in Wayne, NJ, during the period of September 25 to November 21, 2003. This unusually long field period was necessary because of the unusual degree of difficulty in finding actual Users and Non-Users from IRS lists (which were used as the source of survey respondents).
- In total, 525 interviews were completed – 25 with Users and 500 with Eligible Non-Users.
 - Note: the User base is small here because the list generated by IRS for this cell was extremely limited and high in duplication. While there were a total of 998 companies on various User lists provided by IRS, 429 of those were either duplicates or companies with no listed phone number. Of the remaining 569 companies, 268 were companies screened out of the survey because their 940/941 filings were made by third parties/reporting agents. This left a total of 301 potential respondents. After taking out of that any disconnected or unreachable numbers (139), we were left with 162 companies, of whom only 25 were reachable, qualified, and willing to participate in the study after repeated attempts on each available phone number.
 - Note: of the 25 *94x* Users, all were Users of *941 XML* but only 3 were Users of *940 XML*. With 3 people being too few to analyze, all User analysis is focused on the *941 XML* product, with no analysis of the 3 Users of *940XML*.
- The following types of graphic notation are used throughout the report to call attention to nuances in data and bases and to note significant differences or other important learning:
 - * An asterisk indicates less than ½ of 1%.
 - # A number sign indicates a base that is too small for quantitative analysis. In these cases, we have analyzed data more qualitatively than quantitatively. This is true of all base sizes in the n=25 User cell.
 - A circle highlights a significant difference between sub-groups (at a 95% confidence level).
 - Color-shaded boxes or **color fonts** highlight other differences or important learning.

Key Findings

Key Findings

- With the **User** sample limited (by list size) to just 25 Users of **941XML**, we looked at results for that product only and found **extremely high satisfaction** – with 24 of the 25 Users rating themselves satisfied and with 24 of the 25 saying they **would recommend the product to others**. In addition, virtually all of them were satisfied with the product in terms of its being **better than other methods, being paper-less, being a time-saver, and having an e-signature capability**. Only about one-fourth had suggestions for product improvement and these centered around:
 - Crediting overpayments to subsequent quarters (instead of refunding them)
 - Eliminating third parties
 - And bringing greater clarity to the form and its language
- Among the large sample of **Non-Users**, we found **reasonably strong interest** in “the new Employment Tax *e-file* System” – with 55-57% saying they are likely to use it for 940s **and** for 941s). However, as we see with all *e-file* non-users, they **need to be moved from a comfort with their current method and past perceptual barriers such as “it’s too complicated” and lack of knowledge of confirmation of receipt**. A more fundamental challenge is to increase Non-User awareness of the system. Less than two-thirds were aware that they could use it, and even fewer (30-40%) recalled any information about it. Their main suggestion for increasing usage? **Provide more information about it.**
- All of this tells us that **the new XML system is a very promising addition to the roster of Business *e-file* products**, but that the **IRS needs to increase its marketing efforts** around this product. In doing so, keep in mind that the Non-Users are smaller companies, in which the 940s and 941s are being prepared by individuals who are less tech-forward than the Users already in the system. So, the **language used in talking about the “new Employment Tax *e-file* System” (and about the registration process, which few of them know anything about) must be as non-technical as possible.**

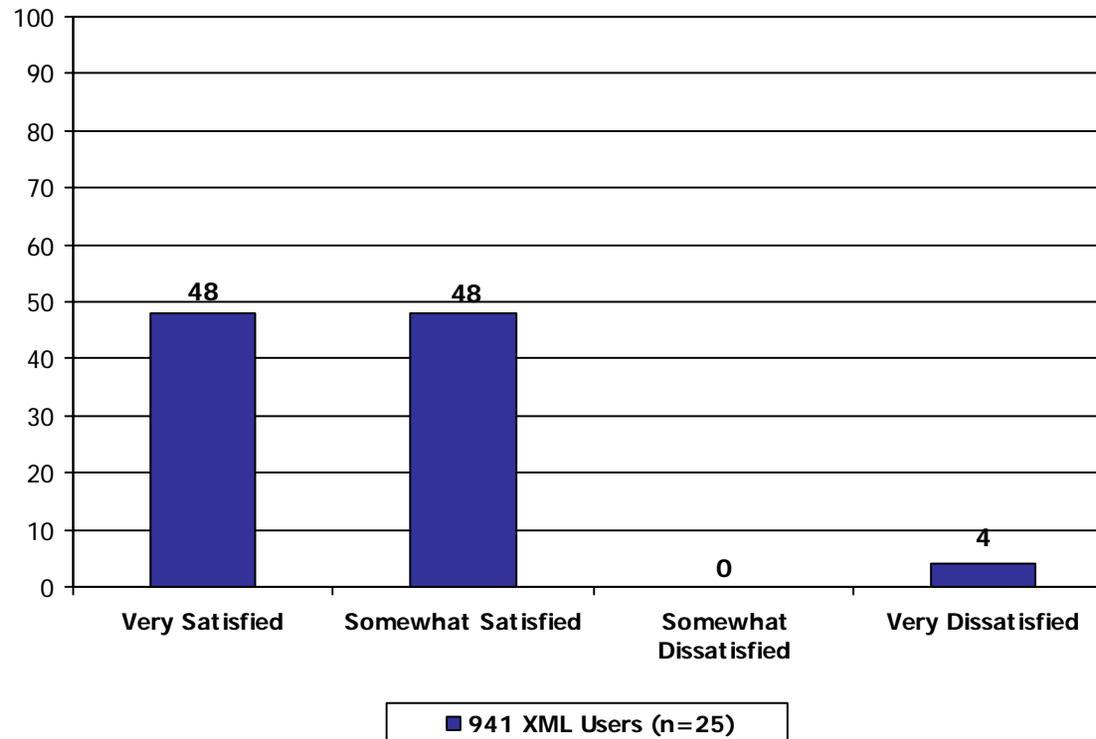
Detailed Findings

**Findings Among
94x Users – With All Being
Users Of 941 XML**

Overall Satisfaction With Form 941 XML

- Among the 25 Users of 941 XML (the Employer's Quarterly Federal Tax Return), we found high satisfaction with the product, with almost half being "very satisfied" and with virtually all of the remainder being at least "somewhat satisfied".

The Overall Satisfaction Rating



Reasons For The Overall Satisfaction Rating

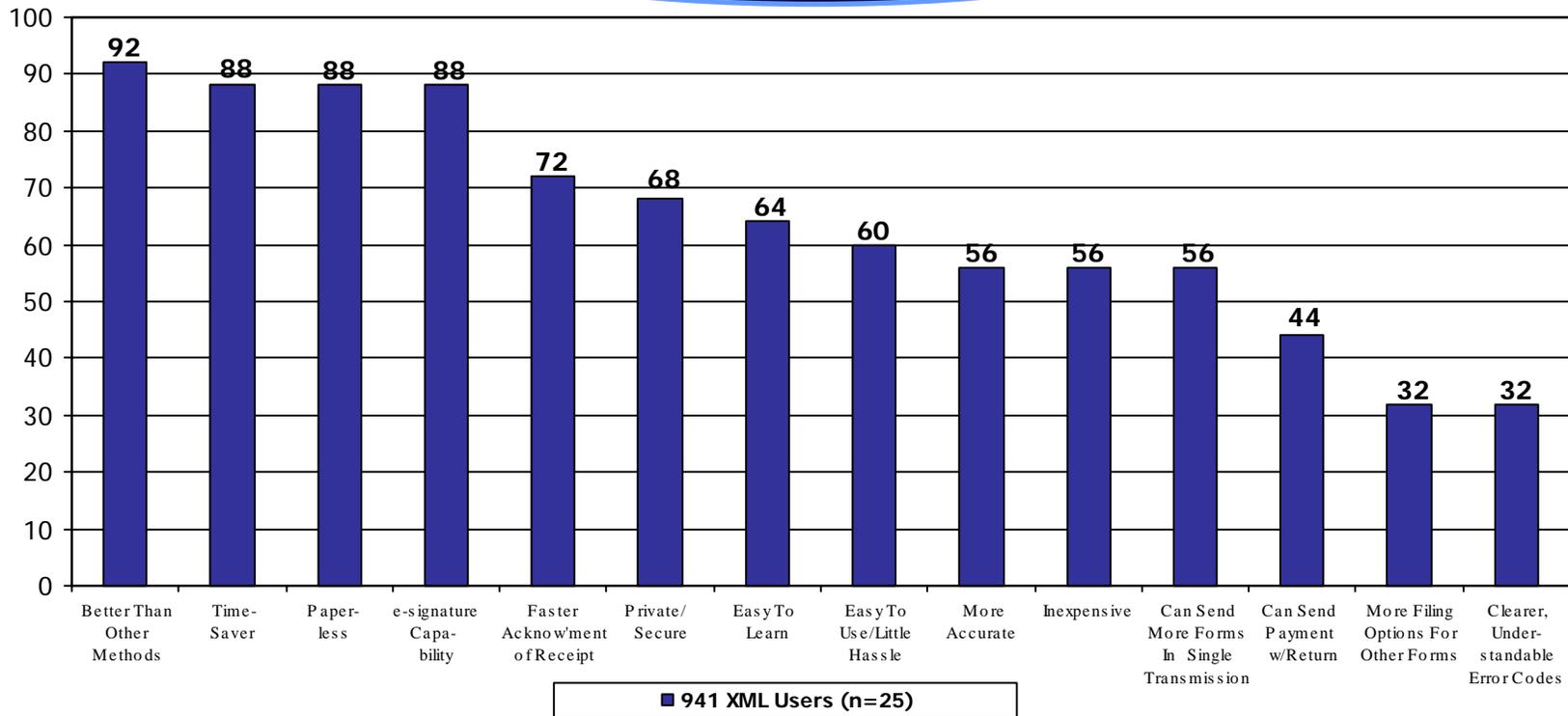
- The main drivers to satisfaction with *941 XML* among the small sample of Users this year are “ease” and “convenience” – mainly that the product is “easy to use”, “simple”, and “doesn’t require a form”. There were also scattered negative responses – with these coming mainly from those rating themselves only “somewhat satisfied” with the XML form, and with the top mention being “overpayments are refunded instead of being applied to the next quarter”.

Total <i>941 XML</i> Users	Total <i>941 XML</i> Users (25#) %
<u>Q. 2 – Reasons For Satisfaction Rating:</u>	
<u>NET WHO MENTIONED SOMETHING POSITIVE</u>	<u>60</u>
<u>Ease/Convenience</u> (Net)	<u>44</u>
It’s easy to use/easy/simple/convenient	36
There’s no writing involved/it doesn’t require a form	4
There are no problems with it/it works well	12
We don’t have to pay for a stamp	8
It’s fast/quick	8
It reduces paperwork/leads to less paperwork	4
<u>NET WHO MENTIONED SOMETHING NEUTRAL</u>	<u>8</u>
<u>NET WHO MENTIONED SOMETHING NEGATIVE</u>	<u>36</u>
Overpayments are refunded instead of being applied to the next quarter	8
We had to fill out a different form because of a regulation change	4
Should be able to fix on-line/prefer on-line	4
Because it was lost	4

Top-Box Satisfaction With Specific Dimensions Of 941 XML

- Among the small sample of Users, we found strong satisfaction with 941 XML in terms of its being better than other filing methods and with its time-saving, paper-saving, and e-signature benefits. However, there was low satisfaction with other attributes rated here – especially “can send payment with return”, “offers more filing options for other forms”, and clarity of “error codes”.

% “Very Satisfied” Across Product Dimensions



Suggested Improvements In Form 941 XML

- In line with the high overall satisfaction rating, only about one-fourth of the 25 Users in this survey could offer any specific suggestion for improvement of 941 XML. Verbatim mentions from this smaller subset are shown below, and they cluster around three suggestion points: 1) apply overpayments to the next quarter; 2) eliminate the need for a third party; and 3) need more clarity in the form and its language.

Total 941 XML Users	Total 941 XML Users (25#)
<u>Q. 3/4 – % With Suggestions For Improvement In 941 XML</u> (New Base=Total With Suggestions For Improvement)	<u>28%</u> (7#)
<u>Specific Suggestions For Improvement (raw #s only)</u>	#
<u>Overpayments should be credited/applied to the next quarter – not refunded</u>	
- The IRS doesn't pick-up a refund and apply it to next period	1
- I had a credit that was not applied to next quarter – it was refunded instead	1
- Any overpayments should be applied to the next quarter	1
- They need some application of overpayment – it needs to pick up to be applied later	1
<u>Eliminate the need for third party involvement</u>	
- Get rid of the third party thing. I don't want to have to go through a third party to file my return	1
- I don't like third parties. I'd like to work with the IRS directly instead of having to pay somebody	1
- When you file, you're not allowed to put a third party designee in – they should fix that	1
<u>More clarity in the form and its language</u>	
- The IRS needs to make this form more user-friendly. The forms and the process are hard to understand	1
- The forms and the language in them are confusing. The IRS should make them easier to understand	1

Recall of Information About Form 941 XML

- Only about one-fourth of the Users recalled seeing any information about 941 XML, with the top information sources being “publications”, “information from software vendors”, and “the IRS website”.

Total 941 XML Users	Total 941 XML Users (25#) %
 <u>Q. 6/7 – Recall Of Specific Information About 941 XML</u>	
<u>% Recalled 941 XML Information</u> (New Base=Total Recall 941 XML Information)	<u>28</u> (7#)
Publications	57
Information from Software Vendors	57
Information at IRS’s Website – irs.gov	43
Forms	29
Instructions	29
Newspaper or Magazine Ads	14
All Other Mentions	14

General Helpfulness of Information About 941 XML

- Those 7 Users (from the last page) recalling 941 XML information indicated that they found it very helpful, mainly because it provided simple directions, told them exactly what to do, was user-friendly, and easy to use.

Total Recall 941 XML Information	Total 941 XML Users (7#) %
<u>Q. 8 – Overall Helpfulness of Information</u>	
<u>VERY/SOMEWHAT HELPFUL</u>	100
Very Helpful	86
Somewhat Helpful	14
Not Very Helpful	--
Not At All Helpful	--
Don't Know/No Answer	--

Q. 9 – Ways Information Was Helpful/Not Helpful (Top Mentions)

<u>Ease/Convenience (Net)</u>	86
Simple directions	29
Told me exactly where I needed to start/told me how to use it	29
It was user-friendly	14
Easy to use/convenient	14
Made me aware of it	14
You can file the signature form electronically	14

Method Of Receipt Of Information About 941 XML

- The subset of 7 who recalled any information said they got it mainly through the Mail or via e-mail. Asked what method they prefer for receiving information about 941 XML, most said “e-mail”, with just over half also liking information through regular Mail. As we’ll see later, all of these Users are Internet-connected, so it makes sense that they would feel comfortable with e-mail.

Total Recall 941 XML Information	Total Users (7#) %
<u>Q. 10 -- How Received 941 XML Information...</u>	
Mail	43
e-mail	43
Internet	14
<u>Q. 11 -- How Prefer to Receive 941 XML Information...</u>	
e-mail	86
Mail	57
No other mentions	

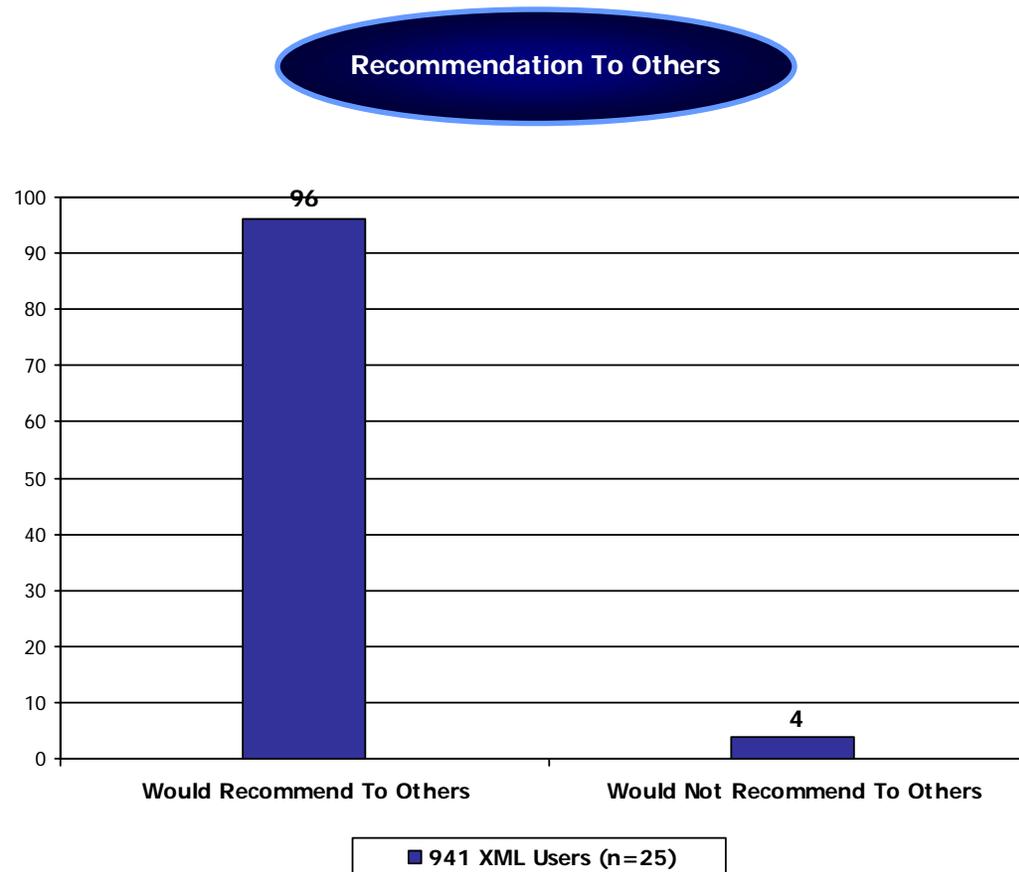
Other Learning Among Users Of *941 XML*

- In other measures among Users, we found that the top software packages used for *941 XML* were PayCycle and Creative Solutions, with a few mentions of Lewis Software and Intuit.

Total <i>941 XML</i> Users	Total <i>941 XML</i> Users (25#) %
<u>Q. 12b – Software Package Used to File <i>941 XML</i></u>	
PayCycle	48
Creative Solutions	32
Lewis Software	12
Intuit	8

Would They Recommend The New XML System To Others?

- Finally, in line with the high satisfaction rating we saw before, we found that all but one of the 25 Users in the sample would recommend “the new Employment Tax *e-file* System” to others as a method of filing Form 941.



**Findings Among
940/941 XML
Non-Users**

Awareness of 940/941 XML Eligibility & The Booklet

- Since Non-Users were not using the XML format for either 940s or 941s, they were asked diagnostic questions about XML for each form.
- In the first of these measures, we found that only about half are aware that they can use XML (or, “the new Employment Tax *e-file* System”) for their 940s, with 64% aware that they could use it for their 941s. Only about 30-40% recalled receiving a booklet describing the system and its use for 940s or 941s.

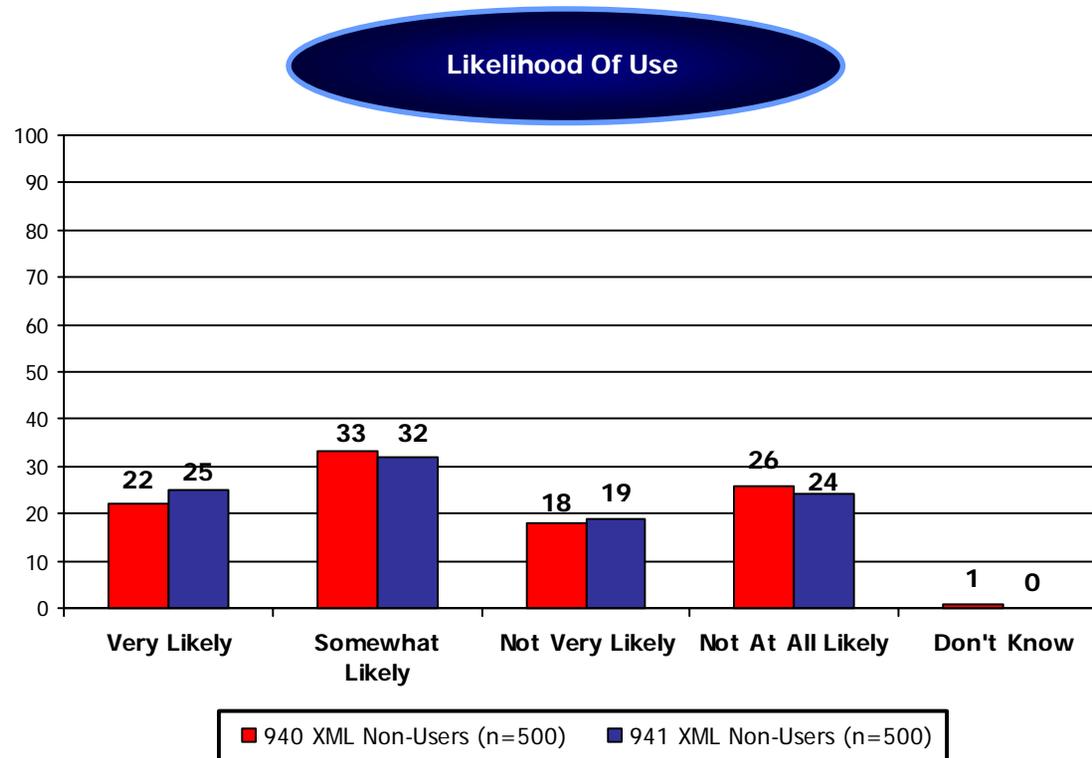
Total 940/941 XML Non-Users	Total 940 XML Non-Users (500) %	Total 941 XML Non-Users (500) %
<u>Q. 13/32 – % Aware They Could Have Used Filed Form 940/941 Using Employment Tax e-file System</u>	54	64
<u>Q. 14/33 – % Recall Receiving Form 940/941 XML Booklet</u>	32	43

- So, to be sure they understood the “new Employment Tax *e-file* System” that we were about to discuss in more detail, we read the following description:

This new system offers an improved way to file for current 940 and 941 *e-file* and On-Line Filing Partners, and, for the first time, Electronic Return Originators (EROs) have the ability to offer electronic employment tax filing for their clients. The new Employment Tax *e-file* System offers new features and greater flexibility for filing employment tax returns.

Likelihood of Using 940/941 XML

- While we covered each form and its use with the “new system” separately, we show reaction for each form side-by-side here in the report.
- The key measure in each case was “likelihood of use” and, as shown in the chart below, there were very similar levels of interest in “the new system” for each form, with about one-fourth very interested and with over 50% either “very” or “somewhat” interested.



Why Not Use 940/941 XML?

- We asked Non-Users aware of their eligibility to file 940s/941s via “the new Employment Tax *e-file* System” why they do not currently use it and found that the top barrier is the same as what we find with every electronic filing product – a “preference for/comfort with” their “traditional” or “current” method of filing these forms. Others say they just “never learned much about it or how to use it”.
- However, there are two other perceptions of the system that emerged from these responses which bear noting: **one-third or more perceive the system to be complex/complicated and about one-fourth are not aware of the acknowledgement of receipt feature.**

Total 940/941 Non-Users & Aware of Eligibility	Total 940 XML Non-Users (268) %	Total 941 XML Non-Users (321) %
<u>Q. 17-18/36-37 – Total Reasons For Not Currently Using XML</u>		
Use/prefer traditional method	62	61
Feel more comfortable/secure using current method	43	48
Never learned much about it or how to use it	41	43
It's too complicated -- other methods less complicated/easier	34	42
No confirmation of receipt -- other methods come with receipt/copy	25	28
Just like to do it by myself	22	21

How IRS Can Increase Likelihood of Using 940/941 XML?

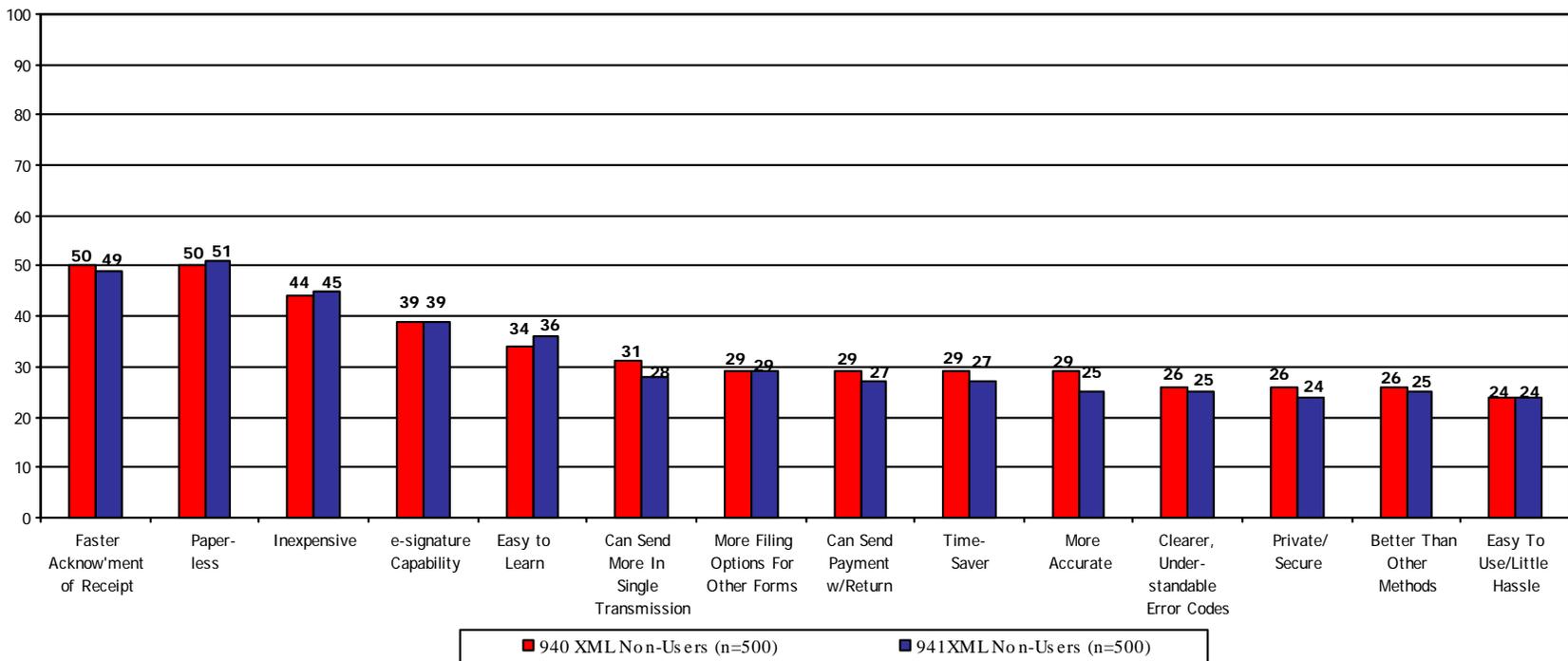
- About two-thirds of all Non-Users offered some suggestion for the IRS that would increase their likelihood of using the new XML system. In the case of each form, the top suggestions centered around the IRS providing more information about the system. It is clear here, as in other measures, that most Non-Users do not know enough about the “new Employment Tax e-file System” to feel comfortable in using it.

Total 940/941 Non-Users	Total 940 XML Non-Users (500) %	Total 941 XML Non-Users (500) %
<u>Q. 19/38 – How IRS Can Increase Likelihood Of Use Of XML</u>		
<u>% With Suggestions For How IRS Could Increase Their Likelihood Of Use Of XML</u>	<u>62</u>	<u>62</u>
<u>All Mentions Of More Information</u>	<u>27</u>	<u>25</u>
Provide more information about it	12	11
I need a booklet with information about it	5	2
Send me a how-to book/show me how to do it	3	1
Send me instructions/paperwork/forms	2	4
<u>Process (Net)</u>	<u>13</u>	<u>13</u>
Make it mandatory/mandated	8	10
<u>Ease/Convenience (Net)</u>	<u>9</u>	<u>9</u>
Simplify it/make it easier	6	6
<u>Preference (Net)</u>	<u>4</u>	<u>3</u>
Prefer paper/paper trail	2	2

Perceptions Of 940/941 XML Among Eligible Non-Users

- Non-Users' lack of knowledge of the "new Employment Tax e-file System" was also apparent in their low ratings of agreement with a list of statements describing benefits of using the system. These ratings were suppressed by a high proportion of "don't know/can't rate it" for each attribute.

% "Agree Completely" Across Product Dimensions



**Findings Among
Both Users & Non-Users**

Familiarity With The Registration Process for 940/941 XML

- We asked both the XML Users and Non-Users all remaining questions – starting with a series of questions about the registration process. Results here showed very low awareness of the registration process among Non-Users. And while Users were generally aware of the process, about half of them mentioned some difficulty with it – mainly that “it’s time-consuming”.

Total Interviews	Total 941 XLM Users (25#) %	Total 940/941 XML Non-Users (500) %
<u>Q. 39 – Familiarity w/Registration Process</u> % Familiar with Registration Process	76	17
<u>Q. 40 – Difficulty Rating of Registration Process</u> (New Base = Total Who are Familiar with Registration Process)	(19#)	(86)
Very Difficult	--	6
Somewhat Difficult	26	28
Not Very Difficult	42	22
Not At All Difficult	32	35
Don't Know	--	9
<u>Q. 41 – Specific Difficulties Found with Registration Process</u> (New Base = Total Who Found Registration Process Very/Somewhat/Not Very Difficult)	(13#)	(48#)
It's time-consuming	39	17
Difficulty in obtaining/receiving the PIN #	15	--
The need of signatures	8	--
It's cumbersome	8	--
It's more paperwork	8	4
It's too complicated/difficult	8	15
It's hard to understand/should simplify instructions/information	8	10

Other Federal Business Tax Forms/Schedules Filed By Company

- We briefly asked Users and Non-Users about Form 1065 (the Partnership Return) and Form 1041 (the Estates & Trusts Return) and found that only about 4-8% of each group say their firm files these returns. Among Non-Users filing either return, most say the return is filed on Paper.

Total Interviews	Total 941 XML Users (25#) %	Total 940 /941 XML Non-Users (500) %
<u>Q. 42 –Other Federal Business Tax Forms and Schedules Filed</u>		
Form 1065, The U.S. Return of Partnership Income	8	8
Form 1041, The U.S. Income Tax Return for Estates and Trusts	4	4
None/Don't Know/No Answer	92	91
<u>Q. 43 – Filing Method Used to File Form 1065</u>		
(New Base = Total Who File Form 1065)	(2#)	(38#)
Electronic Filing/e-file	--	18
Paper	100	66
<u>Q. 44 – Filing Method Used to File Form 1041</u>		
(New Base = Total Who File Form 1041)	(1#)	(18#)
Electronic Filing/e-file	--	6
Paper	100	83

Other Federal Forms They Would Like To *e-file*

- When we asked what other Federal Business Tax Forms they would like to *e-file*, we found substantial mentions among Users (52%, with highest interest in *e-filing* 1120 and 1120S). However, only 31% of the Non-Users named any form, with W-2s having the highest mention in that group.

Total Interviews	Total 941 XML Users (25#) %	Total 940/941 XML Non-Users (500) %
<u>Q. 45 – Other Forms They Want To <i>e-file</i></u>		
<u>Total Mentioned Other Forms</u>	<u>52</u>	<u>31</u>
1120	20	2
1120s	12	5
W-2s	4	9
1099	4	5
940	4	2
941	4	2
990	4	1
5500	4	*
706	4	*
W-3	--	4

Suggestions For Improving IRS Services Related To Forms

- When we asked for suggestions for improvement in IRS services related to Federal Business Tax Forms, we found that only 40% of Users and 25% of Non-Users could offer any suggestion.
- While their responses here were generally scattered, we grouped low mentions of similar suggestions together and found that most suggestions by Users related to better help-line service and eliminating third party vendors.

Total Interviews	Total 941 XML Users (25#) %	Total 940/941 XML Non-Users (500) %
<u>Q. 46– Suggestions for Improving IRS Services Related to Federal Business Tax Forms</u>		
<u>Had Suggestions For Improvements</u>	<u>40</u>	<u>25</u>
More operators to answer help-line	8	1
Faster service answering the phone	4	1
Faster answers to questions	4	*
Get rid of third party vendors	8	1
Improve their forms	4	5
Simplify forms	4	1

Firmographics

- Finally, looking at classification measures and keeping in mind the small base of Users, we see that the Non-User companies are:
 - Very small firms, in which decision-making and preparation of 940s and 941s is controlled internally.
 - On a respondent level, they have lower Internet access and include more of the Tech Laggards identified in the IRS attitudinal segmentation of professionals (preparers and form users).

	Total 941 XML Users (25#) %	Total 940/941 XML Non-Users (500) %
Total Interviews		
Median # of Employees Employed by Company	6.8	3.3
Median Revenue in 2002	\$600K	\$210K
<u>Q. A – Who Decides How Company’s Form 940/941 is Filed</u>		
You and/or other executives or personnel within the company	44	81
You and/or other executives in consultation with outside tax pro/acct/CPA	48	6
Your company leaves decision entirely to outside tax pro/acct/CPA	8	14
<u>Q. B – Who Actually Prepares Federal Form 941</u>		
Actual preparer was someone in the company	48	81
Actual preparer was another executive or personnel within the company	12	1
Actual preparer was an outside tax professional, accountant or CPA	40	18
<u>Q.48-49: % With Access to Internet</u>	100	86
<u>Technology Attitudinal Segmentation:</u>		
Tech Leaders	68	38
Tech Followers	12	22
Tech Laggards	20	40

Appendix

Methodological Summary

- The *94x* Customer Satisfaction Study was conducted by Russell Research, with all interviewing managed and conducted at the Russell national interviewing facility in Wayne, NJ.
- A total of 525 interviews were conducted – 25 with *941 XML* Users and 500 with Non-Users of the new Employment Tax *e-file* System.
- Interviews were conducted during the period of September 25 to November 21, 2003.
- All interviews were conducted on a random (every *n*th selection) basis from lists of names and addresses provided by the IRS, with Russell Research providing telephone number lookup services.
- At the outset of each screening interview, the interviewer asked for the owner of the business being called and then queried the owner about decision-making and preparation of Forms 940 and 941 and, if the owner prepared these forms, he/she was interviewed. If someone else prepared the form, the owner was asked to refer the interviewer to the appropriate person. In 60% of User interviews and 82% of Non-User interviews, the preparer was someone within the company.
- All interviews were conducted during daytime business hours (10 a.m. to 4 p.m. in each time zone).

**Questionnaire Used In Study
(Attached Electronically)**