

# Findings From The 2003 Wave Of Form 1065 *e-file* Customer Satisfaction Survey

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The Internal Revenue Service  
and  
FCB Advertising/NY

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# Background & Objectives



## Background & Overall Purpose

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- As *e-file* products come on line, the IRS conducts tracking research to determine levels of satisfaction with each product.
  - The first wave of satisfaction tracking for **Form 1065 e-file** was completed in January, 2002. The second wave was completed in February, 2003 and is reported here today.
  - However, prior to the start of the 2003 wave, the IRS decided to change the focus of this survey from 1065 *decision makers* (as in 2002) to 1065 *preparers* (in 2003) -- recognizing that this change in target audience could produce differences in findings compared to 2002.
  - The change did impact key measures, which can be seen in the comparisons of 2003 vs. 2002 that follow, so the 2003 data become the "benchmark" against which data in future 1065 *e-file* satisfaction trackers will be compared.
- The purpose of the satisfaction survey is still the same -- to monitor target audience satisfaction with Form 1065 *e-file* and provide the IRS with quantitative data and analysis that can be used in making policy decisions related to this form. The ultimate goal in all tracking satisfaction (both business and individual products) is to expand the volume of electronic business transactions and reach the overall *e-file* usage goal of 80% by 2007.

# Objectives, Method, Scope & Timing

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- **The specific objectives** of the 2003 Form 1065 *e-file* Satisfaction Survey were to:
  1. Establish (among the *preparer* target) levels of satisfaction with Form 1065 *e-file* among **Users** of the *e-file* version.
  2. Secure any new ideas that **Users** would like the IRS to explore in terms of Form 1065 *e-file*.
  3. And determine why **Eligible Non-Users** (or Paper filers) of Form 1065 *e-file* are not using the electronic product and what the IRS can do to stimulate their usage.
- **Method, Scope & Timing**: The 2003 study consisted of a total of 500 telephone interviews -- 250 conducted among firms that are 1065 *e-file* Users and 250 among firms that are Eligible Non-Users. Interviews were conducted in February, 2003.
  - All respondent firms were drawn from IRS lists of 1065 *e-file* Users and Non-Users.
  - Upon calling a firm and speaking with (and securing company profile information from) 1065 decision-makers, we asked to the actual 1065 preparer and, if he/she was an external agent, we sought a referral to that person and conducted the survey with them.

## Analytical Notes

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- Following are the findings from the 2003 Form 1065 *e-file* Satisfaction Survey. In reviewing data from 2003 vs. those from 2002, keep in mind the difference in sample composition from year to year, with...
  - 2002 results based on a sample of 1065 decision-makers -- 90% of them being internal decision-makers and 10% external preparers who were decision-makers.
  - While 2003 results are based on a sample of preparers -- with 74% of them being external/outside preparers (to whom we were referred) and 26% being internal preparers or preparers working inside the firms.
- Statistically, differences between the 2002 and 2003 surveys, as well as differences among sub-groups, are noted as follows:
  - Indicates a significant difference between waves or between sub-groups (95% confidence level).
  - Indicates a directional difference between waves or between sub-groups (90% confidence level).  
*Dashed boxes are also sometimes used to highlight groups of data.*
  - ✱✱ And a double asterisk cautions that the base size is too small for meaningful analysis.

# Detailed Findings



Russell  
MARKETING  
RESEARCH



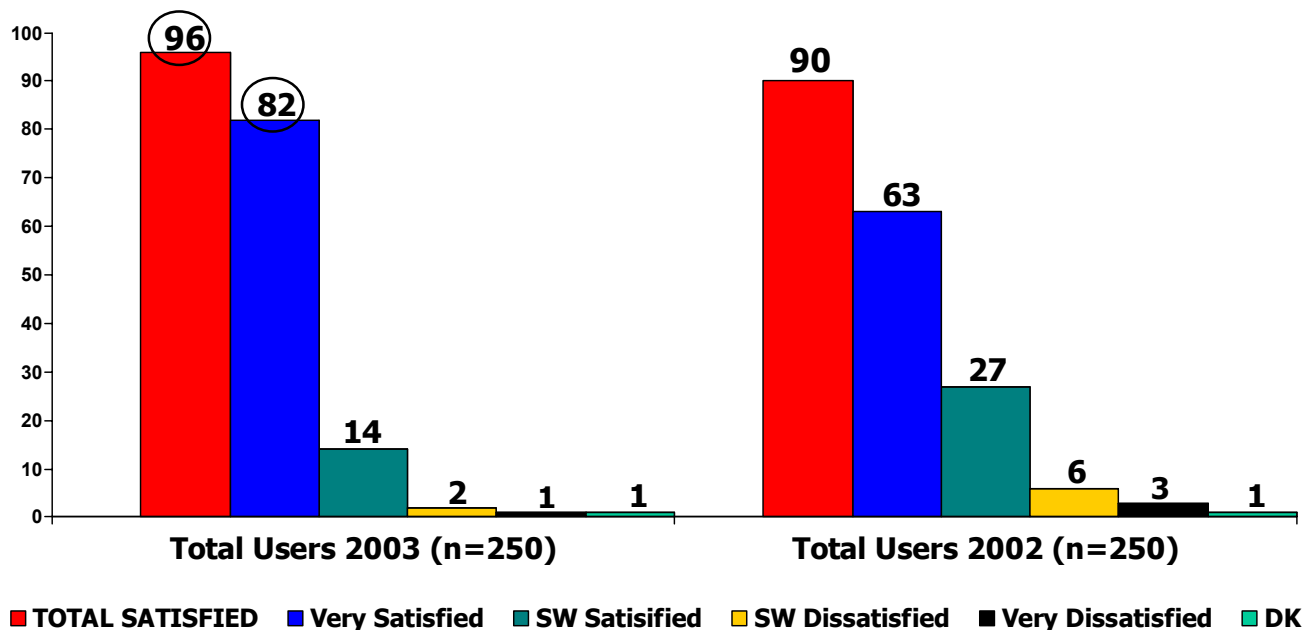
**User Satisfaction With Form  
1065 *e-file* & Reaction To  
Specific Programmatic  
Elements**





## Levels Of Satisfaction With Form 1065 *e-file*

- In what will be the benchmark survey among actual preparers of 1065 *e-file*, we found that 96% of Users of this electronic form rate themselves satisfied with this product -- with 82% "very satisfied".
- Satisfaction is significantly higher this year (*among preparers*) than it was last year (*among mainly decision-makers* who did not actually prepare the form).



Q. 1 – Overall, how satisfied were you with 1065 *e-file* as a method of filing Form 1065?

## What Do Users Like About 1065 *e-file*?

- The voluntary benefits of using 1065 *e-file* that we found among preparer-Users this year mirror those we found among decision-makers in last year's survey, with one exception -- this year's Users have generally higher "likes" of the product, particularly its paper-saving benefits.

| Total 1065 e-file Users                         | Total Users<br>2003<br>(250)<br>% | Total Users<br>2002<br>(250)<br>% |
|-------------------------------------------------|-----------------------------------|-----------------------------------|
| <b><u>Liked Something</u></b>                   | <b>94</b>                         | <b>89</b>                         |
| <b><u>Ease/Convenience (net)</u></b>            | <b>65</b>                         | <b>70</b>                         |
| Less paperwork                                  | 25                                | 19                                |
| Easy to file/convenient (n.s.)                  | 17                                | 18                                |
| Don't have to mail                              | 7                                 | 11                                |
| Easier to process                               | 3                                 | 11                                |
| <b><u>Speed (net)</u></b>                       | <b>25</b>                         | <b>23</b>                         |
| Faster                                          | 16                                | 18                                |
| <b><u>It's Accurate &amp; Assured (net)</u></b> | <b>27</b>                         | <b>22</b>                         |
| Saves Money                                     | 12                                | 9                                 |
| Saves Paper                                     | 18                                | 5                                 |
| <b><u>Liked Nothing</u></b>                     | <b>6</b>                          | <b>9</b>                          |

Q. 2 – What specifically did you like about using 1065 *e-file* to file Form 1065?

## Can 1065 *e-file* Be Improved?

- Still, 35% of all of this year's 1065 *e-file* Users said they think this product can be improved – which is virtually identical to what we found among last year's mainly-decision-maker sample.

| Total 1065 e-file Users                                 | Total Users<br>2003<br>(250)<br>% | Total Users<br>2002<br>(250)<br>% |
|---------------------------------------------------------|-----------------------------------|-----------------------------------|
| <b><u>Yes</u>, 1065 <i>e-file</i> Can Be Improved</b>   | <b>35</b>                         | <b>36</b>                         |
| <b><u>No</u>, 1065 <i>e-file</i> Cannot Be Improved</b> | 56                                | 54                                |
| Don't Know Whether It Can Be Improved                   | 9                                 | 10                                |

Q. 3 – In your opinion, can 1065 *e-file* be improved as a method of filing Form 1065? (Yes/No)

## How Can 1065 e-file Be Improved?

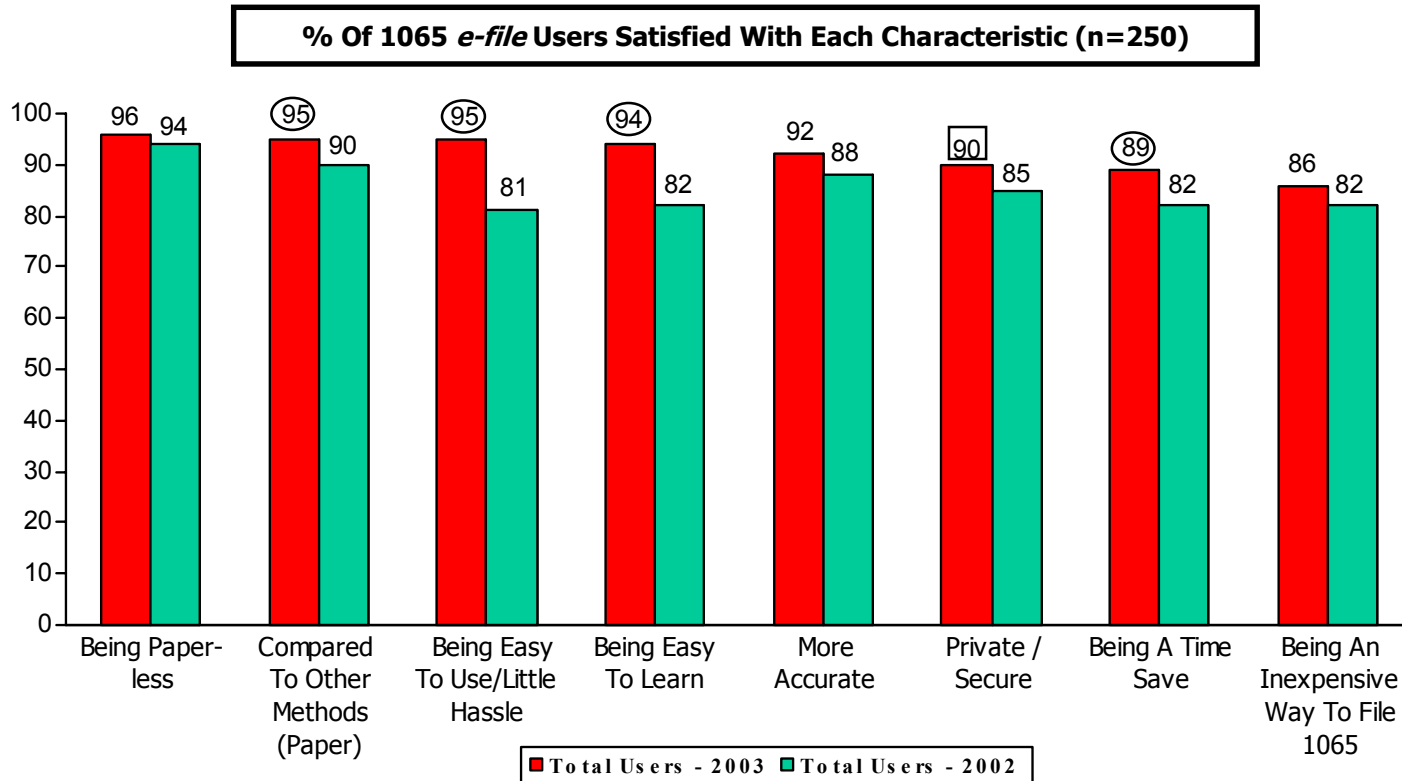
- Among those feeling 1065 e-file can still be improved, specific suggestions for improvement are somewhat different than we found last year, with more emphasis on *eliminating the signature requirement and form* and *allowing acceptance of more electronic forms* and less emphasis on *error code information* and *speed of approval*.

| Total Who Feel 1065 e-file Can Be Improved                           | Total Users<br>2003<br>(87)<br>% | Total Users<br>2002<br>(90)<br>% |
|----------------------------------------------------------------------|----------------------------------|----------------------------------|
| <b>Eliminate Signature Requirement/Eliminate Form 8453</b>           | <b>17</b>                        | <b>11</b>                        |
| <b>Make It Completely Paperless/Allow Acceptance Of More e-Forms</b> | <b>18</b>                        | <b>13</b>                        |
| It Would Be Easier If All States Accepted 1065 e-file                | 8                                | 7                                |
| Make It Generally Easier                                             | 7                                | 10                               |
| Quicker Acceptance of Response                                       | 6                                | 7                                |
| Make It A No-Cost Filing                                             | 6                                | 6                                |
| Simplify The Information Related To The Error Codes                  | 0                                | 9                                |
| Speed of Approval                                                    | 0                                | 6                                |

Q. 4 – In what specific ways can it be improved?

# Satisfaction With Specific Characteristics Of 1065 *e-file*

- In line with the higher overall rating of 1065 *e-file* this year, we see higher ratings of all dimensions of the product than we found among the decision-makers last year.



Q. 5 – Please rate how satisfied you were with 1065 *e-file* in terms of each of the following characteristics. For each characteristic, please tell me if you were...(Very Satisfied, Somewhat Satisfied, Somewhat Dissatisfied, or Very Dissatisfied)

## Receipt Of Error And Rejection Notices

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- Our 2003 measures related to error and rejection notices show a pattern of response that is similar to what we found among decision-makers last year, with about one-third claiming to have received notices, which came mainly from an external transmitter rather than the IRS, and with about one-third of those getting notices complaining that notices were not clear/understandable.

|                                                                         | Total<br>Users<br><u>2003</u><br>(250)<br>% | Total<br>Users<br><u>2002</u><br>(250)<br>% |
|-------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Total 1065 e-file Users                                                 |                                             |                                             |
| <b>% Ever Rec'd. Error Or Rejection Notice After Filing 1065 e-file</b> | <b>31</b>                                   | <b>37</b>                                   |
| <b><u>Where Error/Rejection Notice Came From</u></b>                    |                                             |                                             |
| NEW BASE: Total Received Error/Reject Notice                            | (77)                                        | (91)                                        |
| Directly From The IRS                                                   | 20                                          | 28                                          |
| <b>From An External Transmitter</b>                                     | <b>66</b>                                   | <b>60</b>                                   |
| Can't Recall Where Notice Came From                                     | 14                                          | 12                                          |
| <b>% Saying Notice WERE NOT Clear &amp; Understandable</b>              | <b>33</b>                                   | <b>35</b>                                   |

Q. 6 – Have you ever received an error or rejection notice after *e-filing* Form 1065? (Yes/No)

Q. 7 – If Yes, Did the error or rejection notice you received come directly from the IRS or did it come from an external transmitter?

Q. 8 – Was the rejection notice that you received clear and understandable?

# Reasons For Lack Of Clarity Of Error And Rejection Notices

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- Looking at verbatim mentions of what was unclear in the notices, we found once again (as we did last year) that the problem relates to lack of clarity of the information that comes with an error/rejection notice -- especially a lack of clarity in IRS codes.

## **Verbatim Mentions Of What Was Unclear/Hard To Understand About The Error & Rejection Notices**

SMALL BASES (ONLY 25 PEOPLE SAYING ERROR & REJECTION NOTICES NOT CLEAR/UNDERSTANDABLE) – VERBATIMS REPORTED ONLY

### **Not Enough Information/Notice Was Unspecific/Needs More Detail**

- The notice was vague in identifying errors. (4)
- They indicated something was wrong, but they were not very specific. (3)
- Just didn't understand it at the time/very hard to understand. (3)
- Footnotes with tax return were clear, but how to process was not clear. (2)
- The rejection information was not comprehensive.
- It didn't say why it was rejected.
- Can't Recall. (2)

### **The Information Being In Code/Can't Understand The Codes**

- Had to call software provider to figure out codes and how to change the filing.
- Had to look up codes.
- The reject codes are way too computerized. They must be made easier to understand.
- The codes they use and their explanations -- it's like a guessing game.
- I did not know the problem. The code used was unknown to me.
- Codes made no sense. Didn't tell us what was wrong. Had to call our software company. Can't just go in and fix it -- had to resend it.
- The codes were not clear.
- They were saying specifically what was wrong on returns -- but it was all in code.
- They talk in codes. The sequence number is significant, but hard to decipher.

Q. 9 – If No in Q. 8, What specifically was hard to understand or unclear?

## Contacting The IRS After Receiving Notices

- This year's preparer sample indicates that it is far less likely to contact the IRS after receiving a notice than last year's decision-makers. However, while base sizes are quite small, we see that about two-thirds of those contacting the IRS in each year think that the IRS response time is "about right".

|                                                                   | 2003<br><u>Total</u><br>(77)<br>% | 2002<br><u>Total</u><br>(91)<br>% |
|-------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Total Received Error/Reject Notice                                |                                   |                                   |
| <b><u>Did You Contact The IRS After Receiving The Notice?</u></b> |                                   |                                   |
| <b>Yes</b>                                                        | <b>18</b>                         | <b>31</b>                         |
| No                                                                | 78                                | 63                                |
| Can't Recall                                                      | 4                                 | 6                                 |
| <b><u>Timeliness Of IRS Response Was...</u></b>                   |                                   |                                   |
| NEW BASE: Total Contacted The IRS                                 | (14**)                            | (28**)                            |
| <b>About Right</b>                                                | <b>64</b>                         | <b>68</b>                         |
| Took Too Long                                                     | 36                                | 29                                |
| Can't Recall                                                      | --                                | 3                                 |

Q. 10 – Did you contact the IRS after receiving the error or rejection notice? (Yes/No)

Q. 11 – If Yes, How do you feel about the timeliness of the IRS' response...? Was it...



## Form 1065 *e-file* Information

- In 2002, we asked decision-makers about their recall of pubs, forms, and instructions for 1065 *e-file*. However, since the IRS does not issue materials for this product and we were getting responses nonetheless, it was assumed that they were citing other information. So, the 2003 study was re-focused on their general information recall and needs (rather than pubs/forms/instructions).
- Results show that 37% of preparers who use 1065 *e-file* recall product information, attributing it mainly to information from software vendors, information at the IRS website, and publications.

|                                                                  |                                    |
|------------------------------------------------------------------|------------------------------------|
| Total 1065 <i>e-file</i> Users                                   | 2003<br><u>Total</u><br>(250)<br>% |
| <b>% Recall Seeing Information Related to 1065 <i>e-file</i></b> | <b>37</b>                          |
| <b><u>Types Of Information Recall Seeing?</u></b>                |                                    |
| NEW BASE: Total Recall 1065 <i>e-file</i> Information            | (93)                               |
| <b>Info From Software Vendors</b>                                | <b>54</b>                          |
| <b>Info At The IRS Website/IRS.gov</b>                           | <b>44</b>                          |
| <b>Publications</b>                                              | <b>43</b>                          |
| Instructions                                                     | 34                                 |
| IRS Forms                                                        | 30                                 |
| Newspaper Or Magazine Ads                                        | 16                                 |

Q. 12a – Do you recall seeing any information related not to paper filing of Form 1065, but to 1065 *e-file*?

Q. 12b – Which if any of the following types of information about 1065 *e-file* do you recall seeing?

## Form 1065 *e-file* Information (Cont'd)

- The overwhelming majority of 1065 *e-file* Users who recall information about the electronic form say that the information they are getting about it is helpful -- mainly because it *explains the filing process, provides good/clear/easy to follow/understandable instructions, tells them what is required of them, and makes them aware of 1065 electronic filing.*

|                                                          | 2003<br>Total<br>(93)<br>% |
|----------------------------------------------------------|----------------------------|
| NEW BASE: Total Recall 1065 <i>e-file</i> Information.   |                            |
| <b><u>How Helpful Is This Information?</u></b>           |                            |
| <b>Very Helpful</b>                                      | <b>37</b> } <b>82%</b>     |
| <b>Somewhat Helpful</b>                                  | <b>45</b> }                |
| Not Very Helpful                                         | 9                          |
| Not At All Helpful                                       | 8                          |
| Can't Recall                                             | 1                          |
| <b><u>Why Is Information Helpful?</u></b>                |                            |
| Explains The Process/Tells You How To Do It/Step-By-Step | 28                         |
| Provides Good, Clear Instructions                        | 15                         |
| Tells You What Is Required Of You                        | 15                         |
| Makes You Aware Of It                                    | 11                         |
| Easy To Follow & Understandable                          | 11                         |
| Helpful                                                  | 7                          |

Q. 13 -- Overall, how helpful to you in using 1065 *e-file* was this information that you just mentioned?

Q. 14 -- In what ways was the information helpful?

# How 1065 *e-file* Information Was Received

- Most of those recalling 1065 *e-file* information say that they got this information via mail. However, while they accept mail as a method of communication, they also have high interest in receiving information via e-mail and the Internet.

|                                                                            | 2003      |
|----------------------------------------------------------------------------|-----------|
|                                                                            | Total     |
|                                                                            | (93)      |
|                                                                            | %         |
| BASE: Total Recall 1065 <i>e-file</i> Information.                         |           |
| <b><u>How Information Was Received</u></b>                                 |           |
| <b>Mail</b>                                                                | <b>57</b> |
| Internet                                                                   | 30        |
| e-Mail                                                                     | 19        |
| Software Vendors                                                           | 11        |
| Picked Up At An IRS Office                                                 | 7         |
| <b><u>How Information Would Preferred To Be Received In The Future</u></b> |           |
| <b>Mail</b>                                                                | <b>48</b> |
| <b>e-Mail</b>                                                              | <b>45</b> |
| <b>Internet</b>                                                            | <b>33</b> |
| Picked Up At An IRS Office                                                 | 3         |
| Software Vendors                                                           | 1         |

Q. 18a -- How did you receive the types of information about 1065 *e-file* that you just mentioned?

Q. 18b -- How would you prefer to receive this type of information about 1065 *e-file* in the future?

# Transmission Of 1065 *e-file* & Recall Of Publication 3416

- 1065 *e-file* Users were asked if they have ever transmitted the electronic form to the IRS. 51% claim that they had. But, when asked if they recalled Publication 3416 (a supplement to Publication 1525 that is intended for Trading Partners already in the IRS *e-file* program and which tells them which 1065 forms and schedules will be accepted electronically and where to locate them), only 18% recall it -- though most of these (very small base) say they consider the publication helpful.

|                                                                              |                                    |
|------------------------------------------------------------------------------|------------------------------------|
| Total Users                                                                  | 2003<br><u>Total</u><br>(250)<br>% |
| <b>Total Claiming To Have Ever Transmitted 1065 <i>e-file</i> To The IRS</b> | <b>51</b>                          |
| NEW BASE: Total Transmitted Form 1065 <i>e-file</i> To The IRS               | (128)                              |
| <b>Recall Publication 3416</b>                                               | <b>18</b>                          |
| <b>Do Not Recall It</b>                                                      | <b>82</b>                          |
| NEW BASE: Total Recall Seeing Publication 3416.                              | (23**)                             |
| <b><u>How Helpful Are Instructions?</u></b>                                  |                                    |
| <b>Very Helpful</b>                                                          | <b>26</b>                          |
| <b>Somewhat Helpful</b>                                                      | <b>61</b>                          |
| Not Very Helpful                                                             | --                                 |
| Not At All Helpful                                                           | 9                                  |
| Can't Recall                                                                 | 4                                  |

Q. 19a. -- Have you ever transmitted Form 1065 *e-file* to the IRS?

Q. 19b. -- Do you recall seeing Publication 3416, a supplement to Publication 1525?

Q. 20 -- How helpful to you in using 1065 *e-file* was Publication 3416?

## Recommend 1065 *e-file* To Others?

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- In a new question in this year's survey, Users were asked if they would recommend 1065 *e-file* to others as a method of filing Form 1065.
- Reflecting the extremely high satisfaction levels that we saw among Users earlier, 95% (or virtually all) of them say they would recommend 1065 *e-file*.

| Total 1065 <i>e-file</i> Users                        | 2003<br>Total<br>(250)<br>% |
|-------------------------------------------------------|-----------------------------|
| <b>Yes, <u>Would</u> Recommend 1065 <i>e-file</i></b> | <b>95</b>                   |
| <b>Would Not Recommend</b>                            | <b>5</b>                    |

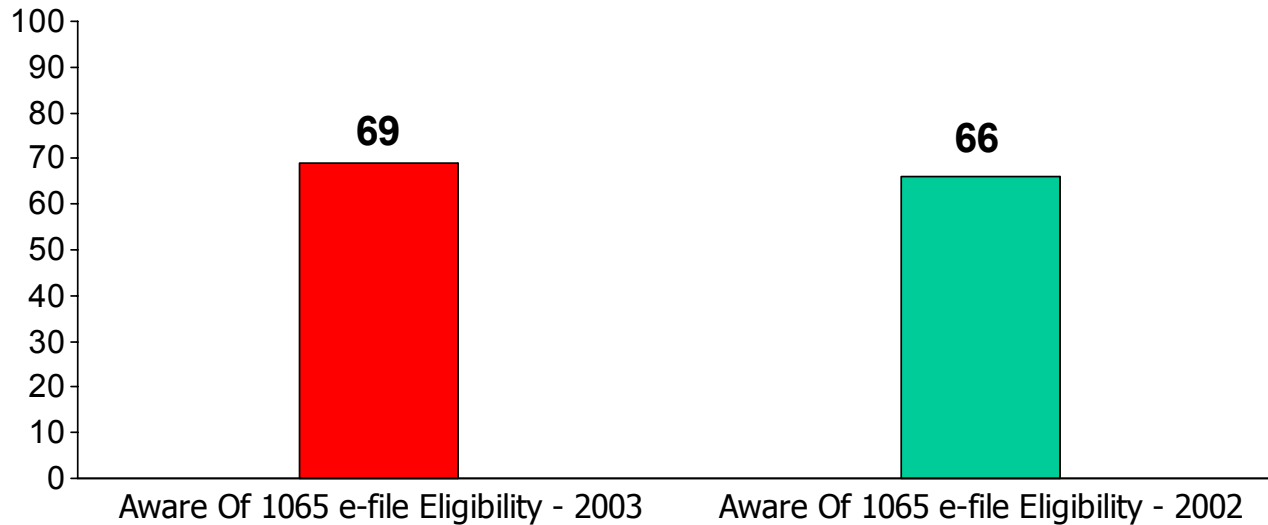
Q. 22 – Would you recommend 1065 *e-file* to others as a method of filing form 1065??

**Non-User Reasons For Non-Use  
& Perceptions Of Form 1065 *e-file***



## Awareness Of Eligibility To *e-file* Form 1065

- Turning to findings from Non-Users of Form 1065 *e-file*, we asked this year's Non-User sample if they were aware that they could have filed 1065 using *e-file*. 69% are aware -- about the same as what we found last year among the predominantly decision-maker sample.



Q. 23a – Our records show that (COMPANY) was eligible to file Form 1065 electronically last year, but that you used another method. Were you aware that you could have filed Form 1065 using *e-file*?

# Software Packages To Prepare Form 1065

- In response to our new questions about use of software packages with Form 1065 Paper, 84% of the 2003 Non-Users say that they do use a software package and, of these, 83% say their software offers an e-file option. In addition, among the few saying their software does not offer an *e-file* option, over half say that they would like it to offer this option.

|                                                                               |                                    |
|-------------------------------------------------------------------------------|------------------------------------|
| Total 1065 <i>e-file</i> Non-Users                                            | 2003<br><u>Total</u><br>(250)<br>% |
| <b><u>YES, Use A Software Package To Prepare Form 1065</u></b>                | <b><u>84</u></b>                   |
| NEW BASE: Total That Use Software Package To Prepare Form 1065                | (211)                              |
| <b><u>YES, Return Preparation Software Offers An e-file Option</u></b>        | <b><u>83</u></b>                   |
| NEW BASE: Total That Use Software Package <u>Without</u> <i>e-file</i> Option | (30**)                             |
| <b><u>IF PACKAGE DOES NOT OFFER</u></b>                                       |                                    |
| <b><u>AN e-file OPTION: Would You Like It To?</u></b>                         |                                    |
| Yes, Would Like e-file Option                                                 | 53                                 |
| No, Would Not Like An <i>e-file</i> Option                                    | 43                                 |
| DK/NA                                                                         | 4                                  |

Q. 23b – Do you use a software package to prepare form 1065 for your company?

Q. 23c – Does your return preparation software package for form 1065 offer an e-file option?

Q. 23d – You say your return preparation software package for Form1065 does not offer an *e-file* option.  
Would you like it to?



# With Most Having The Software, Why Aren't They Using *e-file*?

- The main reasons for non-use are that decision-makers are not telling them to use it, they do not feel knowledgeable and confident enough, they think it just adds to their workload and concern about program requirements (the latter being a far greater barrier for this year's preparers than last year's decision-makers).

|                                                 |                                                             | 2002<br>Total<br>(250)<br>% | 2002<br>Total<br>(252)<br>% |
|-------------------------------------------------|-------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                 | Total 1065 <i>e-file</i> Non-Users                          |                             |                             |
| <b>No Demand/Interest</b>                       | My boss/clients don't ask for it or want it                 | 48                          | 25                          |
|                                                 | I have no interest in trying it                             | 40                          | 26                          |
| <b>Lack Of Knowledge &amp; Confidence In It</b> | I just don't know enough about it yet                       | 39                          | 37                          |
|                                                 | I'm cautious, I want to see how it works for others first   | 34                          | 23                          |
|                                                 | Lack of confidence in the security of the system/technology | 26                          | 23                          |
| <b>Adds To Workload, Too Much Time/Effort</b>   | Lack of confidence in reliability of the system/technology  | 23                          | 21                          |
|                                                 | It is too much work, I have enough to do                    | 32                          | 25                          |
|                                                 | It is just something else I would have to learn             | 29                          | 23                          |
| <b>Concern About Requirements</b>               | I hear it takes more time                                   | 29                          | 14                          |
|                                                 | Requirement to submit Signature Form 8453-P                 | 27                          | 17                          |
|                                                 | I am not a registered ERO                                   | 26                          | 15                          |
|                                                 | The application process is too difficult/tricky             | 20                          | 11                          |
| <b>Lack Of Technology</b>                       | I hear that returns get rejected                            | 20                          | 11                          |
|                                                 | Don't have access to the right software                     | 22                          | 24                          |
| <b>Cost</b>                                     | Don't have the necessary computer hardware                  | 13                          | 10                          |
|                                                 | The software costs money                                    | 27                          | 23                          |
|                                                 | The cost of transmission is too high                        | 18                          | 14                          |

## Could The IRS Increase Their Likelihood Of *e-filing* 1065?

- When we asked the 2003 preparers if there is anything the IRS can do to increase their likelihood of use of 1065 *e-file* and if so, what, we received virtually the same response and suggestions as those we got from decision-makers last year. Two-thirds think the IRS could do something -- mainly change the process (mandate usage, simplify 1065 *e-file*, provide free software, etc.) and provide more information about it/increase awareness.

|                                                                      | 2003<br><u>Total</u><br>(250) | 2002<br><u>Total</u><br>(252)<br>% |
|----------------------------------------------------------------------|-------------------------------|------------------------------------|
| Total 1065 <i>e-file</i> Non-Users                                   |                               |                                    |
| <b><u>Said IRS Can Do Something To Increase Likelihood</u></b>       | <b><u>66</u></b>              | <b><u>68</u></b>                   |
| <b><u>Leading Mentions...</u></b>                                    |                               |                                    |
| <b><u>Process Changes (net)</u></b>                                  | <b><u>42</u></b>              | <b><u>39</u></b>                   |
| Make It Mandatory/Required                                           | 10                            | 5                                  |
| Simplify It                                                          | 7                             | 6                                  |
| Provide Free Software                                                | 6                             | 5                                  |
| Get Rid Of Signature Requirement                                     | 5                             | 4                                  |
| Make It Less Time Consuming                                          | 4                             | 1                                  |
| Make It Cost Less/Provide A Discount For Usage                       | 3                             | 4                                  |
| Make All Forms e-file-able                                           | 3                             | 3                                  |
| <b><u>Provide More Information About It/Explain How To Do It</u></b> | <b><u>7</u></b>               | <b><u>12</u></b>                   |
| <b><u>Increase Awareness</u></b>                                     | <b><u>2</u></b>               | <b><u>7</u></b>                    |
| <b><u>Could Not Name Anything To Increase Likelihood</u></b>         | <b><u>34</u></b>              | <b><u>32</u></b>                   |

Q. 26 – Is there anything the IRS can do to increase the likelihood that you will use 1065 *e-file*?

**Other Learning From Both Users  
& Non-Users Of Form 1065 *e-file***



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## Familiarity With The Registration Process

- About half of all 1065 preparers (two-thirds of Users and one-third of Non-Users) say they are familiar with the registration process required to file 1065 electronically. But, only about one-fifth consider the process difficult.

|                                                         | 2003<br><u>Total</u><br>(500)<br>% | 2002<br><u>Total</u><br>(502)<br>% | 2003<br><u>Users</u><br>(250)<br>% | 2002<br><u>Users</u><br>(250)<br>% | 2003<br><u>Non-Users</u><br>(250)<br>% | 2002<br><u>Non-Users</u><br>(252)<br>% |
|---------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------------------------|----------------------------------------|
| Total Respondents                                       |                                    |                                    |                                    |                                    |                                        |                                        |
| <u>Yes</u> , I Am Familiar With Registration Process    | 51                                 | 43                                 | 67                                 | 56                                 | 34                                     | 29                                     |
| <u>No</u> , I Am Not Familiar With Registration Process | 49                                 | 57                                 | 33                                 | 44                                 | 66                                     | 69                                     |
| <b><u>Difficulty Of Registration Process</u></b>        |                                    |                                    |                                    |                                    |                                        |                                        |
| NEW BASE: Total Familiar With Registration Process      | (254)                              | (214)                              | (168)                              | (140)                              | (86)                                   | (74)                                   |
| <b><u>Very/Somewhat Difficult</u></b>                   | <b>20</b>                          | <b>17</b>                          | <b>22</b>                          | <b>16</b>                          | <b>16</b>                              | <b>19</b>                              |
| Very Difficult                                          | 2                                  | 4                                  | 2                                  | 3                                  | 2                                      | 5                                      |
| Somewhat Difficult                                      | 18                                 | 13                                 | 20                                 | 13                                 | 14                                     | 14                                     |
| Not Very Difficult                                      | 27                                 | 22                                 | 29                                 | 17                                 | 23                                     | 32                                     |
| Not At All Difficult                                    | 45                                 | 52                                 | 45                                 | 60                                 | 44                                     | 37                                     |
| Don't Know                                              | 9                                  | 9                                  | 5                                  | 7                                  | 16                                     | 12                                     |

Q. 27 – Are you familiar with the registration process required to file Federal tax Form 1065 electronically? (Yes/No)

Q. 28 – If Yes, I'd like you to rate how easy or difficult you feel this registration process is. (Very, Somewhat, Not Very, Not At All Difficult)

# Difficulties With Registration Process

- Anyone considering the registration process to be at all difficult were asked what they find difficult about it. The main difficulty is that they think it is too time-consuming (especially this year's Non-Users), followed by lack of clarity in instructions, too much paperwork, and the need for fingerprinting.

|                                                                                | 2003<br><u>Total</u><br>(119)<br>% | 2002<br><u>Total</u><br>(84)<br>% | 2003<br><u>Users</u><br>(85)<br>% | 2002<br><u>Users</u><br>(46)<br>% | 2003<br>Non-<br><u>Users</u><br>(38)<br>% | 2002<br>Non-<br><u>Users</u><br>(34)<br>% |
|--------------------------------------------------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------------|-------------------------------------------|
| Total Respondents Mentioning Registration Was Very/Somewhat/Not Very Difficult |                                    |                                   |                                   |                                   |                                           |                                           |

## Perceived Difficulty In Registration Is...

|                                     |                  |                  |                  |                  |                  |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b><u>Process (net)</u></b>         | <b><u>38</u></b> | <b><u>36</u></b> | <b><u>32</u></b> | <b><u>35</u></b> | <b><u>53</u></b> | <b><u>37</u></b> |
| Time consuming                      | 22               | 12               | 12               | 13               | 47               | 11               |
| Too much paperwork                  | 11               | 11               | 12               | 15               | 9                | 5                |
| Fingerprints                        | 7                | 11               | 8                | 7                | 3                | 16               |
| <b><u>Instructions (net)</u></b>    | <b><u>13</u></b> | <b><u>14</u></b> | <b><u>11</u></b> | <b><u>17</u></b> | <b><u>9</u></b>  | <b><u>11</u></b> |
| Unclear instructions                | 7                | 6                | 7                | 9                | 6                | 3                |
| <u>Confusing/Hard To Understand</u> | <u>8</u>         | <u>5</u>         | <u>9</u>         | <u>7</u>         | <u>3</u>         | <u>3</u>         |
| <u>Registration Problems</u>        | <u>6</u>         | --               | <u>8</u>         | --               | --               | --               |
| Don't Remember/Recall               | 25               | 21               | 26               | 22               | 24               | 21               |

Q. 28 – If Yes, I'd like you to rate how easy or difficult you feel this registration process is. (Very, Somewhat, Not Very, Not At All Difficult)

## How Other Business Tax Forms Filed

- For the other business forms, about 40% of both Users and Non-Users are aware of their company filing Forms 940 and 941 while only about 10% are aware of it filing Form 1041. This year's preparers seem generally less aware of other form filing than last year's decision-makers. Less than one-third of all groups each year were aware of their company *e-filing* these forms.

|                                                             | 2003<br><u>Total</u><br>(500)<br>% | 2002<br><u>Total</u><br>(502)<br>% | 2003<br><u>Users</u><br>(250)<br>% | 2002<br><u>Users</u><br>(250)<br>% | 2003<br>Non-<br><u>Users</u><br>(250)<br>% | 2002<br>Non-<br><u>Users</u><br>(252)<br>% |
|-------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------------------------------------|--------------------------------------------|
| Total Respondents                                           |                                    |                                    |                                    |                                    |                                            |                                            |
| <b><u>Other Federal Business Forms Filed</u></b>            |                                    |                                    |                                    |                                    |                                            |                                            |
| Form 940                                                    | 42                                 | 54                                 | 44                                 | 53                                 | 40                                         | 55                                         |
| Form 941                                                    | 43                                 | 54                                 | 44                                 | 54                                 | 42                                         | 54                                         |
| Form 1041                                                   | 10                                 | NA                                 | 10                                 | NA                                 | 11                                         | NA                                         |
| <b><u>% Of Filers Filing Other Forms Electronically</u></b> |                                    |                                    |                                    |                                    |                                            |                                            |
| NEW BASE: Total File Form 940                               | (210)                              | (271)                              | (109)                              | (133)                              | (101)                                      | (138)                                      |
| % File Form 940 Electronically                              | 13                                 | 25                                 | 12                                 | 32                                 | 15                                         | 17                                         |
| NEW BASE: Total File Form 941                               | (216)                              | (270)                              | (111)                              | (134)                              | (105)                                      | (136)                                      |
| % File Form 941 Electronically                              | 17                                 | 30                                 | 15                                 | 39                                 | 19                                         | 21                                         |
| NEW BASE: Total File Form 1041                              | (52)                               | NA                                 | (24)                               | NA                                 | (28)                                       | NA                                         |
| % File Form 1041 Electronically                             | 19                                 | --                                 | 29                                 | --                                 | 11                                         | --                                         |

Q. 30--31 – Other than Form 1065, what other Federal Business Tax Forms and schedules does (COMPANY) file?

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

- There is a clear correlation between *e-filing* 1065 and interest in *e-filing* still other Federal business tax forms -- especially Form 1120. Note, too, the higher interest in 1120 among this year's Total Sample vs. that of 2002.

|                                      | 2003<br><u>Total</u><br>(500)<br>% | 2002<br><u>Total</u><br>(502)<br>% | 2003<br><u>Users</u><br>(250)<br>% | 2002<br><u>Users</u><br>(250)<br>% | 2003<br><u>Non-Users</u><br>(250)<br>% | 2002<br><u>Non-Users</u><br>(252)<br>% |
|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------------------------|----------------------------------------|
| Total Respondents                    |                                    |                                    |                                    |                                    |                                        |                                        |
| <b><u>Specific Types Of Form</u></b> |                                    |                                    |                                    |                                    |                                        |                                        |
| <b>1120</b>                          | <b>27</b>                          | <b>15</b>                          | <b>42</b>                          | <b>24</b>                          | <b>13</b>                              | <b>7</b>                               |
| <b>1120s</b>                         | <b>25</b>                          | <b>13</b>                          | <b>37</b>                          | <b>22</b>                          | <b>14</b>                              | <b>5</b>                               |
| 1041                                 | 9                                  | 6                                  | 14                                 | 11                                 | 4                                      | 2                                      |
| W-2                                  | 3                                  | 4                                  | 3                                  | 4                                  | 3                                      | 4                                      |
| <b><u>General Types Of Forms</u></b> |                                    |                                    |                                    |                                    |                                        |                                        |
| "S" corporation returns              | 3                                  | 2                                  | 5                                  | 3                                  | --                                     | 1                                      |
| All business/corporate tax forms     | 4                                  | 2                                  | 5                                  | 3                                  | 3                                      | 1                                      |
| All Forms                            | 12                                 | 9                                  | 13                                 | 10                                 | 11                                     | 8                                      |
| <b>None</b>                          | <b>30</b>                          | <b>33</b>                          | <b>16</b>                          | <b>26</b>                          | <b>44</b>                              | <b>41</b>                              |
| Don't Know                           | 9                                  | 21                                 | 6                                  | 16                                 | 11                                     | 27                                     |

Q. 33 – What other specific Federal Business Tax Forms would you find helpful if they could be filed electronically?

# Suggestions For Improving IRS Business Tax Forms

- As in 2002, when we asked how the IRS can improve its services related to business tax forms, about half of the respondents offer suggestions -- with the top mentions centering around better customer service during calls to the IRS 1-800 number (or "hotline" as respondents sometimes refer to it), simplifying processes, and allowing more forms/attachments to be *e-filed*.

|                                                   | 2003<br><u>Total</u><br>(500)<br>% | 2002<br><u>Total</u><br>(502)<br>% | 2003<br><u>Users</u><br>(250)<br>% | 2002<br><u>Users</u><br>(250)<br>% | 2003<br>Non-<br><u>Users</u><br>(250)<br>% | 2002<br>Non-<br><u>Users</u><br>(252)<br>% |
|---------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------------------------------------|--------------------------------------------|
| <b><u>Total Suggested Something</u></b>           | <b><u>45</u></b>                   | <b><u>48</u></b>                   | <b><u>38</u></b>                   | <b><u>51</u></b>                   | <b><u>53</u></b>                           | <b><u>46</u></b>                           |
| <b>Service During Calls To IRS 800 # (net)</b>    | <b>13</b>                          | <b>12</b>                          | <b>11</b>                          | <b>14</b>                          | <b>15</b>                                  | <b>11</b>                                  |
| Want faster service answering the phone           | 3                                  | 2                                  | 4                                  | 2                                  | 2                                          | 2                                          |
| Cut waiting time                                  | 1                                  | 1                                  | --                                 | 2                                  | 2                                          | 1                                          |
| More Operators To Answer Help-Line                | 4                                  | 2                                  | 3                                  | 2                                  | 5                                          | 2                                          |
| <b>Simplify Processes</b>                         | <b>8</b>                           | <b>10</b>                          | <b>7</b>                           | <b>12</b>                          | <b>9</b>                                   | <b>9</b>                                   |
| <b>Allow More Forms/Attachments To Be e-filed</b> | <b>8</b>                           | <b>5</b>                           | <b>10</b>                          | <b>5</b>                           | <b>6</b>                                   | <b>5</b>                                   |
| <b><u>Did Not Suggest Anything/Don't Know</u></b> | <b><u>54</u></b>                   | <b><u>52</u></b>                   | <b><u>62</u></b>                   | <b><u>49</u></b>                   | <b><u>47</u></b>                           | <b><u>54</u></b>                           |

Q. 34 – Can you offer any suggestions for improving IRS services related to Federal Business Tax Forms?



## Firmographics Of The Target Audience

- Comparing the business characteristics of Form 1065 *e-file* Users and Non-Users, we see the same patterns as in 2002, with Non-Users (because of the mandate on 100+) having fewer partners as well as lower revenues. They also have significantly lower presence of PCs with modems and lower levels of access to the Internet. In addition, as smaller firms, Non-Users are more likely to be using an external preparer for Form 1065.

|                                                        | 2003<br><u>Total</u><br>(500)<br>% | 2003<br><u>Users</u><br>(250)<br>% | 2003<br><u>Non-Users</u><br>(250)<br>% |
|--------------------------------------------------------|------------------------------------|------------------------------------|----------------------------------------|
| Total Respondents                                      |                                    |                                    |                                        |
| <u>Number Of Partners</u>                              |                                    |                                    |                                        |
| Less Than 100                                          | 92                                 | 86                                 | (98)                                   |
| 100+                                                   | 8                                  | 14                                 | 2                                      |
| <u>Median Total Revenue</u>                            | \$3.2M                             | (4.5M)                             | \$2.1M                                 |
| <u>% Of Firms With A Computer With Modem</u>           | 88                                 | (93)                               | 84                                     |
| <u>% Of Firms With Access To Internet Via Computer</u> | 86                                 | (92)                               | 80                                     |
| <u>Who Files Form 1065?</u>                            |                                    |                                    |                                        |
| Someone Internal                                       | 28                                 | 18                                 | 38                                     |
| Someone Outside The Company                            | 72                                 | 82                                 | (62)                                   |

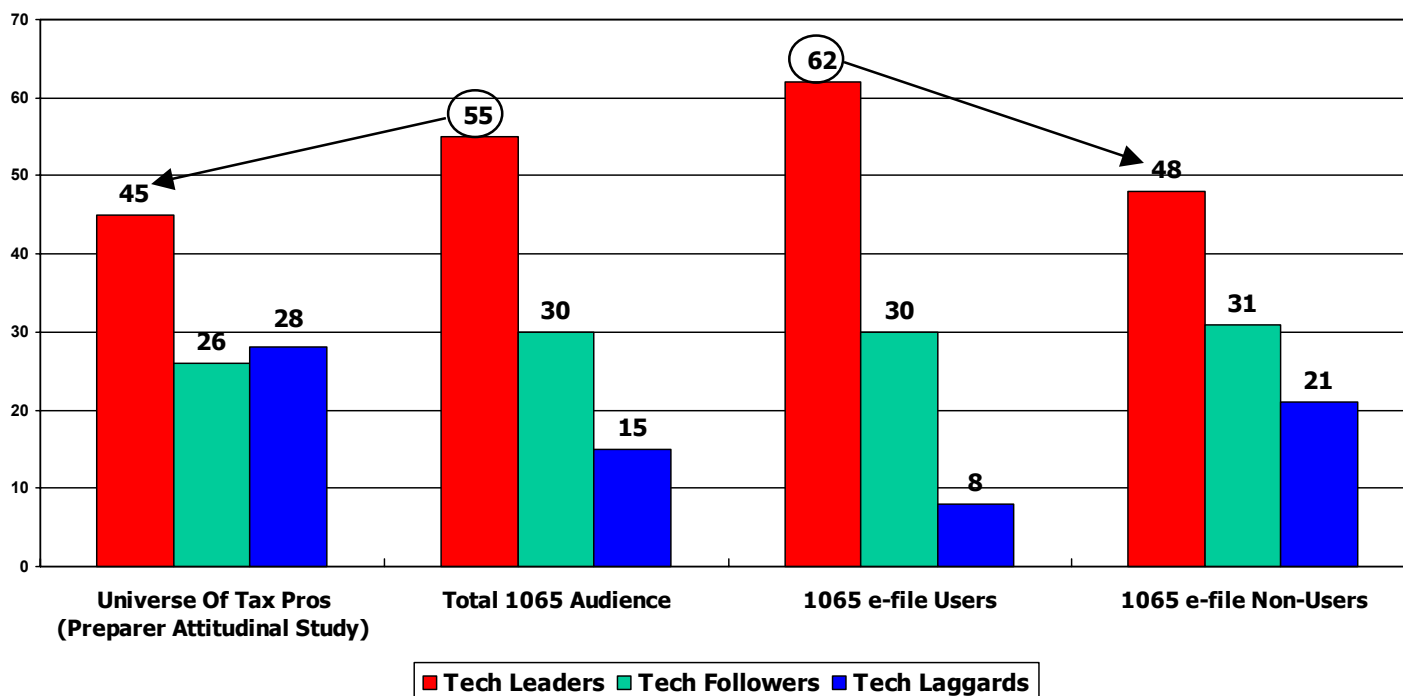
## Attitudinal Segmentation Of The Target Audience

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- Finally, in addition to the measures covered earlier, we asked respondents to tell us about their usage of technology and to rate themselves on a series of technology “leader” and “follower” attitudinal statements. The purpose of this exercise was to allow to us to segment the 1065 target audience into the same 3 attitudinal segments (or “mindsets”) that were developed in the benchmark Preparer Attitudinal Study in 2002...
  - **Tech Leaders** -- people who trust and are the first to try technology, who experiment, like change, enjoy risk taking, who tend to be younger, more business/career-oriented and career-optimistic, and who have higher interest in and usage of IRS *e-file*.
  - **Tech Followers** -- people who *say* they trust technology but are not in the vanguard of trial or adoption, who are generally older and more cautious people (though not risk/change-averse). They are less business/career-oriented and less career-optimistic than Leaders. They are also “followers” in terms of interest in and trial of *e-file*.
  - **Tech Laggards** -- these are the least tech-forward people, who are slow to try and have lower usage of technology, and who do not feel they can keep up with all the new technology that emerges and worry about “something going wrong” with technology. These are not risk-takers and they feel the world generally is moving too fast for them. They are also less business/career-oriented and older. They are the least likely to have interest in or trial of *e-file*.
- While the model for this 3-group segmentation was developed in an earlier study with a different audience, we could apply it to the 1065 audience here by using a post-classification statistical technique known as *Discriminant Function Analysis*.

## Segmentation Of The Target Audience (Cont'd.)

- We know from the earlier data in this report that the 1065 target audience in 2003 included 26% internal employees who may not be Tax Professionals (as was the entire audience in the Preparer Attitudinal Study from which the segmentation is derived). Still, it is interesting to see how the 1065 target audience are more tech-forward than the universe of Tax Professionals, with 1065 e-file Users (as might be expected) being more tech-forward than Non-Users -- who, while they include more *Tech Laggards*, are still predominantly either *Tech Leaders* or *Tech Followers*.



# Summary & Conclusions



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# Key Learning From The 1065 *e-file* Satisfaction Survey

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Summarizing key findings from this year's 1065 *e-file* Satisfaction Survey...

- 96% of **Users** are satisfied with 1065 *e-file*, with 82% "very satisfied". These levels of satisfaction are quite high by either public or private sector standards.
  - Satisfaction is significantly higher among the 1065 preparer audience surveyed this year than among the decision-maker audience in the 2002 survey. Subsequent 1065 satisfaction surveys are to be conducted only among 1065 preparers (as this year), therefore these high satisfaction levels become the benchmark against which future 1065 *e-file* satisfaction will be measured.
- Diagnostically, key findings are that:
  - In line with their overall high satisfaction with this product, Users have extremely high satisfaction with 1065 *e-file* in terms of its being paper-less, easy to use, easy to learn, accurate, private/secure, and a time-saver. The only dimension of this product with less than about 90% satisfaction is being inexpensive (86% satisfied).
  - Further evidence of the strength of 1065 *e-file* is that 95% of all Users say they would recommend it to others.
  - Still, about one-third of Users say that the product can be improved -- mainly by eliminating the signature requirement and allowing electronic acceptance of more 1065 documents.
  - One other area of possible improvement of 1065 *e-file* is in the Error & Rejection Notices. About one-third of all Users say they have received them and about a third of this group say they find the notices lacking in clarity, particularly with regard to the error codes (which seem to mystify many Users receiving the notices). User responses here and in the questions about 1065 information generally tell us that they need clear, step-by-step explanatory information that is not open to confusion.

## Key Learning (Cont'd.)

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- Among **Non-Users**, 69% are aware that they could have *e-filed* their 1065s.
- With 84% of them saying they use a software package to prepare the form and with 83% of the packages offering an *e-file* option, why don't Non-Users e-file Form 1065? Four main reasons: 1) decision-makers are not telling preparers to use it; 2) preparers are not knowledgeable enough about 1065 *e-file* to have confidence in it, preparers think it will add to their workload, and they're concerned about program requirements such as the signature requirement, the need to register, the application process itself, and hearing that returns get rejected.
- Summarizing other questions asked of **both Users and Non-Users**, we see that:
  - About two-thirds of Users and one-third of Non-Users say they are familiar with the registration process and the vast majority do not consider the process difficult.
  - Profiling Users vs. Non-Users, we see that the Non-User firms are generally smaller organizations with lower revenues, with a lower presence of PCs with modems and a lower level of Internet access. They are also more likely to have an external agent preparing their Form 1065.
  - Finally, applying the psychographic segmentation developed in the Preparer Attitudinal Study to this audience, we found that the preparers here are significantly more tech-forward than the universe of Tax Professionals, with the 1065 *e-file* Users being significantly more tech-forward than Non-Users.
  - However, the vast majority of Non-Users are still either Tech Leaders or at least Tech Followers, which suggests that the IRS has an opportunity among this group, assuming it can reach both decision-makers (who can encourage preparers to *e-file*) and internal and external preparers (who need to be reassured about the ease of use and time-savings benefits of 1065 *e-file*).