

**Findings From
The Pre-Wave Of The 2004-05
Practitioner Communications
Tracking Study**

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Background & Purpose

- Recognizing the importance of Practitioners as influencers of Business and Individual *e-filing*, the IRS is targeting this audience through communications in 2005.
- To assess the effectiveness of this communications campaign, IRS is conducting tracking research among Practitioners.
 - The research is being conducted on a pre-post basis – i.e., with a Pre-Wave of research prior to the campaign to establish benchmark data; then with a Post-Wave immediately after communications end to measure changes resulting from the campaign.
- Note: the IRS wanted to add this communications tracker while also keeping in place the profiling measures that have been captured in the past in a separate study – the *Practitioner Tracking Study*. For cost efficiency, this new research was designed to do both:
 - With the Pre-Wave providing mainly benchmark communications measures.
 - While the Post-Wave provides the comparative post-communications measures as well as profiling measures to be used to track the composition of the Practitioner audience from year to year.
- Following are findings from the Pre-Wave of the *2004-2005 e-file Practitioner Communications Tracking Study*. Note that this is a relatively brief report, since the Pre-Wave was focused mainly on benchmark communications measures. The Post-Wave report, with profiling added in during that wave, will be more extensive.

Method, Timing & Scope

- Both waves of the study are conducted by telephone from Russell Research's national call center in Wayne, NJ.
- Interviewing for the Pre-Wave of this study occurred during the period of November 16 to December 7, 2004. Post-Wave fieldwork will occur immediately after the end of the 2005 filing season.
- The sample for each wave consists of a total of 750 Practitioners drawn from IRS lists of 100+ Return Practitioners.
- To qualify for the study, Practitioners have to:
 - Meet the 100+ return criteria and be on the IRS list,
 - Be personally involved in tax preparation in the most recent tax year,
 - And from firms other than H&R Block and Jackson-Hewitt.
 - ◆ Note: we did add one new response point to the "type of firm" question in this survey (vs. the 2004 Practitioner Tracking Study) – that being "other major national or regional tax preparation firms". While it was assumed these non-H&R/J-H firms were represented in the earlier study, there was no specific response for that group in that study so it was formally added to this study.

Overview Of Pre-Wave Findings

Overview

- **With this being the Pre-Wave, or benchmark wave, of tracking, results from the communications measures will be more meaningful after we have Post-Wave data for comparison. However, at this point going into the new communications campaign...**
 - About 70% of the 100+ Return Practitioners were aware of *e-file* communications – but more so because of exposure to Materials Sent By The IRS than through Advertising.
 - And *e-file* clearly had a more positive image among those Practitioners most involved in it, the Committed *e-file* Users, than among the Committed V-Coders (who also had a far lower likelihood of future use of *e-file*).
- **While Practitioner profiling is part of the focus of the Post-Wave and not this Pre-Wave, we still looked at the characteristics of this sample and compared them to the Practitioner profile we previously tracked in the Practitioner Tracking Study. What we found was that there are sharp differences in the Pre-Wave sample secured in November-December vs. the sample secured last March (amid filing season).**
 - The most notable difference was in the proportions who could be classified as Committed *e-file* Users (53% here vs. 38% in the previous study) vs. Uncommitted *e-file* Users (21% vs. 22%) vs. Committed V-Coders (26% vs. 40%).
 - ◆ What accounts for these differences in the sizes of the key segments? We believe “survey timing” is the chief factor – with a different type of Practitioner available for an interview in November-December than in March (mainly a Practitioner more involved in full-time tax prep work, more likely to be in a firm and a larger firm preparing more returns – thus more likely to be a Committed *e-file* User than a Committed V-Coder). However, there may be other factors, including the change in the type of firm response point noted earlier, or possibly even a real decrease in V-Coding due to additional state *e-file* mandates this year.
 - ◆ In any event, we’ll make our final comparison of these proportions based on the Post -Wave numbers, since that wave will have been conducted at a similar point in time as the earlier '04 tracker. If the Post -Wave profile shows a different configuration of commitment to *e-file*, we will likely weight the “total” column (Total Sample) data from this Pre-Wave to the commitment configuration we find in the Post -Wave in order to have a similar point of analysis of the impact of the new communications campaign. That weighting itself will produce small changes in the results we have reported here.

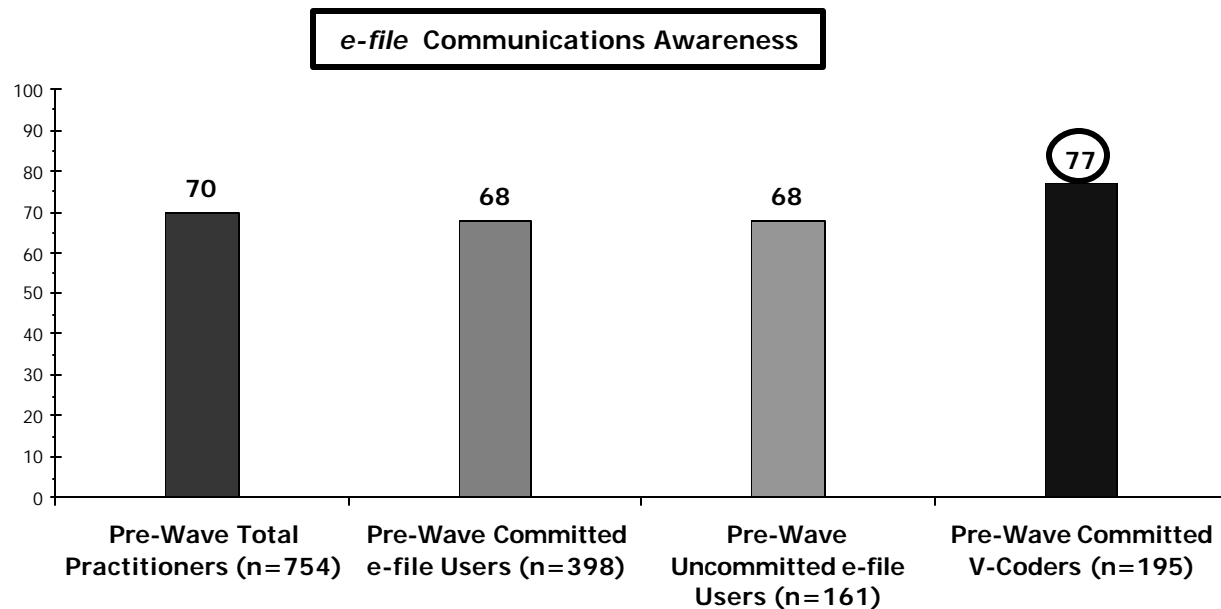
Detailed Findings

Statistical Notation Used In Detailed Findings

- Indicates a sub-group is significantly higher than the balance of the sample (all other remaining groups) at a 95% confidence level.
- Indicates a sub-group is significantly lower than the balance of the sample at a 95% confidence level.

e-file Communications Awareness

- In our first communications measure, we focused Practitioners on the range of different types of communications possible (“television commercials, print, newspaper, Internet, radio, news stories, flyers, direct mail, brochures, tax booklets, etc.”), and asked if they recalled seeing, hearing, or receiving any communications about e-file in the past 6 months (P6M).
- 70% in total claimed P6M awareness of communications – higher among the Committed V-Coder segment we track than among the other two key segments.



Attribution Of Communications To IRS/Other Sponsors

- Asked to name the sponsor of the P6M *e-file* communications, 85% of Practitioners attributed their claimed communications to the IRS and only 16% to "tax preparation services". 9% could not recall who had sponsored the *e-file* communications that they claimed to be aware of.

BASE: Total Claimed Awareness Of e-file Communications	Total Practitioner Sample In The <u>Pre-Wave</u> (530) %	Committed e-file Users (75%+ e-file) <u>Pre-Wave</u> (271) %	Uncommitted e-file Users (1-74% e-file) <u>Pre-Wave</u> (109) %	Committed V-Coders (75%+ V-Code) <u>Pre-Wave</u> (150) %
<u>% Attributed P6M e-file Communications To...</u>				
The Internal Revenue Service/IRS	85	84	83	88
<u>Tax Preparation Services (Net)</u>	<u>16</u>	<u>15</u>	<u>17</u>	<u>17</u>
H & R Block Tax Preparation Service	6	6	7	6
Jackson-Hewitt Tax Preparation Service	4	4	4	3
Other Tax Preparation Service	11	11	11	11
Can't Recall	9	11	7	7

Attribution Of Communications To Media

- In terms of where or how they were exposed to the *e-file* communications, 88% of Practitioners attributed it to Non-Advertising sources – mainly to Material Sent By The IRS. Only 40% here in the Pre-Wave mentioned specific Media Advertising. There were very few differences in attribution by any of the key segments.

	Total Practitioner Sample In The <u>Pre-Wave</u> (530) %	Committed <i>e-file</i> Users (75%+ <i>e-file</i>) <u>Pre-Wave</u> (271) %	Uncommitted <i>e-file</i> Users (1-74% <i>e-file</i>) <u>Pre-Wave</u> (109) %	Committed V-Coders (75%+ V-Code) <u>Pre-Wave</u> (150) %
BASE: Total Claimed Awareness Of <i>e-file</i> Communications				
<u>% Attributed P6M <i>e-file</i> Communications To...</u>				
<u>Media Advertising (Net)</u>	<u>40</u>	<u>43</u>	<u>38</u>	<u>36</u>
Advg that you saw on TV – that is, regular advertising	19	19	17	21
Advg seen on TV in infomercial format longer than regular ad	2	2	3	2
Advg that you heard on the radio	8	10	6	7
Advg that you saw in the newspaper	11	12	10	9
Advg that you saw in a magazine	13	14	12	12
Advg that you saw on the Internet	18	22	18	11
Advg that you saw on a outdoor billboard or poster	3	4	3	1
<u>Other Communications (Net)</u>	<u>88</u>	<u>85</u>	<u>90</u>	<u>93</u>
<u>Material sent to you by the IRS</u>	<u>74</u>	<u>70</u>	<u>79</u>	<u>78</u>
Material sent to you by a credit card company	2	2	3	2
Seminars held by software companies or providers	20	23	20	15
Seminars held by trade associations or industry groups	13	15	12	9
Seminars held by the IRS or state tax agency	27	27	28	24
Material sent you by your firm/headquarters of your firm	3	4	4	1
Material that you saw at a local community center/event	2	2	2	2
Non-ad material seen on Internet–e.g., an article, info on website	10	11	13	7
News article/story on TV, radio, or in a newspaper or magazine	14	13	14	16
Something you saw in tax preparation software purchased	21	22	18	20
<u>All Other Communications</u>	8	10	6	3
<u>Don't Recall/No Answer</u>	2	3	4	1

Overall Reaction To Different Types Of Communications

- Respondents who attributed *e-file* communications to “Advertising” were asked to rate the “Advertising” on a series of feedback attributes, while those attributing communications to “Other Non-Advertising” media were asked to do the same for those. We show results for each below, but recognize that the meaning in these ratings will come after the communications have actually been implemented – so we’ll revisit these ratings (and changes in them) in the Post-Wave.

	% Agreed Advertising Communications <u>Were..</u> (211) %	% Agreed Other Communications <u>Were..</u> (468) %
BASE: Total Claimed Attribution Of <i>e-file</i> Communications To “Advertising” / “Other” Communications		
The communications were informative	83	82
The communications led me to try to learn more about <i>e-file</i>	52	52
The communications were entertaining	35	30
The communications held my attention	70	69
The communications led me to use <i>e-file</i> /use it more with my clients	45	45
The communications told me something new	36	47
The communications were unique	47	42
The communications led me to visit <i>irs.gov</i> /the IRS’s website	43	40
The communications were confusing	11	14
The communications were memorable	48	50
The communications led me to talk to a colleagues about <i>e-file</i>	40	43
The communications were boring	33	34
The communications gave me useful information	72	75

%s Are Top-Two-Box (Agree Completely/Somewhat) Ratings.

Actions Taken As A Result Of Communications Exposure

- We asked those claiming communications awareness to tell us what if any actions they took as a result of the communications. Responses from the Pre-Wave are shown below, but again, this measure will actually have meaning only in the Post-Wave study – though it is interesting to see how the Committed V-Coders, at this point, were less likely to say they had “talked to clients about e-file” or “visited irs.gov”.

	Total Practitioner Sample In The Pre-Wave (530) %	Committed e-file Users (75%+ e-file) Pre-Wave (271) %	Uncommitted e-file Users (1-74% e-file) Pre-Wave (109) %	Committed V-Coders (75%+ V-Code) Pre-Wave (150) %
BASE: Total Claimed Awareness Of e-file Communications				
<u>Actions Taken As A Result Of e-file Communications:</u>				
<u>Total Took Action</u>	<u>59</u>	<u>61</u>	<u>60</u>	<u>57</u>
Talked to clients about using e-file	33	34	43	25
Visited irs.gov	26	28	28	20
Visited aboute-file.comwebsite	9	9	12	6
Changed the method used to prepare clients' tax returns	11	10	13	13
Talked about it with a friend or colleague	32	28	37	34
All other actions	6	7	5	5
<u>Total Did Nothing/Don't Remember Taking Action</u>	<u>41</u>	<u>39</u>	<u>40</u>	<u>43</u>

Perceptions Of e-file & Tax Filing

- All Practitioners in the Pre-Wave were asked to rate their agreement/disagreement with a series of statements about e-file and tax filing. Summarizing the percent who agree (“completely” or “somewhat”) with each statement tells us the image of e-file and tax filing, which we’ll track through the Post-Wave to see the impact of the new communications campaign on product image/perceptions. At this point, there is – not surprisingly – a far more positive e-file image among the Committed e-file Users than among Committed V-Coders.

	Total Practitioner Sample In The Pre-Wave (754) %	Committed e-file Users (75%+ e-file) Pre-Wave (398) %	Uncommitted e-file Users (1-74% e-file) Pre-Wave (161) %	Committed V-Coders (75%+ V-Code) Pre-Wave (195) %
BASE: Total Respondents				
e-file is a faster way to get a Federal tax refund [money]	97	99	98	91
Filing taxes is something nobody likes, but everybody has to do	92	93	89	91
e-file is a faster way to get a Federal income tax return to the IRS	98	99	98	95
Mailing in a Federal tax return is still safer, more reliable	19	10	20	39
e-file is a better way to file Federal income taxes	88	97	91	66
I'm used to doing taxes on paper and see no reason to change	15	4	14	38
e-file is an accurate way to file Federal income taxes	94	98	95	84
e-file changes the way you look at the IRS	46	56	39	32
e-file is a private and secure way to file Federal income taxes	89	96	88	75
e-file provides proof of receipt	92	96	93	81
e-file is an inexpensive way to file Federal income taxes	74	85	73	51
The IRS is becoming a friendlier, more helpful government service	73	78	70	66
e-file is easy to use, with little hassle	82	93	90	53

% Agree Completely or Agree Somewhat With Each Statement

Likelihood Of Future Use Of *e-file*

- In the last of the communications-related measures, all Practitioners were asked how likely they would be to use *e-file* for Individual and for Business returns. Results from the Pre-Wave below will be compared to those from the Post-Wave to see the impact of the communications on Practitioner disposition toward *e-file*. Currently, we see that Committed *e-file* Users, naturally, have a far stronger disposition to use; with Committed V-Coders at the other end of the spectrum, and having a low commitment to use of *e-file*.

	Total Practitioner Sample In The Pre-Wave (754) %	Committed <i>e-file</i> Users (75%+ <i>e-file</i>) Pre-Wave (398) %	Uncommitted <i>e-file</i> Users (1-74% <i>e-file</i>) Pre-Wave (161) %	Committed V-Coders (75%+ V-Code) Pre-Wave (195) %
BASE: Total Respondents				
<u>Likelihood Of Future Use Of <i>e-file</i> For Business Returns</u>				
(BASE: Total Who Personally Prepare Business Returns)	(706)	(369)	(152)	(185)
Very Likely	58	71	57	32
Somewhat Likely	23	18	28	30
Not Very Likely	9	5	8	18
Not At All Likely	7	2	5	17
Don't Know	3	4	2	3
<u>Likelihood Of Future Use Of <i>e-file</i> For Individual Returns</u>				
(BASE: Total Who Personally Prepare Individual Returns)	(754)	(398)	(161)	(195)
Very Likely	73	84	75	49
Somewhat Likely	13	4	17	28
Not Very Likely	6	4	3	14
Not At All Likely	4	3	2	8
Don't Know	4	5	3	1

Composition Of Sample In Pre-Wave

- Finally, on this and the next page are the composition data for the sample secured in this Pre-Wave, along with a comparison to composition data for the sample in the 2004 Practitioner Tracking Study (who were not asked any of the communications questions covered earlier).
 - Comparing the two samples, we see that there are clear differences in Practitioners responding to a March survey (the '04 tracker) vs. those responding to a late-Fall survey (i.e., this Pre-Wave), with the late-Fall sample here comprised more of Committed *e-file* Users (next page) who are more involved in tax prep work and more likely to be in firms – firms which prepare more returns. This may be due simply to a difference in survey timing -- we'll update these profiles in the Post-Wave, which will be conducted at a similar point in time to the '04 tracker.

	2004 Practitioner Tracking Study (750) %	Pre-Wave Of 04-05 Practitioner Communications Tracking Study (754) %
BASE: Total Respondents		
Average Age Of Practitioner	54	54
Male: Female Proportions	57 : (43)	65 : 35
Avg. % Of Clients Who Are Spanish-Speaking	4	7
% Who Say They Are Their Firm's Main Decision-Maker Regarding <i>e-filing</i>	84	84
% Who Say They Are Authorized <i>e-file</i> Providers	77	(89)
% Who Say They Are Aware Of e-Services	46	(68)
% Say They're A Financial Planner – With Tax Preparation Being Just One Service	6	4
% Say They're An Accountant Or CPA – With Tax Preparation Being Just One Service	40	(47)
% Say They're In Some Other Profession – With Tax Preparation Being Just One Service	7	6
% Say Their Primary Focus Is Tax Preparation	46	42
% Say Tax Preparation Work Is A Full-Time Occupation For Them	48	(65)
% Say Tax Preparation Work Is One Of Their Occupations	26	23
% Say Tax Preparation Work Is Something They Do Only During Tax Season	(27)	12
Avg. # Years Involved In Tax Preparation Work	22.1	(24.8)
% Say They're Trained As A CPA/Accountant	45	(54)

Composition Of Sample In Pre-Wave (Cont'd.)

	2004 Practitioner Tracking <u>Study</u> (750) %	Pre-Wave Of 04-05 Practitioner Communications <u>Tracking Study</u> (754) %
BASE: Total Respondents		
% Who Work With A Firm (Or Are Independent & Yet Also Working With A Firm)	32	(41)
<u>If Work With A Firm/Independent With A Firm:</u>		
Median # Tax Preparers At All Of Firm's Locations	3	(4)
% Of Preparers In Firm Focused On Individual (vs. Business) Returns	70	66
Avg. # Years Firm Has Been In Business	23.8	(29.2)
Avg. # Years Firm Has Been Involved In Tax Preparation	23.2	(28.2)
% Saying Tax Preparation Is The Primary Service Offered By Their Firm	68	65
Avg. Total # Returns Prepared <u>By Firm</u> At All Locations	800	(1,028)
Median Total Business & Individual Returns <u>Personally</u> Prepared Last Season	300	(360)
<u>Of The Avg. Total Business & Individual Returns Prepared By Practitioner Last Season:</u>		
<u>% That Were Individual Returns</u>	82	78
% Of Individual Returns That Were <i>e-filed</i>	45	(61)
% Very/Somewhat Satisfied With <i>e-filing</i> For Individual Returns	na	95
<u>% Of Individual Returns That Were Paper</u>	(55)	39
Avg. % Of Paper Individual Returns That Were V-Coded	(49.1)	37.9
<u>% That Were Business Returns</u>	18	22
<u>% Of Business Returns That Were <i>e-filed</i></u>	19	23
% Very/Somewhat Satisfied With <i>e-filing</i> For Business Returns	na	92
<u>% Of Business Returns That Were Paper</u>	81	77
Avg. % Of Paper Business Returns That Were V-Coded	72.8	73.5
% Committed <i>e-file</i> Users (<i>e-file</i> 75%+ Of Their Individual Returns)	38	(53)
% Uncommitted <i>e-file</i> Users (<i>e-file</i> 1-74% Of Their Individual Returns & Not A Committed V-Coder)	22	21
% Committed V-Coders (V-Code 75%+ Of Their Individual Returns)	(40)	26

Appendix

Questionnaire Used In Study
(Attached Electronically)