2004 Customer Satisfaction Survey For Form 1120S *e-file* –

The U.S. Corporation Income Tax Return For An "S" Corporation

Presented to:

Internal Revenue Service
DEPARTMENT OF THE TREASURY

Fall 2004 BMF Integration Meetings

Presented by:

FCB & Russell RESEARCH

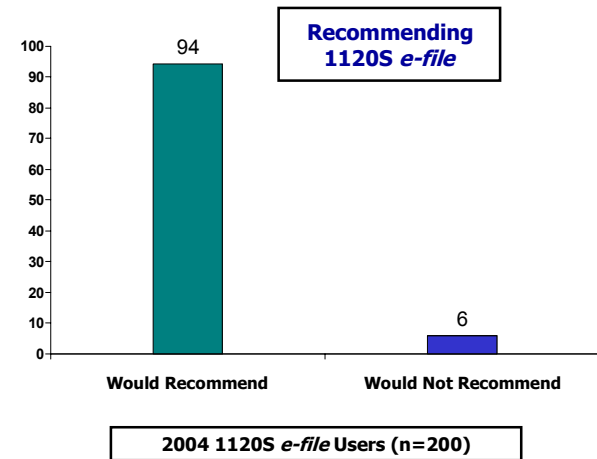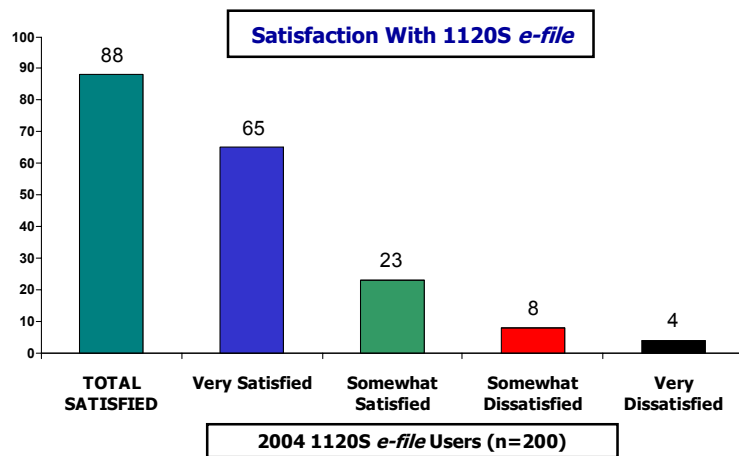# Background, Objectives, Method & Sample Size

- **As *e-file* products come on line, IRS conducts customer satisfaction research for each product.**

  - One of the forms/returns that can be filed electronically is **Form 1120S *e-file*** – the U.S. Corporation Income Tax Return For An "S" Corporation. Form 1120S *e-file* is a part of the Modernized *e-file* program, or MeF – which allows businesses to electronically file and pay any taxes owed at the same time, and involves use of the XML architecture. The benefits of the MeF system are that forms can be transmitted through the Internet, it allows non-XML documents to be transmitted in PDF format, and processes files and acknowledgments faster. For signature, this system involves use of a Practitioner PIN number or a scanned Form 8453.

- **The purpose of the survey was to: 1) gauge User satisfaction with Form 1120S *e-file* and look for ways to increase usage among Non-Users; and 2) provide IRS with quantitative data and analysis to use in making policy decisions related to this form as it moves toward its 80% *e-file* usage goal.**

- **The survey was conducted in July, 2004, via telephone from Russell's national field facility in Wayne, NJ, with respondents drawn from IRS lists of 1120S *e-file* Users and Non-Users.**

- **The sample consisted of 404 interviews conducted among Form 1120S preparers...**

  - 200 with 1120S preparers who are **Users of 1120S *e-file***.

  - And 204 with 1120S preparers who are **Eligible Non-Users of 1120S *e-file***.

  - *Note: the in-going goal for each cell was 250 total interviews. However, the IRS lists used to screen survey respondents were too small to yield 250 total in each cell. As the program grows, future samples will increase to the 250 target level.*

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Findings

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Findings Among Users
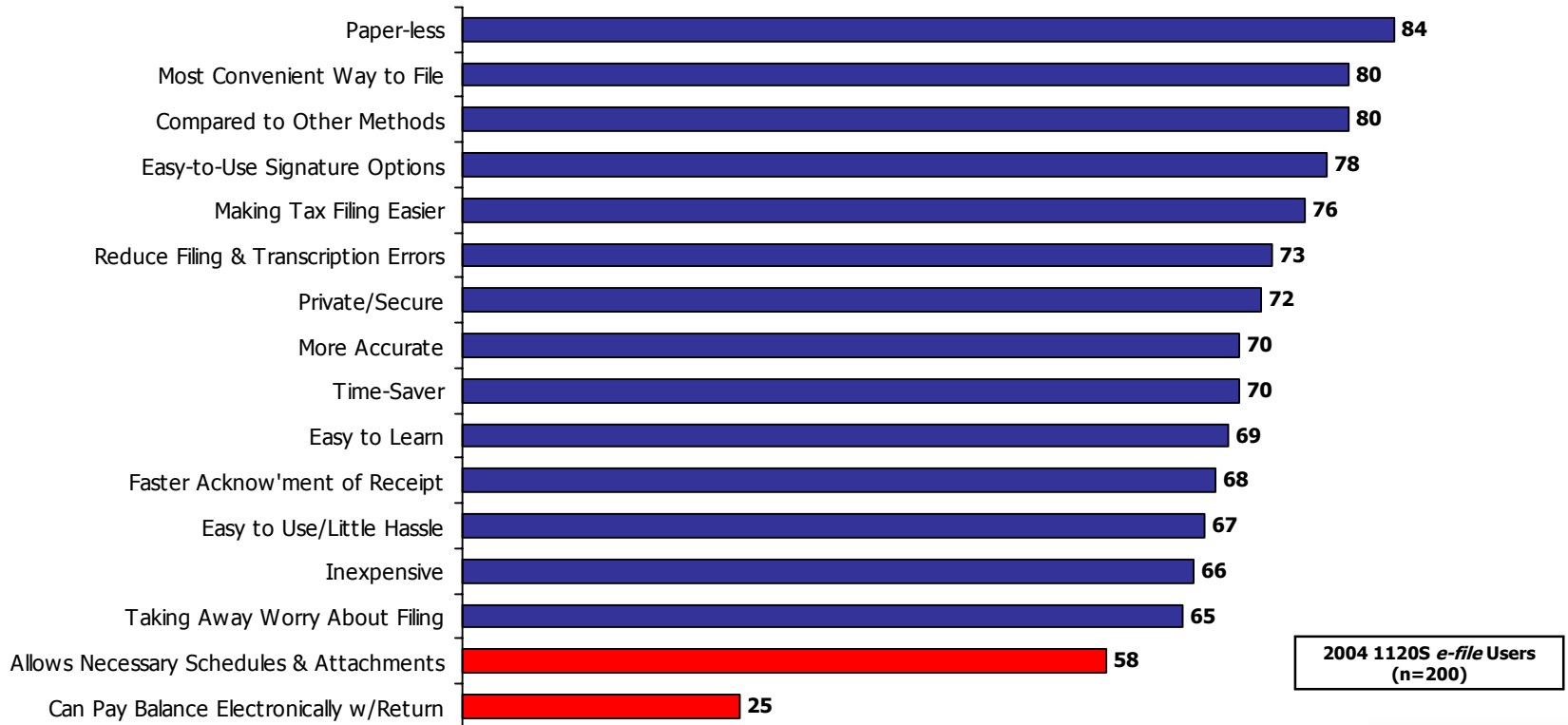
Satisfaction, Recommendation & Specific Likes

- As with 1120 *e-file*, the proportion of Users at least *somewhat* satisfied with Form 1120s *e-file* was high (88%), but the "very satisfied" level (65%) was slightly lower than we see for other *e-file* products (70%+ for Business products and 80%+ for Individual products).

- However, <u>94% of Users would recommend it</u> to others. What do they like about it? Mainly that it means <u>less paperwork</u>, is <u>faster</u>, and <u>easier</u>.

Satisfaction With 1120S *e-file*

TOTAL SATISFIED	88
Very Satisfied	65
Somewhat Satisfied	23
Somewhat Dissatisfied	8
Very Dissatisfied	4

2004 1120S *e-file* Users (n=200)

Recommending 1120S *e-file*

Would Recommend	94
Would Not Recommend	6

2004 1120S *e-file* Users (n=200)

Reasons for Satisfaction With 1120S *e-file* (n=200 Users)

	%
Less paperwork	17
It's Faster/Speed (Net)	16
Easy to file/convenient (n.s.)	10
Don't have to make copies	8
Saves time	7
Don't have to mail	6
Acknowledgement of receipt by IRS	5

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# Satisfaction With Specific Characteristics Of 1120S *e-file*

- **Using our rule of thumb that a top-box ("very satisfied") rating of about 70%+ indicates strong satisfaction, we found that Users are highly satisfied with 1120S *e-file* being <u>paper-less</u>, <u>convenient</u>, <u>better than other methods</u>, with <u>easy-to-use signature options</u>, and <u>makes tax filing easier</u> (the same attributes which were rated highest for 1120 *e-file*). Other attributes fall just below that 70% level, while two fall far below -- allowing necessary schedules and attachments and paying balances electronically with the return.**

Attribute	Rating
Paper-less	84
Most Convenient Way to File	80
Compared to Other Methods	80
Easy-to-Use Signature Options	78
Making Tax Filing Easier	76
Reduce Filing & Transcription Errors	73
Private/Secure	72
More Accurate	70
Time-Saver	70
Easy to Learn	69
Faster Acknow'ment of Receipt	68
Easy to Use/Little Hassle	67
Inexpensive	66
Taking Away Worry About Filing	65
Allows Necessary Schedules & Attachments	58
Can Pay Balance Electronically w/Return	25

2004 1120S *e-file* Users (n=200)

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Can 1120S *e-file* Be Improved? If So, How?

- **40% of Users said that 1120S *e-file* can be improved, and this is higher than we see on this measure for other IRS *e-file* products (low-to-mid 30's).**

- **To see how the Form can be improved, we re-based all suggestions to total sample and saw that most improvements related to <u>expanding the product</u> (to more forms or attachments) and <u>providing more information</u> about it.**
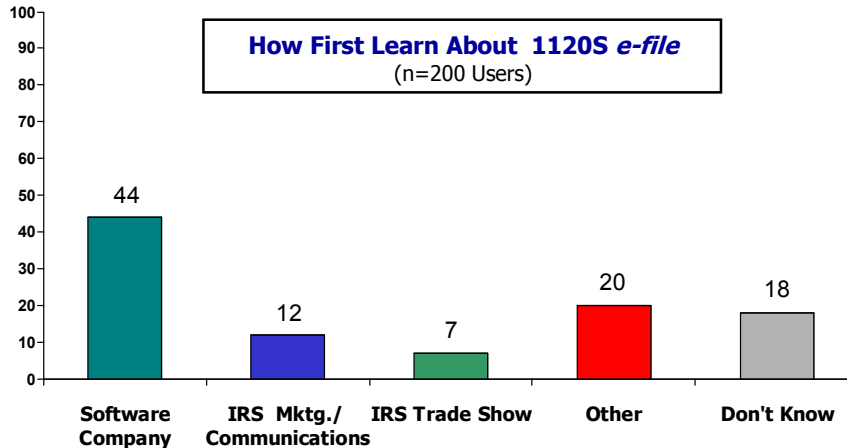
Can 1120S *e-file* Be Improved?

40 — Yes, 1120S e-file Can Be Improved
54 — No, 1120S e-file Cannot Be Improved
6 — DK/NA

2004 1120S *e-file* Users (n=200)
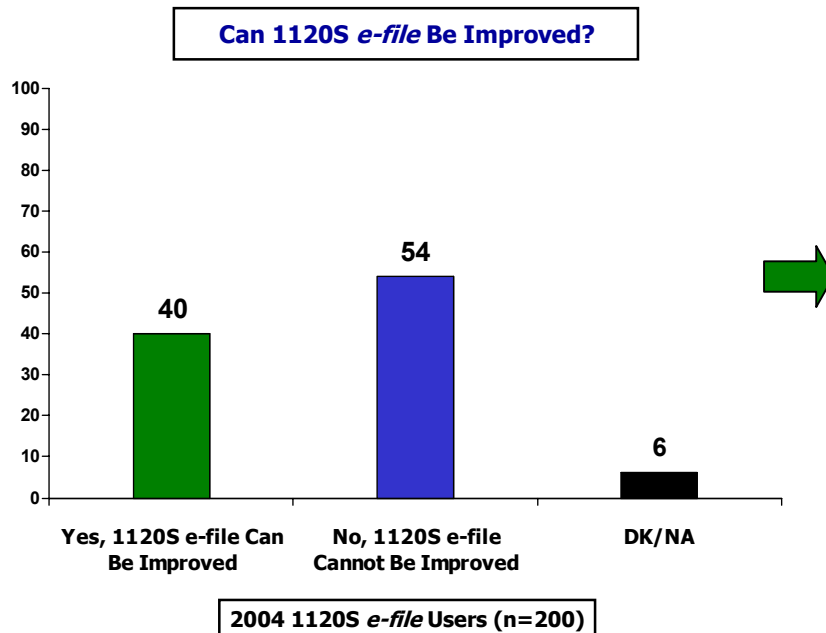
How Can 1120S *e-file* Be Improved?

	2004 Users (200) %
Total 1120S *e-file* Users	
Top Suggestions For Improvement	
Expand it (mainly accept more forms/attachments)	**9**
Information (Net)	**6**
Quicker acceptance response	3
Start earlier	3
Less rejections	2

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The 1120S *e-file* Product Adoption Process

- **When we probed on the product adoption process, we learned that...**

  - Users first learned about 1120S *e-file* mainly <u>through their software manufacturer</u> (as was the case with 1120 *e-file*).

  - Top influences to consideration of use were that they <u>already *e-filed* other forms</u>, it <u>became available</u>, and <u>means less paperwork</u>.

  - Asked if they <u>had to do anything differently in order to convert to 1120S *e-file*</u>, top responses were "had to get a PIN #" and "had to get signatures from clients".

How First Learn About 1120S *e-file*
(n=200 Users)

Category	Value
Software Company	44
IRS Mktg./Communications	12
IRS Trade Show	7
Other	20
Don't Know	18

What Made Them Consider 1120S *e-file*?
(n=200 Users)

	%
Already *e-file* Form 1040	23
It became available	22
Less paperwork	22
Easier/convenient to use	15
Wanted to go all electronic	12

Did They Have To Do Anything Differently In Order to *e-file* 1120S?
(n=200 Users)

	%
Had to get a PIN number	12
Had to get signatures from clients	11
Had to mark the box	6
Had to do a little more data entry	5
Had to buy the software	5

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Form 1120S *e-file* Information

- **Only 18% of Users have seen information related to 1120S *e-file*, and this was mainly information about the product from Software Companies and from the IRS, with 72% saying the information was helpful.**

- **They received this information mainly from Software Vendors and through the Mail. Asked <u>how they would like to receive info</u>, they (like the 1120 sample) seemed to prefer electronic communication – e-mail and via irs.gov, followed by Mail and Software Vendors.**
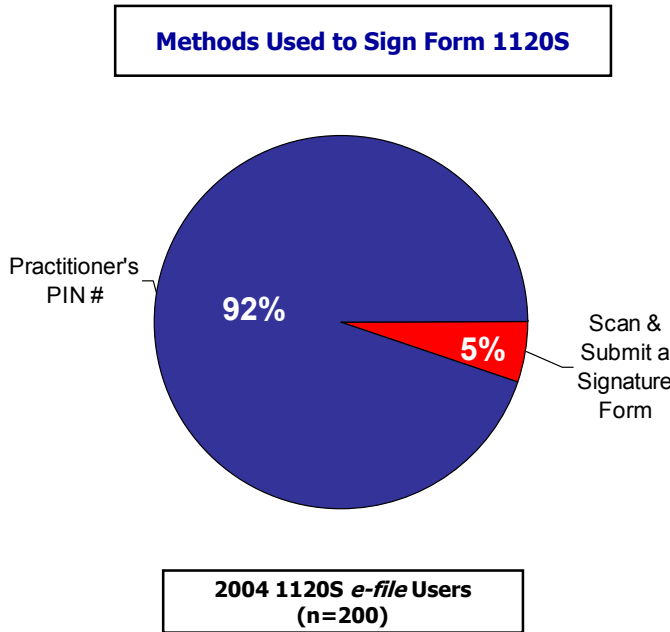
	2004 Users
Total 1120S *e-file* Users	(200)
	%
% Recall Seeing Information	
Related to 1120S *e-file*	**18**
Types Of Information Recall Seeing?	
NEW BASE: Total Recall 1120S *e-file* Information	(36)
Information from Software Companies	**56**
Information at the IRS's Website – irs.gov	**47**
IRS Publications	**42**
IRS Marketing Brochures	39
IRS Forms	33
IRS Instructions	25
Newspaper & Magazines	22
% Who Said Information Was Very/SW Helpful	**72**

	2004 Users
Total Recall 1120S *e-file* Information	(36)
	%
How Information Was Received	
Software Vendors	**50**
Mail	**50**
IRS Website/irs.gov	39
e-Mail	19
News Articles	14
Contact with IRS Tax Specialists/IRS Employees	14

	2004 Users
BASE: Total Recall 1120S *e-file* Information	(200)
	%
How Prefer To Receive Info	
e-Mail	**69**
IRS Website/irs.gov	**58**
Mail	**56**
Software Vendors	**44**
News Articles	24
Electronic Bulletin Board	22

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Usage Of & Satisfaction With Method of Signing Form 1120S

- **92% of the 1120S Users said they use a Practitioner's PIN # to sign Form 1120 – again, in line with the fact that the sample consisted of external Practitioners.**

- **97% of those using the PIN were satisfied it, and said they chose the PIN# over the scanned form (8453-S) mainly because it was easier. Asked what other signature alternatives they would they like to see, 90% said "none".**

Methods Used to Sign Form 1120S

Practitioner's PIN #

92%

5% Scan & Submit a Signature Form

2004 1120S *e-file* Users (n=200)

Satisfaction with PIN # Used/Reason For Using

	Users
Total Who Have Ever Used Practitioner's PIN #	(192)
	%
% Who Are Very/Somewhat Satisfied	**97**

Why Choose PIN Over Scanned Form 8453S?

Easier/convenient to use	48
Don't have equipment for signature scanning	12
Fast/quick	7
Don't have to mail it	6
Don't' have to scan it	6
Saves time	6

Other Signature Alternatives They'd Like To See

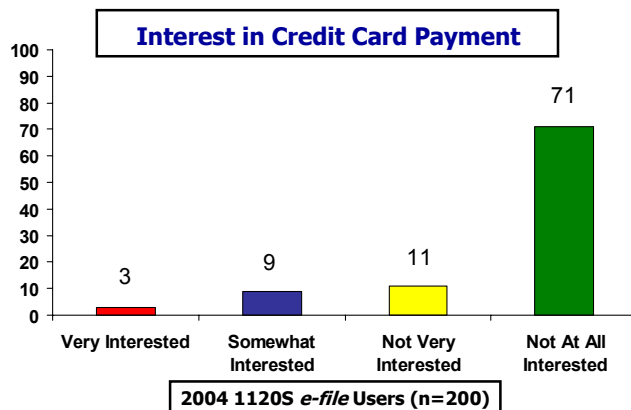|	
None/Don't Want Any Alternative	**90**
Total Mentioned Any Alternative	**10**
Want IRS to assign a PIN #	2
Don't want any signature requirement	1
All other mentions	7

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Balance Payment Methods

- **The <u>main balance payment method is Paper</u> (though <u>60% did not know the method</u>). While bases are very small, we see the same <u>higher satisfaction with electronic payment</u> that we see in other BMF surveys. <u>Those indicating payment by paper</u> were asked what IRS could do to increase their use of electronic payments. They said it could <u>convince their clients</u> to pay electronically, make it a <u>no-cost process</u>, provide <u>security assurances</u> and provide <u>more info</u>.**

Payment Methods Used & Satisfaction With Each			
DK Method = 60%	PAPER	EFW	EFTPS
% Use Each Method	**24%**	**5%**	**11%**
Total Use Each Method	(48)	(9)	(23)
	%	%	%
Satisfaction With...			
Very Satisfied	71	89	83
Somewhat Satisfied	21	11	13
Somewhat Dissatisfied	0	0	0
Very Dissatisfied	2	0	4

| What IRS Can Do To Increase Likelihood of Paying Future Balances Due Electronically?	
	2004 Users
BASE: Total Who Use Paper Payment	(48)
	%
<u>IRS Can Do Something</u> (Net)	<u>73</u>
Convince clients to pay electronically	13
Have no costs for paying electronically	13
Security reassurance	10
Provide more information about paying electronically	8

- **There was very low interest in use of credit cards for payments – again, mainly because of the 2.5-3.0% service provider fee we mentioned in describing credit card payments.**

Interest in Credit Card Payment

Very Interested	Somewhat Interested	Not Very Interested	Not At All Interested
3	9	11	71

2004 1120S *e-file* Users (n=200)

Why NOT Interested In Credit Card Payment	
	2004 Users
BASE: Total Not Interested In Credit Card Payments	(163)
	%
Top Mentions...	
There are extra fees/charges	46
High fees	13
Clients don't want it	9
No balance due	9

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Awareness & Participation In Modernized *e-file* (MeF)

- **66% of Users of 1120S *e-file* said they were <u>aware</u> that they were participating in the Modernized *e-file* Program; their <u>main reason for participating</u> was that it means less paperwork; and the <u>main influencers</u> in their decision to participate were Promotion By A Software Company and IRS Marketing/Communications.**

Awareness of Participating in IRS's Modernized e-file Program

2004 1120 *e-file* Users (n=150)
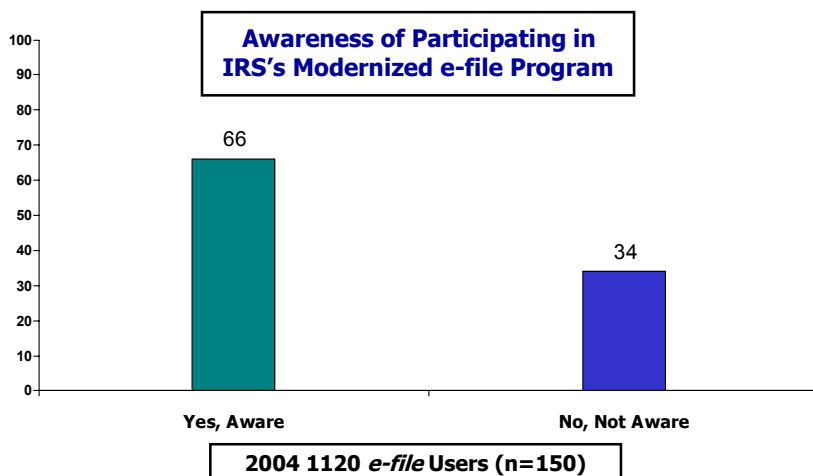
Primary Reasons For Participating In MeF Program

	2004 Users
Total Users Aware Of MeF Participation	(131)
	%
It means less paperwork	24
It's easy/convenient	12
Saves time	12
e-filing was mandated by state	9
It's faster/quicker	8
It's more accurate	8

Main Influencers In Decision To Participate
(n=131 Users Aware Of MeF Participation)

	%
Promotion By A Software Company	**44**
IRS Marketing/Communications	**32**
Advertising	12
Something At An IRS Trade Show	12
Something At A Non-IRS Trade Show	12
From Another Tax Professional	12

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Other Measures: Extensions & Experience With 3112 & 8633

- **In other measures from the 1120S *e-file* User survey, we found that:**

  - **45% of Users have ever filed an extension for Form 1120S *e-file* (higher than the 29% we saw for 1120 *e-file*).**

  - **69% have transmitted Form 1120S *e-file* to the IRS (also higher than what we found with 1120 *e-file*).**

  - **30% recall seeing Publication 3112 (vs. 21% for 1120).**

  - **And, 51% were aware that Form 8633 can be used to file both Individual and Business returns (vs. the 41% we saw in the 1120 *e-file* survey).**
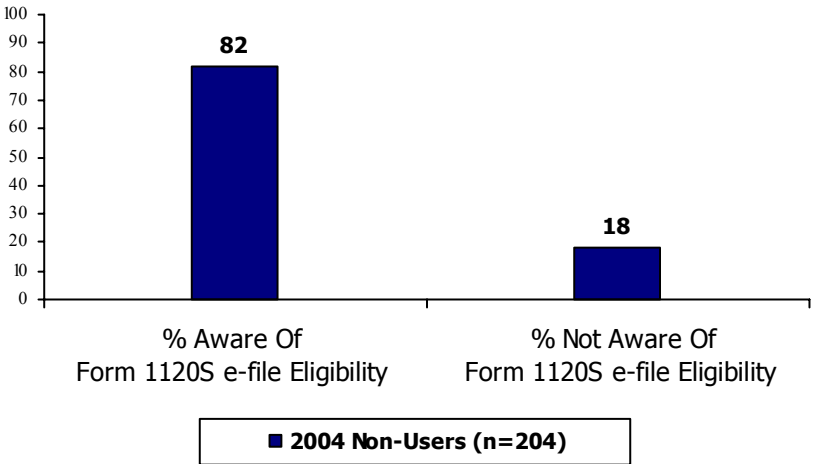
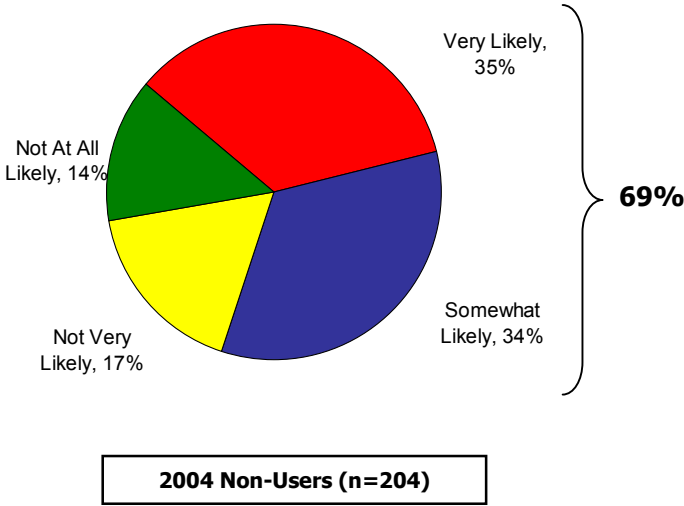| Total 1120S *e-file* Users	2004 Users (200) %
% Ever Filed An Extension for Form 1120S *e-file*?	**45**
% Ever Transmitted Form 1120S *e-file* to IRS	**69**
% Recall Seeing Publication 3112, the IRS *e-file* Application Instructions That Explains How to Fill Out The New Integrated Form 8633	**30**
% Said They Are Aware That Form 8633 Can Be Used To File Both Individual & Business Returns	**51**

Findings Among Non-Users

Awareness Of Eligibility & Likelihood Of Use

- **Turning to findings from Non-Users of Form 1120S *e-file*...**

- **We see that 82% of Non-Users are aware that they *could have* filed 1120S electronically.**

- **And, after hearing a short description of 1120S *e-file*, 69% said they are likely to file electronically in the future.**

Awareness of Eligibility To Use 1120S *e-file*

100
90
80
70
60
50
40
30
20
10
0

82

18

% Aware Of
Form 1120S e-file Eligibility

% Not Aware Of
Form 1120S e-file Eligibility

■ **2004 Non-Users (n=204)**

Likelihood of Using 1120S *e-file*

Very Likely, 35%

Not At All Likely, 14%

69%

Somewhat Likely, 34%

Not Very Likely, 17%

2004 Non-Users (n=204)

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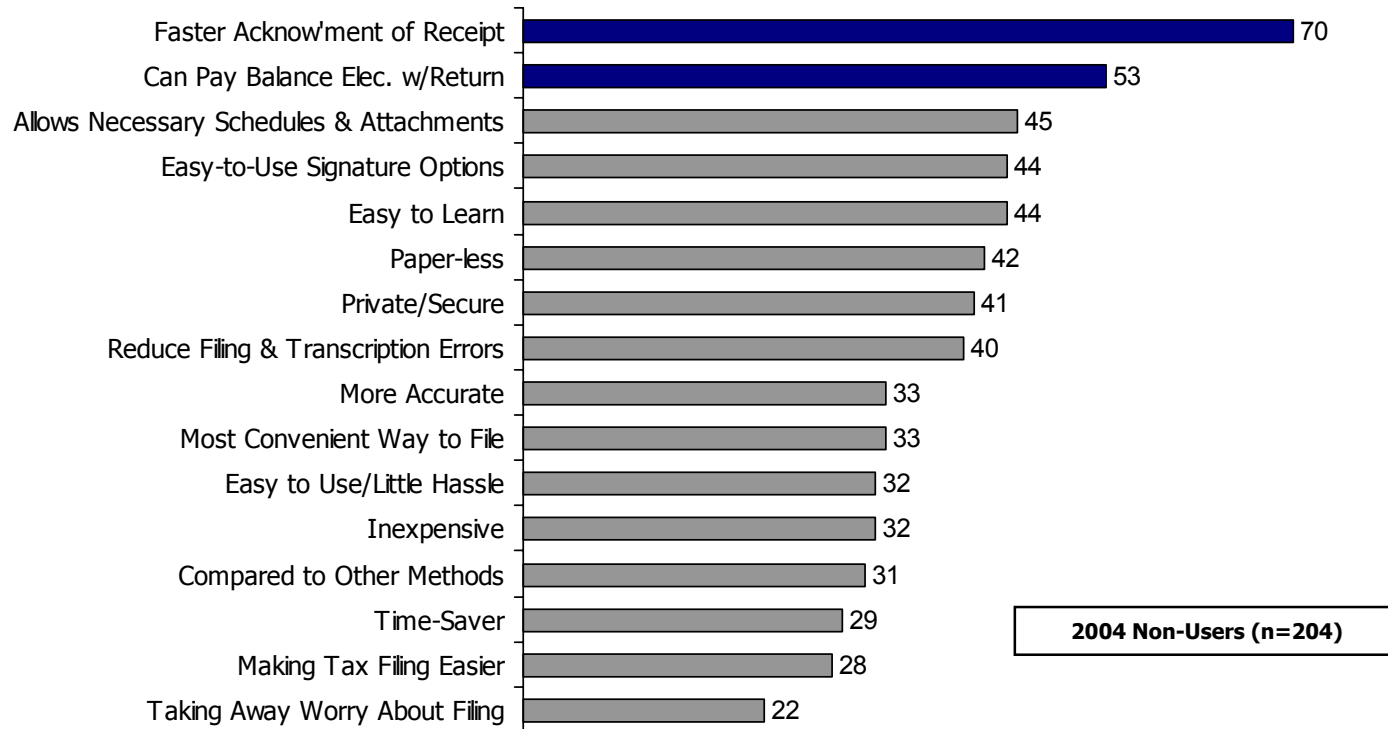
Perceptions Of Form 1120S *e-file*

- **After hearing the product description, Non-Users were also asked for their impressions of 1120S *e-file* via attribute ratings. Looking at <u>top-box ratings ("agree completely"),</u> we see that about half or more of the Non-Users thought 1120S *e-file* would provide a faster acknowledgement of receipt and that you can pay balances electronically with a return. Otherwise, though, they had very weak perceptions of the product – including its other key benefits.**

Attribute	Rating
Faster Acknow'ment of Receipt	70
Can Pay Balance Elec. w/Return	53
Allows Necessary Schedules & Attachments	45
Easy-to-Use Signature Options	44
Easy to Learn	44
Paper-less	42
Private/Secure	41
Reduce Filing & Transcription Errors	40
More Accurate	33
Most Convenient Way to File	33
Easy to Use/Little Hassle	32
Inexpensive	32
Compared to Other Methods	31
Time-Saver	29
Making Tax Filing Easier	28
Taking Away Worry About Filing	22

2004 Non-Users (n=204)

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Reasons For Non-Use & Stimulation To Usage

- **Non-Users' <u>main reasons for not adopting 1120S *e-file* already were very similar to what we found among 1120 *e-file* Non-Users</u>: their top response was <u>lack of demand</u>, followed by taking a wait-and-see approach, not knowing enough about it, and concerns about the cost.**

- **However, <u>75% of Non-Users said IRS could increase their likelihood of adoption</u> – mainly by <u>lowering the cost or providing incentives</u> or <u>even making it mandatory</u>.**

Reasons For Non-Usage	2004 Non-Users (204) %
Total 1120S *e-file* Non-Users	
My clients don't ask for it or want it	53
I'm cautious, will wait to see how it works out	45
Just don't know enough about it	43
The software costs money	42
It's just something else I'd have to learn	34
I hear it takes more time	29
Can't e-file Form 1120 using my software	28
Lack of confidence in the security of system/technology	28
No interest in trying it	28
It's too much work – have enough to do	27
Lack of confidence in reliability of system/technology	26
I want a bundled suite of standardize software products	20

Can IRS Do Anything To Increase Likelihood Of Use?	2004 Non-Users (204) %
Total 1120S *e-file* Non-Users	
Said IRS Can Do Something To Increase Likelihood	75
Leading Mentions Of What IRS Can Do...	
Lower cost/provide incentive	12
Make it mandatory/required	9
Get clients to request it	7
Provide more information	5

How To Communicate With Non-Users

- **As was the case with the 1120 Non-Users, when we asked 1120S *e-file* Non-Users how they would <u>prefer to receive information</u> about Form 1120S *e-file*, they were <u>very clear in preferring Regular Mail</u>, followed by e-mail and From Software Companies.**

How Prefer To Receive Information	2004 Non-Users
BASE: Total 1120S *e-file* Non-Users	(204)
	%
In the Mail	**73**
Via e-mail	**52**
From Software Companies	**43**
From News Articles	21
Via Electronic Bulletin Board	26
From the IRS's Website – irs.gov	56
Contact wIRS Tax Specialist/Employee	17
From Advertising	16
Pick(ed) Up At Post Office/Library	11
Pick(ed) Up At An IRS Office	7
From Other Internet Website	1
Other Ways	4

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Software Used & Presence Of *e-file* Option

- **Finally, we asked Non-Users about 1120 preparation software and found that 88% use software – but again, as with the other 1120 product, only 17% said their software package <u>does not offer an *e-file* option</u>.**

- **Among the small sample of those whose software <u>does not</u> offer an *e-file* option, 58% said they would like it to, and that their top software brand was LaCerte.**

	2004 <u>Users</u>
Total 1120S e-file Non-Users	(204)
	%
% Use Software To Prepare Form 1120S	**88**
Total Non-Users Who Use Software	(180)
	%
% Said Software Does Not Offer *e-file* Option	**17**
Total Non-Users Who Use Software That Doesn't Offer *e-file* Option	(31)
	%
% Without *e-file* Option Who Would Like Option	**58**
Specific Software Packages Used To Prepare Form 1120S	
LaCerte	19
Creative Solutions	7
Intuit	7
Pro System FX	7
Turbo Tax	7

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Other Learning From Both Users And Non-Users

Reaction To ERO Application Process

- **Next, looking at measures secured from <u>both 1120S *e-file* Users and Non-Users</u>, we see that 79% of Users and 66% of Non-Users were aware of the ERO application process. These were external Practitioners, most of whom should be aware of the process.**

- **Few of either group indicated any difficulty with the process (though the top difficulties were the same in each group – it's "time-consuming" and "dislike fingerprinting").**

Familiarity With ERO Application Process
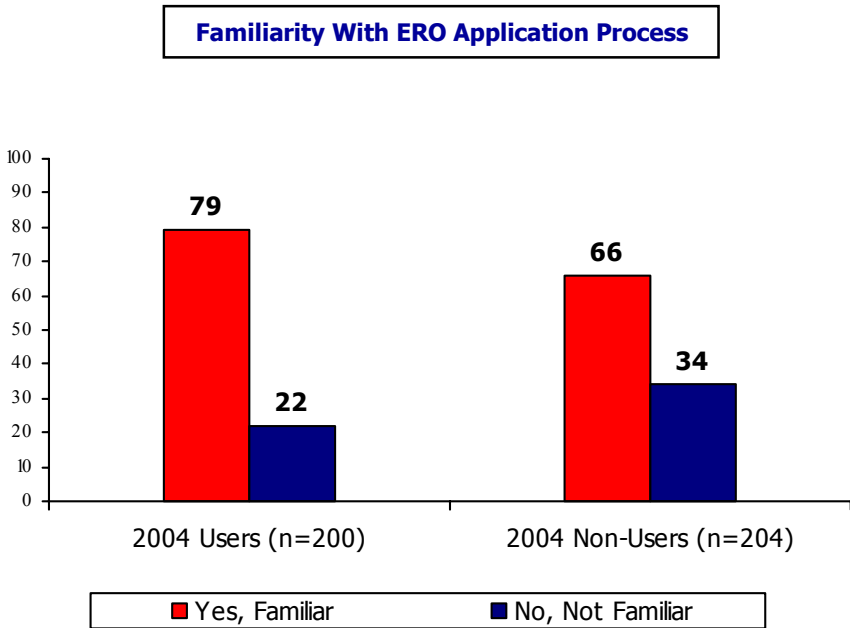
	2004 Users (157) %	2004 Non-Users (134) %
Difficulties With ERO Application Process		
BASE: Total Familiar With ERO Application Process		
% Said Process Very/SW/Not Very Difficult	**20**	**25**
<u>Top Mentions Of Difficulty In Application…</u>		
Time-consuming	9	14
Dislike fingerprinting requirement	9	10

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Reaction To 1120S *e-file* Publications At irs.gov

- **The 1120S samples were also told that all 1120S *e-file* publications have to be accessed on the Internet at irs.gov and are not a part of an annual tax package, and were asked if they have ever tried to access any of the 1120S *e-file* publications or forms at irs.gov. 65% of the Users and 58% of the Non-Users said they had accessed these materials at the website.**

- **Asked to evaluate the 1120S materials at irs.gov, about 90% or more of each segment said the materials Provided Enough Information, Were Appropriate In Their Detail, Were Easy To Find, and Easy To Understand.**

	2004 Users (200) %	2004 Non-Users (204) %
BASE:		
% Access 1120S Publications or Forms at irs.gov	**65**	**58**
BASE: Total Familiar With ERO Application Process	(129)	(119)
Publications or Forms ...		
Provided Enough Information	91	92
Were Appropriate in Their Detail	92	92
Were Easy to Find	89	93
Were Easy to Understand	88	92

Filing of Information Return 990

- **We also asked the 1120S samples about their preparation of Returns 990 and 990EZ – the Federal Business Information Returns. As with the 1120 samples, we found that about <u>70% of the 1120S preparers also file 990's</u>.**

- **<u>And how are they filing 990's</u>? Again, mainly via Paper, though we did again find higher use of 990 electronic filing among those who are Users of 1120S *e-file*.**

- **For those <u>not filing 990's electronically</u>, the <u>main barriers</u> were lack of awareness and not having an *e-file* option in their software.**

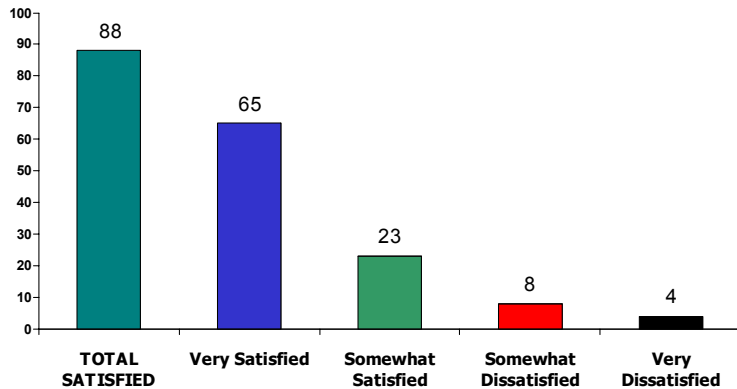|	2004 Users (175) %	2004 Non-Users (158) %
BASE: Total External Preparers		
<u>% Who File Federal Business Information Return 990/990EZ</u>	**65**	**74**
% File Electronically	(26)	5
% File Using Paper	45	70
<u>Why Not File Electronically?</u>		
Not aware I could *e-file* 990's	21	16
Not available thru my software	15	16
Just getting involved in *e-filing*	7	7
It's the client's decision	7	4
Price/cost issues	6	8
You can only file a few forms online	6	11
It's not very convenient to *e-file*	2	15

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Reaction To e-services

- **Finally for the 1120S survey, we asked Users and Non-Users about usage and interest in e-services and found (once again, as in other BMF surveys) that <u>Users were clearly more likely to have used e-services and more likely to consider using them</u>.**

- **However, 66% of Non-Users (after hearing a description of e-services) said they were "very" or "somewhat" likely to switch 1120S filing to *e-file* in order to gain access to e-services.**

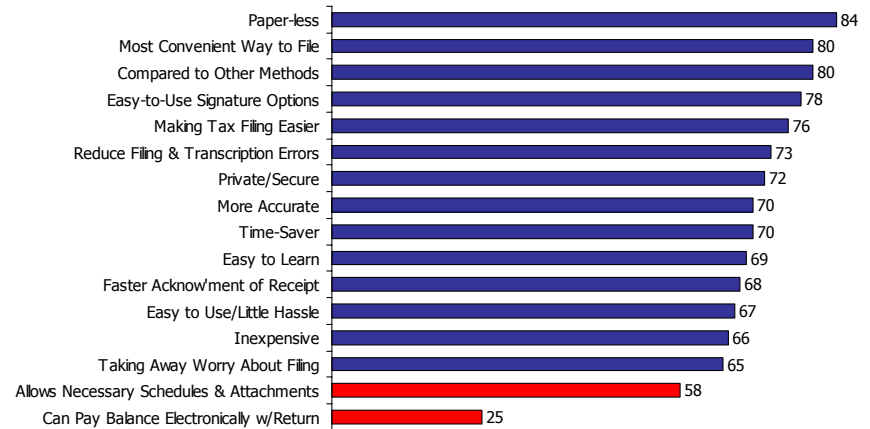| BASE: Total External Preparers	2004 Users (175) %	2004 Non-Users (158) %
<u>% Have Ever Used e-services</u> (Total)	**49**	**34**
As An Individual	26	17
Through An Association Or Employment With A Firm	24	18
<u>% Of Users Who Are Very/Somewhat Satisfied</u>	**92**	**85**
Specific e-services Ever Used		
Preparer Tax Identification Number (PTIN) Application	**31**	**22**
Taxpayer Identification Number (TIN) Matching	26	16
Registration For e-services	21	14
Online *e-file* Application To Become An ERO	16	11
Submission & Modification Of Disclosure Authorization Forms	8	3
Electronic Account Resolution	11	3
Use Of The Transcript Delivery System	7	3
<u>% Of All Respondents Who Definitely/Probably Will Use e-services</u>	**86**	**61**
<u>Non-Users Only</u>: % Very/SW Likely To Switch To 1120 *e-file* For e-services Access	**na**	**66**

Key Findings From 2004 Form 1120S *e-file* Customer Satisfaction Survey

User Satisfaction With 1120S *e-file* Slightly Lower Than Other *e-file* Products, Where "Very Satisfied" Is Typically 70-80%

Bar chart values:
- TOTAL SATISFIED: 88
- Very Satisfied: 65
- Somewhat Satisfied: 23
- Somewhat Dissatisfied: 8
- Very Dissatisfied: 4

Ratings (Red) Show 2 Issues Which May Be Affecting Satisfaction

Rating	Value
Paper-less	84
Most Convenient Way to File	80
Compared to Other Methods	80
Easy-to-Use Signature Options	78
Making Tax Filing Easier	76
Reduce Filing & Transcription Errors	73
Private/Secure	72
More Accurate	70
Time-Saver	70
Easy to Learn	69
Faster Acknow'ment of Receipt	68
Easy to Use/Little Hassle	67
Inexpensive	66
Taking Away Worry About Filing	65
Allows Necessary Schedules & Attachments	58
Can Pay Balance Electronically w/Return	25

Meanwhile, Among Non-Users, We Learned That...

1. 82% are aware of their eligibility to use 1120S *e-file* and 69% (after hearing the product concept) say they're likely to use it. But, ratings show they don't know much about the product.

2. Their main reasons for non-use to this point are lack of demand, not knowing enough about it, and concerns about increasing costs. As with 1120 *e-file*, most have software with an *e-file* option, so this does not seem to be a barrier to use.

3. e-services should also help with this group – 66% say it would make them switch to 1120S *e-file*.

4. Finally, how should IRS communicate with them? Mainly through regular Mail, though they too will accept e-mail and communication via their software vendor.

In Other Learning Among 1120S *e-file* Users...

1. 40% think the form can be improved – which is high for BMF products.

2. 92% are signing the form with a Practitioner PIN and are they are very satisfied with the PIN.

3. Payments are made mainly via Paper, though 60% don't know the method used. Here too, very low interest in credit card payments.

4. 66% know they're participating in MeF and are driven to it by Information From Software Cos. and IRS Marketing/Communications. In addition, most first learn about 1120S *e-file* from Software Companies.

5. They prefer electronic communications – mainly e-mail.

FCB & Russell RESEARCH

Appendix

Questionnaire Used In Study
(Attached Electronically)