

Final Report
Practitioner Business Impact Study
Committed *e-file* Users
vs. Committed V-Coders

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Research Background & Method

- Previous IRS research shows that Practitioners command high loyalty and reliance from Individual and Business Taxpayers, and thus offer a strong opportunity for expanding the use of e-file – if they perceive e-file to be in their and their clients' best interests.
- To capitalize on this opportunity, IRS conducted the Practitioner Business Impact (PBI) Study in order to understand how e-file impacts the business model of Users – with the end-goal being to apply this learning to communications/actions designed to convert Non-Users.
- The study was structured and conducted as follows:
 - First, in early July, we phone-surveyed 502 Practitioners Committed To e-filing – these were decision-makers in firms that *e-file* 75%+ of all of their Individual returns.
 - ◆ They told us what *e-file* has meant to their business, to them personally, and to their clients.
 - We then took the learning from Users into a late-July phone survey of 500 Committed V-Coders – decision-makers in firms that V-Code 75%+ of all individual returns.
 - ◆ They told us what they expect of *e-file*, why they have not adopted it, what the IRS can do to stimulate them, and they gave us their reaction to potential messaging concepts developed from the User learning – and several of these are quite promising in terms of future communication.
 - Note: all respondents were drawn from IRS lists of Practitioners who prepare 100+ Individual tax returns, with Practitioners further identified as 75%+ *e-file* or 75%+ V-Code. The response rate for this study was 74%.

Areas Of Inquiry

- The PBI interviews were extensive, employed both quantitative and qualitative techniques, and covered a wide range of issues relevant to understanding the business impact of *e-file*. These issues have been bucketed into the following 4 sections:
 1. **The e-file Startup Process** – this section examines the implementation process and how it impacts business and conversion to e-file. Key issues here are: What motivates and impedes conversion to *e-file*? What is the implementation process like? What can Committed Users teach others about conversion? What do the most resistant segment (V-Coders) expect startup to be like? What are their barriers to use, and how do they think these barriers can be overcome?
 2. **Impact Of e-file On Business** – this section looks at the actual vs. perceived impact of e-file on a Practitioner's business – overall impact as well as the effects on cost, fees, personnel, clients, and on Practitioners' own sense of fulfillment from their work.
 3. **Attitudes Toward e-file And Barriers To Usage** – here, we'll look at each segment's attitudes and at reasons for non-usage, with attention to Registration and Return Type as possible barriers.
 4. **Other Learning** – finally, we'll examine other issues which may play a role in future conversion, including: the role of the Practitioner's relationship with and attitudes toward the IRS; personal and professional characteristics; the value of e-services; the role of software; and the potential value of the messaging concepts mentioned earlier.

Executive Summary Of Findings

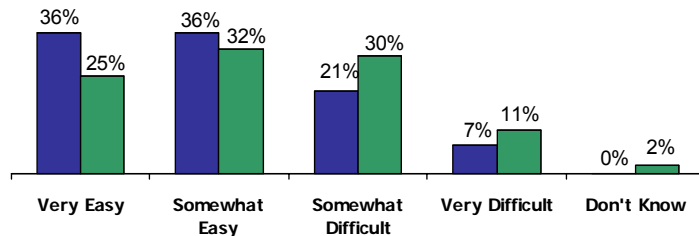
Executive Summary Of Findings

Implementing *e-file* Is Not An Onerous Process & Even V-Coders Seem To Know It

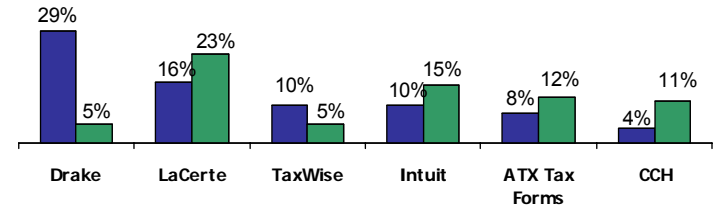


But, Users Say That Before Implementing *e-file*, You Should Get “A Good, User-Friendly” Software Package & V-Coders Are Using Different Software Than Users

% Each Segment Rating *e-file* Implementation As...



% Each Segment Using Each Brand Of Software



In Addition, It's Clear That There Is A Lot That V-Coders Need To Learn About *e-file*. They Need To Know That It:

1. Has the very strong positive impact on business that Users say it has.
2. That it increases clients and profitability (and V-Coders want to grow their business about as much as do the Users).
3. That it doesn't lead to as high client fees as they think (they expect an average \$24 in additional fees vs. the \$15 reported by Users).
4. And that it aids growth while also decreasing workload and stress, and clearly increasing personal satisfaction with work – i.e., that it provide benefits for them, for their business, and for their clients.



There Were Also Suggestions For Making Implementation Easier. The Top Ones Were:

1. More training, information and promotion by the IRS.
2. Making changes to the *e-file* program – either make it mandatory or make it easier (eliminate signature requirement, extend it to more forms, and simplify data entry).
3. And provide incentives to use – either financial incentives or lessening the burden of the cost of the software. Note: “Incentives” were also the top choice, by far, when V-Coders were given a list to choose from.

Executive Summary Of Findings (Cont'd.)

The Study Makes Clear That While V-Coders Are Resisting e-file, They're Not Out Of Reach

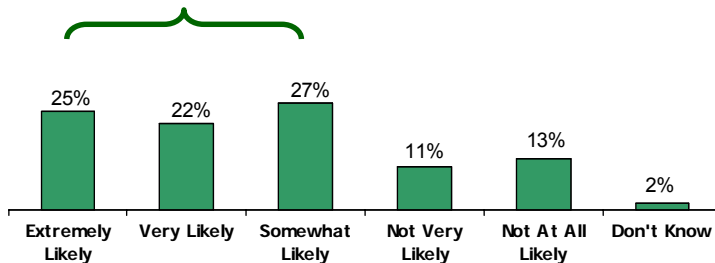


Importantly, While Differing Demographically & Professionally From Users, Most V-Coders (71%) Are Not The Older-Near-Retirement Types That Has Been Hypothesized – Thus, Their Interest In Business Growth



V-Coder Likelihood Of Using e-file

74% At Least Somewhat Likely To Use e-file In The Future



With No Clear Behavioral Barriers Evident Among Them, The Problem With V-Coders Is Mainly Attitudinal

1. While they recognize that e-file "is the way of the future", far too many of them see e-file as a "hassle"...
2. And far too few see it as:
 - Gives clients what they want
 - Gives me greater peace of mind
 - Makes my life easier
 - Increases my personal productivity
 - Increases my revenues
 - Brings me new customers
 - Reduces my overhead costs
 - And is appropriate for more complex returns
3. All of the above being e-file attributes recognized by 70-96% of Committed e-file Users.



So We Tested Different Messaging Concepts And Found Two With Both High Interest And High Believability Among V-Coders:

1. In a recent survey, 98% of Practitioners using e-file said the more they learn about e-file, the more they like it.
2. In a recent survey, 9 out of 10 Practitioners said e-file is the way of the future because your competitors are now e-filing and clients are expecting it.

Plus Another With High Interest And 50%+ Believability:

3. In a recent survey, 9 out of every 10 Practitioners using e-file said e-file is the way of the future and that it gives clients what they want while increasing their own productivity and making their life easier.



Changing Attitudes Is A Marketing Challenge Which Has To Be Addressed Via Communications

Detailed Findings

The *e-file* Startup Process

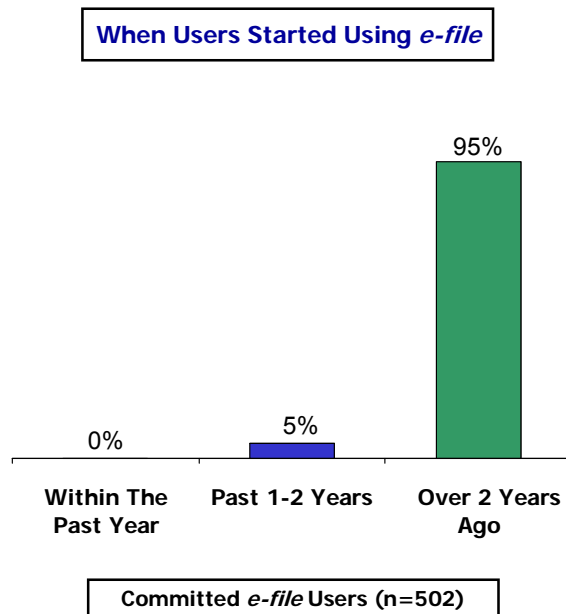
Committed V-Coder Perceptions

vs.

Committed *e-file* User Reality

When & Why Committed Users Started Using *e-file*

- Looking at startup issues and focusing first on Committed *e-file* Users, we found that few of them (only 5%) are recent adopters – most started using *e-file* over two years ago.
- Their top barriers to adoption had been the newness of *e-file*, its cost, their lack of knowledge and lack of equipment, and lack of client demand. Market changes helped them overcome the first two barriers -- they saw more people using *e-file* and saw costs coming down. Meanwhile, they educated themselves, acquired the right equipment, and helped create demand by selling *e-file* to their clients.



Pre-Startup Barriers To Use & How These Barriers Were Overcome

BASE: Total Committed <i>e-file</i> Users	502
	%
<u>I was hesitant because it hadn't been around that long</u>	29
I saw that it was becoming more widely available/used	65
<u>Software and added cost to <i>e-file</i> was expensive</u>	16
The cost of software/usage went down	24
<u>I just didn't know enough about it</u>	16
Educated myself/went to classes/seminars/training	34
Just Did it/Decided to Do It	13
<u>I didn't have the right hardware or software</u>	14
Got a computer/upgraded computer or hardware	43
Bought the software I needed	42
<u>My clients were not interested/did not want it</u>	13
Convinced my clients to use it/sold them on it	52
Made clients use <i>e-file</i> /Made it mandatory for them	15

Users' Motivations To Use Of *e-file*

- When we asked Users to name the most important reasons for starting to use *e-file*, top responses included three reasons we hear frequently in IRS surveys (**faster refunds**, **accuracy**, and **ease of use**) as well as three other reasons we do not hear so often: **saves paper**, **keeps me competitive**, and **saves money because it saves me time**.
- Their overall top influences to use? Feeling that *e-file* would just be easier and that it's "a good idea", followed by wanting to be competitive and recommendation from a colleague or IRS to use *e-file*.

Most Important Reasons For Starting Use Of *e-file*

BASE: Total Committed <i>e-file</i> Users	502
	%
It saves paper	28
Faster refunds	27
It is a more accurate way to file returns	25
I wanted to stay up to date/be more competitive	22
It is simpler/easier to file this way	21
It is cheaper/saves money because of time saved	19
I like the fact that I get proof of receipt	16
It is quicker/faster (unspecified)	16
Clients requested it	14
I just thought it was a good idea	12
The IRS recommended it	10

Top Influences To Use Of *e-file*

BASE: Total Committed <i>e-file</i> Users	502
	%
It is easier to <i>e-file</i> returns	12
I just thought it was a good idea	12
I wanted to stay up to date/more competitive	9
A colleague recommended it	8
The IRS recommended it	8
It is faster	7
I was persuaded after attending a software workshop	7
My clients requested it	6

What Users Would Tell Others About The *e-file* Startup Process

- We asked Committed Users what advice they would give, or what they would tell a Practitioner who was about to implement *e-file*.
- They indicated that they would talk first about getting a good software package, then talk about *e-file* being easier, that you need an organized approach, that it's fast, and to "just do it" – just start using it.

What They Would Tell Other Practitioners To Help Them Prepare For Use Of *e-file*

BASE: Total Committed <i>e-file</i> Users	502 %
Would suggest to them a good/user-friendly software package	26
Tell them <i>e-file</i> is an easier way to prepare tax returns	21
Tell them you need an organized approach	15
Tell them <i>e-file</i> is faster	11
Tell them to just start using <i>e-file</i>/Just do it	11
Tell them they need to be accurate & have complete information to <i>e-file</i>	8
Tell them to attend IRS seminars/classes	7
Tell them to read everything thoroughly/read & follow all directions	6
Tell them <i>e-file</i> is cheaper	4

What V-Coders Hear About *e-file* From Other Practitioners

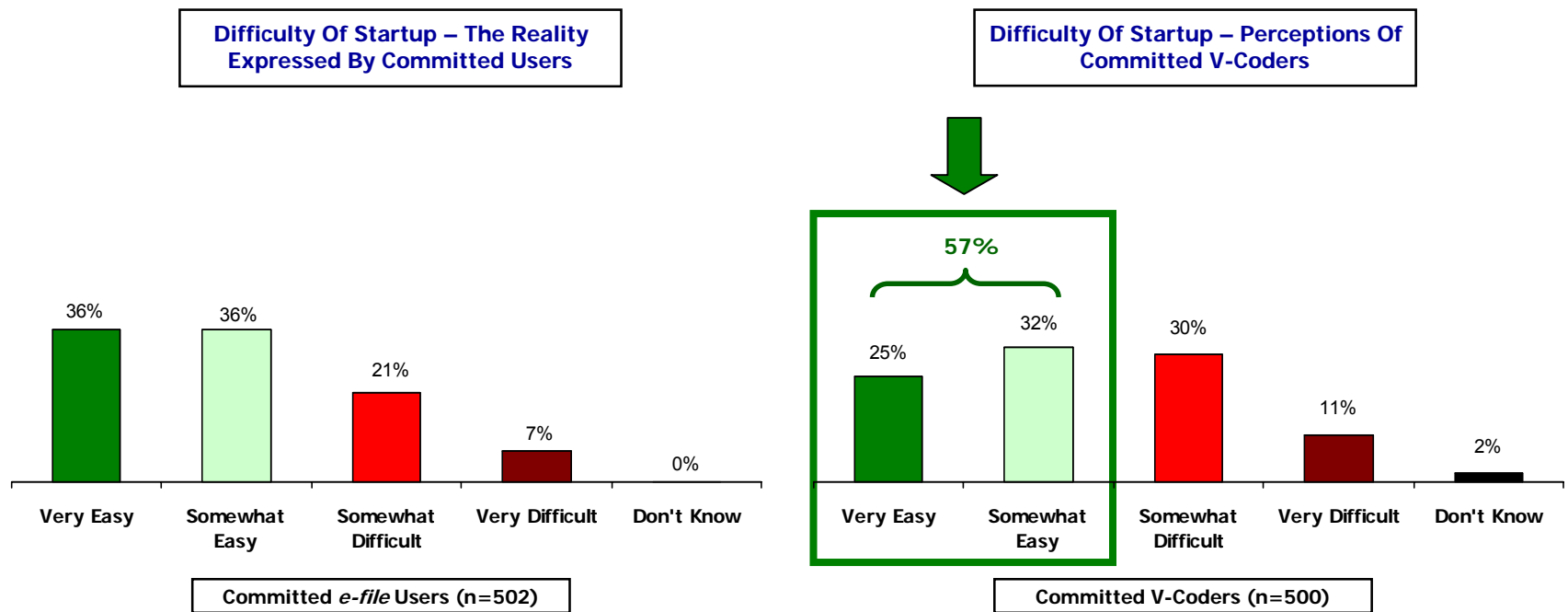
- Over half of the Committed V-Coders told us that they have heard about *e-file* from other Practitioners, and what they've heard is overwhelmingly positive – though it's focused on the ease and speed benefits and not on *e-file*'s benefits to the Practitioner's business.

What V-Coders Hear About *e-file*

BASE: Total Committed V-Coders	500 %
<u>% Of Committed V-Coders Who Have Talked To Other Practitioners About What It Is Like For Them To Use <i>e-file</i>:</u>	54
<u>They Were Told That The Main Advantages Are That <i>e-file</i> Is:</u>	
<u>Simpler/Easier</u> (Net)	<u>45</u>
Less Paper/Less Paperwork	24
Simpler/Easier (n.s.)	11
<u>Faster</u> (Net)	<u>43</u>
Faster Refund	22
Quick/Quicker/Fast (n.s.)	9
Is a Benefit to the Business	12
No Advantages	12
<u>And They Were Told That The Main Disadvantages Are That:</u>	
<i>e-file</i> Takes More Time	14
<i>e-file</i> Requires More Accuracy	13
The Price/Cost of <i>e-filing</i>	11
No Disadvantages	33

Implementing *e-file*: User Reality vs. V-Coder Perceptions

- We asked both Committed Users and Committed V-Coders to assess the ease/difficulty of implementing *e-file*. While the V-Coders had more ratings of implementation as “somewhat” or “very” difficult...
- The notable finding here is that over half (57%) of Committed V-Coders rated it “very” or “somewhat” easy – i.e., they do not think the process is generally difficult.



Top Difficulties Of Implementation & How To Overcome Them

- We asked what's difficult about implementation and probed for how to overcome difficulties. Users' top responses were that they did not have the right equipment (and had to acquire it) and that they realized e-file requires more precision (and they had to prepare for that).
- V-Coders top stated difficulty, by far, is lack of client demand – which may be part-reality, part-excuse since only about 1/3rd say they'll have to convince clients; the others may have to convince themselves first.

Users' Difficulties & How They Were Overcome

BASE: Total Users Said Implementation Was Less Than "Very Easy"	319 %
<u>I didn't have the right hardware or software</u>	26
Bought the software/hardware I needed	56
Worked with software provider to get the right software	11
<u>Saw there was less room for error with e-file</u>	16
Did more checking of input/had clients check carefully	29
Learned the process and became more educated about it	24
Got help from my software company	14
<u>I thought it would be too confusing/hard to understand</u>	14
Learned about it/taught myself about it	44
Got help from my software company	26
Practiced/went through trial-and-error	17
Went to an IRS seminar/forum and learned about it	11
<u>No demand for it from clients</u>	10
Clients began to ask about it/began to trust it	50
Convinced my clients to use it	44
Clients learned it's a faster way to get refunds and file	16

V-Coders' Perceived Difficulties & How They Would Be Overcome

BASE: Total V-Coders Expect Implementation To Be Less Than "Very Easy"	365 %
<u>My clients are not interested in it/do not want it</u>	31
Would have to convince clients to use it	36
<u>The software and added cost to e-file is too expensive</u>	17
Would have to charge clients for it	36
Cost of software would have to decrease	21
<u>I think it would be too time consuming</u>	13
IRS would have to make it easier/eliminate sig. requirement	19
IRS would have to make it less time-consuming	15
Would have to hire more employees	13
Would have to go through a learning curve	13
<u>e-file leaves no room for error</u>	11
Would have to be more careful with client data entry	36
Would have to learn more about it	13
Would have to practice at it, get some experience with it	13
<u>I don't have the right hardware or software</u>	10
Would have to buy/get the right hardware/software	46

Suggestions For IRS To Make *e-file* Implementation Easier

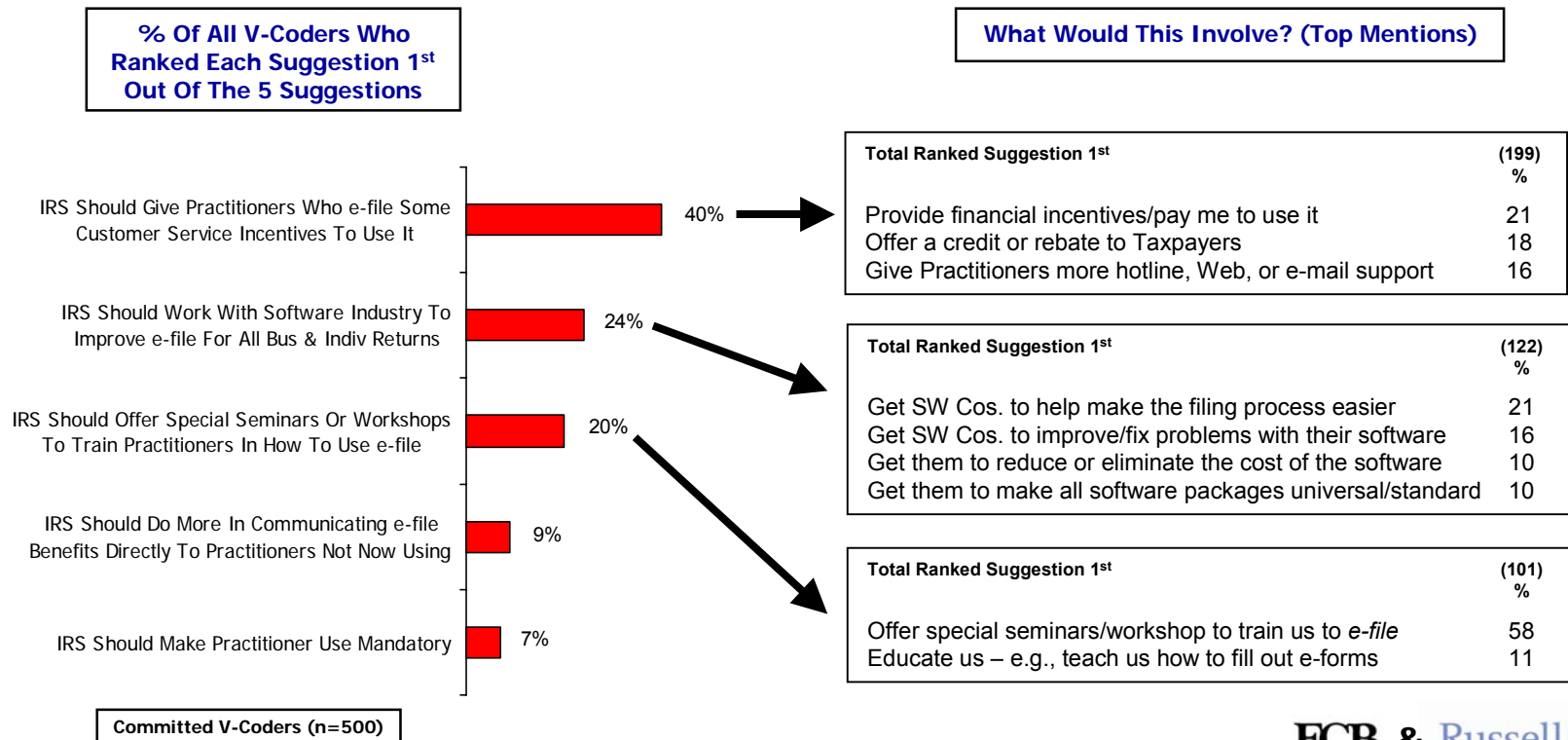
- How can IRS make implementation of *e-file* easier? By providing more training/information/promotion, by making changes to the *e-file* program, and by providing incentives/easing the cost burden.

How To Make It Easier To Start Using <i>e-file</i>

BASE:	Committed <u><i>e-file</i> Users</u>	Committed <u>V-Coders</u>
	502	500
	%	%
<u>Total With Suggestions On How To Ease Implementation</u>	<u>71</u>	<u>77</u>
<u>Provide More Training/Information/Promotion</u>	<u>36</u>	<u>25</u>
The IRS should offer non-users special seminars/workshops/training	9	8
Educate non-users about the benefits	9	5
Provide more easy-to-understand information about <i>e-file</i>	5	2
Let non-users know it's easier to use	4	4
Talk directly to non-users and convince them to use <i>e-file</i>	4	1
Advertise/market it more	3	2
Warn non-users that they will have to be more accurate	2	3
<u>Make Changes To The Program Itself</u>	<u>27</u>	<u>22</u>
Make <i>e-file</i> mandatory/don't give Preparers a choice	10	2
Make it easier to start actually use <i>e-file</i>	6	4
Have more forms available to <i>e-file</i>	3	3
Non-Users have to overcome their fears about <i>e-file</i>	3	1
Streamline the application process	2	0
Eliminate signature forms	1	5
Explain errors/give information on rejects	1	3
Decrease the amount of information input/data entry	1	4
<u>Provide Incentives To Use/Ease The Cost Burden</u>	<u>16</u>	<u>20</u>
Give some sort of incentive/compensation for using <i>e-file</i>	11	12
Make it free/eliminate cost/make it cheaper	3	6
IRS should buy the software for Preparers	2	2

Suggestions To Make *e-file* Implementation Easier (Cont'd.)

- We took some of the Users' top mentions of "how to make implementation easier", formed a pre-list of suggestions, and asked V-Coders to rank them in terms of which they thought were more important. By far, the top suggestion was to give users some customer service incentives. Asked what this would involve, top mentions were financial incentives to Practitioners, credits/rebates to Taxpayers, and fast support resources for Practitioners. The detail behind the other two top suggestions are shown below.



Impact Of *e-file* On Business:

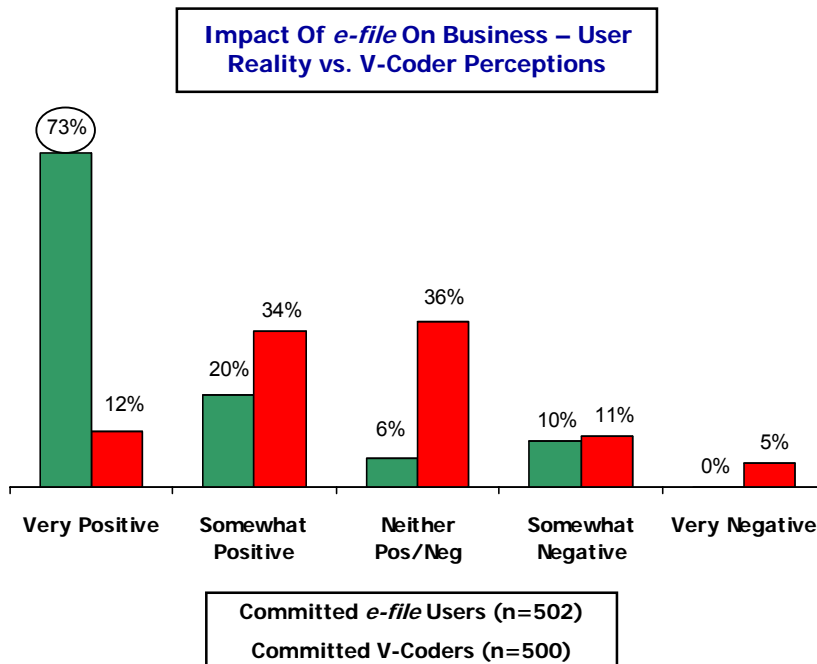
Committed V-Coder Perceptions

vs.

Committed *e-file* User Reality

Overall Impact Of *e-file* On Business

- Users clearly believe that *e-file* has had a positive impact on their business. V-Coders, on the other hand, are split about what *e-file* would mean to their business – with about half thinking it would have a positive impact and the rest thinking it would either have no impact or (in the case of 16%) a negative impact.
- What V-Coders appear to be missing about the positive effects of *e-file* are that clients like it, it generates more clients, is more accurate, saves money, is more efficient, and allows them to handle more volume.



How *e-file* Is/Would Be Positive

	Committed <i>e-file</i> Users	Committed V-Coders
BASE:	502 %	500 %
Clients like it/are satisfied with it	27	10
<i>e-file</i> generates clients	19	6
Refunds are received faster	16	13
<i>e-file</i> is more accurate	14	7
<i>e-file</i> saves paper	12	13
<i>e-file</i> saves money	8	3
Returns get done faster	8	7
I can handle a greater volume	7	1
It takes less time/is faster	6	13
It is efficient	6	3

Impact Of *e-file* On Specific Elements Of Business

- We compared User and V-Coder responses to detailed measures and found that **Committed V-Coders** have several serious misperceptions about/lack of knowledge of *e-file*'s impact on a Practitioner's business – specifically:
 - **V-Coders are not aware of the impact of *e-file* on equipment costs, nor are they aware of the true extent of startup costs or recurring annual costs.**

BASE:	Committed <u><i>e-file</i> Users</u>	Committed <u>V-Coders</u>
	502	500
	%	%
% Said <i>e-file</i> DOES/WOULD...		
DECREASE <u>Computer Hardware/Software/Other Equipment Costs</u>	3	1
INCREASE <u>Computer Hardware/Software/Other Equipment Costs</u> Among Those Saying "Increased", Average % Increase	58 39%	31 22%
Average <i>e-file</i> <u>Startup Costs</u>	\$3,623	\$1,989
How Long Does It Take To <u>Re-Coup These Costs</u> (Avg. # Months)	13	12
Average <u>Total Recurring Annual Costs Of <i>e-file</i></u>	\$2,494	\$1,896

Impact Of *e-file* On Specific Elements Of Business (Cont'd.)

- On the other hand, they do not know that *e-file* leads to a significant increase in clients (+37%) and to a strong increase in profitability (+31%).

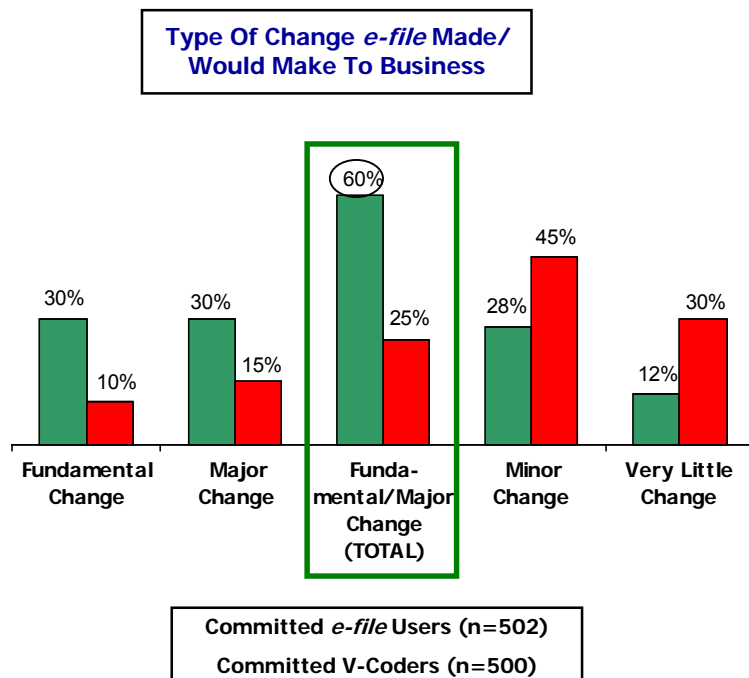
BASE:	Committed <i>e-file</i> Users	Committed V-Coders
% Said <i>e-file</i> DOES/WOULD...	502 %	500 %
<u>INCREASE Firm's Total # Of Clients</u> Among Those Saying "Increased", % Increase	<u>57</u> 37%	<u>20</u> 11%
<u>DECREASE Firm's Total # Of Clients</u>	1	6
<u>INCREASE Firm's Profitability</u> Among Those Saying "Increased", % Profit Increase	<u>66</u> 31%	<u>35</u> 10%
<u>DECREASE Firm's Profitability</u>	3	13

- In addition, they fear a greater increase in fees charged clients and more need for more employee training than is actually the case (as reported by Users). And they are not aware that *e-file* can, in some cases, actually reduce the number of employees needed during tax season.

BASE:	Committed <i>e-file</i> Users	Committed V-Coders
% Said <i>e-file</i> DOES/WOULD...	502 %	500 %
<u>INCREASE The Fees Charged To Clients</u> Among Those Saying "Increased", Average Increase Per Client	<u>33</u> \$15	<u>68</u> \$24
<u>INCREASE Amt. Of Training Employees Need</u> <u>DECREASE The Amt. Of Training Employees Need</u>	<u>41</u> 2	<u>50</u> *
<u>INCREASE # Employees Needed During Tax Season</u> <u>DECREASE # Employees Needed During Tax Season</u>	<u>16</u> <u>11</u>	<u>16</u> 1

The Extent Of Change *e-file* Brings To A Business

- Committed V-Coders also do not know the extent of change that *e-file* would bring to their business, with only 25% (vs. 60% of Users) thinking it makes a fundamental or major change to a Practitioner's business. ***Caution though: "change" may not necessarily be a positive to a V-Coder group that showed earlier that it resists change from paper to a new way of filing.***
- Asked what changes they experienced/expect due to *e-file*, **83% of Users mentioned something positive** (mainly makes job easier, speeds work/refunds, and increases business), while **most V-Coders mentioned something negative** (mainly adds to work, training, and costs).



Type Of Changes Occurring/Expected

	Committed <i>e-file</i> Users	Committed V-Coders
BASE: Total Say <i>e-file</i> Made/ Would Make Fundamental/Major Change	299 %	126 %
<u>Total Mentioning A Positive Change To Business</u>	<u>83</u>	<u>28</u>
Made/Would Make Job Easier	33	14
Can Process Returns/Get Refunds Faster	25	9
Increases # Clients/Size Of Business	23	7
<u>Total Mentioning A Negative Change To Business</u>	<u>3</u>	<u>58</u>
Adds Work/Amount Of Time At Work	1	17
Have To Learn To Use It & Train Employees	0	11
Adds Cost Due To Cost Of Software	0	11

Benefits Of *e-file* To Business

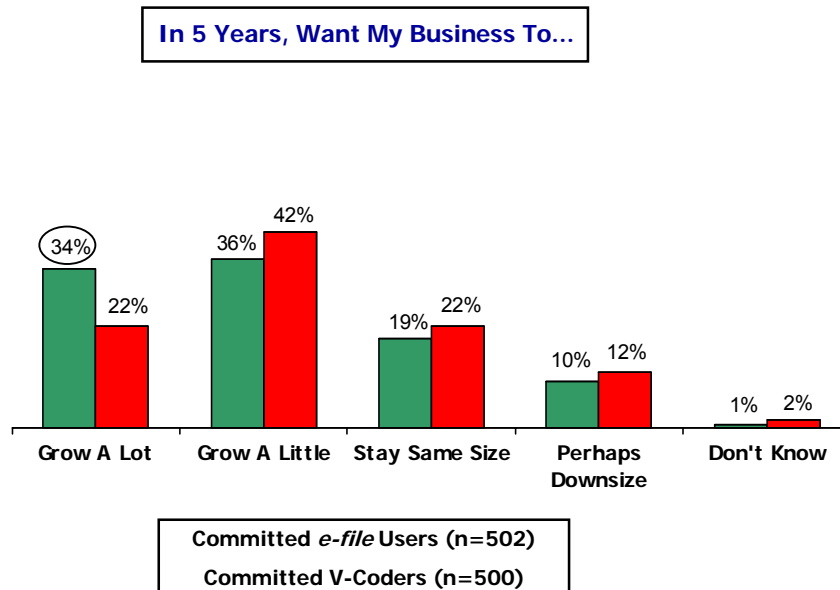
- V-Coders also showed far less understanding of the benefits of *e-file* to their business – in particular, they don't seem to know that *e-file* yields Increased Productivity, Greater Accuracy/Fewer Problems, Greater Ease Of Preparation, Greater Customer Satisfaction, and Increased Business.

Benefits Of *e-file* To Business

BASE:	Committed <u><i>e-file</i> Users</u>	Committed <u>V-Coders</u>
	502	500
	%	%
<u>Increased Productivity (Net)</u>	55	33
Faster for the Clients/Faster Filing/Refund/Acknowledgment Of Receipt	37	27
Increased Productivity	17	5
Can Handle More Clients	14	3
<u>Greater Accuracy/Fewer Problems (Net)</u>	36	18
It's More Accurate Way to Prepare and File	27	13
It's Automated – Less Errors in Return	12	3
<u>Greater Ease Of Preparation (Net)</u>	30	11
It's Easier for Preparer	28	10
<u>Greater Customer Satisfaction (Net)</u>	30	10
Clients Like Speed, Accuracy, Ease, Security, Paperless, Payment Options	20	8
Clients Like the Idea Of It – They Want To Do Things Electronically	9	3
<u>It's Paperless/Saves Paper</u>	26	26
<u>Increased Business (Net)</u>	21	8
Increased Our Number Of Clients/Brought Us More Clients	14	3
Increased Our Revenue/Profits	11	6

Business Growth Objectives & The Role Of *e-file*

- While the Committed *e-file* Users are statistically more interested in growing their business, the Committed V-Coders are NOT growth-averse -- 22% want their firm to grow "a lot" while another 42% want it to grow "a little". (So they're not "gliding toward retirement", as has been hypothesized, and we'll see this later in their demographic profile.)
- We asked those wanting growth how they expect to achieve it, and probed on whether *e-file* plays a role. We found that few Users and even fewer V-Coders plan to use *e-file* in their marketing – though they clearly plan to do more marketing (and could use *e-file*) and they plan to expand (and the efficiencies of *e-file* could help in that regard).



How Plan To Reach Growth Goal

	Committed <i>e-file</i> Users	Committed V-Coders
BASE: Total Who Expect Firm To Grow	350	319
	%	%
Plan To Grow By...		
Expanding Business (Net)	33	29
Open Another Office/Multiple Offices	13	4
Hire More Employees/Add Staff	9	9
Accept More Clients/Expand Client Base	9	12
Doing More Advertising/Marketing (Net)	32	23
Total Say <i>e-file</i> Will Play A Role		
How?		
Will Use <i>e-file</i> /Use It More	44	18
Will Expand Because Of It	13	5
Will Use It In Marketing/Advg.	13	3

Impact Of *e-file* On Practitioner Personally

- We asked each segment to tell what they know/expect of the impact of *e-file* on the Practitioner personally. On each of these measures, V-Coders showed less appreciation of the personal benefits of using *e-file* – especially in terms of increasing their satisfaction with their work (mainly by making them feel more efficient).

		Personal Impact Of <i>e-file</i>	Committed <u><i>e-file</i> Users</u>	Committed <u>V-Coders</u>
BASE:			502 %	500 %
% Said <i>e-file</i> INCREASES Their Workload			35	46
% Said <i>e-file</i> HAS NO IMPACT On Their Workload			37	41
% Said <i>e-file</i> DECREASES Their Workload			29	13
How?	Less Copying/Printing/Paperwork		56	57
	Saves Time/Takes Less Time to Prepare Taxes		36	27
	Don't Have to Mail Return		15	15
	Work Less/Less Time in Office		10	10
% Said <i>e-file</i> INCREASES Their Stress Level			25	36
% Said <i>e-file</i> HAS NO IMPACT ON THEIR STRESS LEVEL			56	58
% Said <i>e-file</i> DECREASES Their Stress Level			19	6
How?	Simplifies Work/Makes It Easier (Less Paperwork/Mailing)		50	39
	Saves Time/Get More Done		27	36
	With Greater Accuracy, Fewer Errors/Problems		23	12
	Work Less/Less Time in Office		6	14
	Less Stress/Less Worrying		2	25
% Said <i>e-file</i> DECREASES Their Satisfaction With Work/Profession			*	5
% Said <i>e-file</i> HAS NO IMPACT On Their Satisfaction With Work/Profession			35	75
% Said <i>e-file</i> INCREASES Their Satisfaction With Work/Profession			65	20
How?	Feel More Efficient – Quick Receipt, Less Paperwork, Simpler		30	20
	Makes Things Move Faster – Quicker To Prepare, Fast Refunds		20	26
	More Accurate/Fewer Error		15	12
	Everybody Wins – Me and Clients		11	9

Benefits Of *e-file* To Clients

- What are *e-file*'s benefits to their clients? V-Coders acknowledge Speed In Refund as a benefit, but that's about it. They do not recognize/appreciate other benefits to the same extent as Users – benefits such as Quick Acknowledgment Of Receipt, Speed In Submission, Accuracy, Ease Of Use, or Clients Liking *e-file*.

Benefits Of *e-file* To Clients

	<u>Committed <i>e-file</i> Users</u>	<u>Committed V-Coders</u>
BASE:	502 %	500 %
<u>Speed/Faster (Net)</u>	<u>90</u>	<u>85</u>
Speed in Refund	79	80
Speed of Acknowledged Receipt of Return	(35)	14
Speed in Submission of Return	(34)	13
<u>Accuracy (Net)</u>	<u>32</u>	<u>13</u>
See it As More Accurate Way to File	31	13
<u>Ease of Use (Net)</u>	<u>19</u>	<u>7</u>
See it As Easier to Use	19	6
<u>Clients Like It (Net)</u>	<u>20</u>	<u>4</u>
Clients Like Its Specific Benefits	14	4
Clients See it As More Secure/Less Likely To Get Lost In Mail	13	7
Like it Cause it's Paperless	11	5

**Attitudes Toward *e-file*
& Barriers To Usage**

Overall Attitudes Toward *e-file*

- We found clear differences in attitudes toward *e-file* in these two segments – specifically:
 - Committed Users believe in *e-file* so much that few (only 7%) would even consider going back to paper – and if they had it to do over again, 96% say they would be “extremely” or “very” likely to start using *e-file*.
 - Committed V-Coders, on the other hand, are just not enthusiastic about *e-file*. But they’re NOT highly opposed to it – 74% have some level of consideration and only 24% do not. It’s just that they do not have a clear motivation for adoption, as do the Users (who focus first on the Simpler/Easier benefit, followed by Speed and Accuracy).

Attitudes Toward *e-file*

BASE:	Committed <u><i>e-file</i> Users</u>	Committed <u>V-Coders</u>
	502	500
	%	%
<u>% Who Would Consider Dropping <i>e-file</i> & Go Back To Paper</u>	7	na
<u>Likelihood Of Starting Use Of <i>e-file</i> Again/In The Future</u>		
Extremely Likely	85	25
Very Likely	11	22
Somewhat Likely	2	27
Not Very Likely	1	11
Not At All Likely	1	13
Don't Know	0	2
	96%	74%
		24%
<u>Why Extremely/Very Likely To Start Again/Start Using <i>e-file</i>:</u>		
(New Base: Total Would Be “Extremely”/“Very” Likely To Start Using <i>e-file</i>)	(485)	(234)
Simpler/Easier/Less Paperwork	83	9
Faster/Quicker Preparation Or Refunds	22	7
Accuracy	13	1
Clients Like <i>e-file</i>	9	12
I Like <i>e-file</i> /Satisfied with It	7	3
Price/Cost	5	1

Specific Attitudes Toward *e-file*

- Ratings showed the extent to which Users believe in *e-file* as well as the issues which need to be addressed among Committed V-Coders.
 - Specifically, while a majority of V-Coders recognize that *e-file* "is the way of the future", far too many see it as "a hassle" and far too few of them believe that it has clear benefits for their clients, their business, or themselves.
 - Other ratings show that 59% of V-Coders may be getting used to the idea of *e-file*, though there is still resentment – with 69% saying the IRS is bent on reaching its *e-file* goals no matter how much trouble it causes Practitioners.

Attitudes Toward *e-file*

	Committed <u><i>e-file</i> Users</u>	Committed <u>V-Coders</u>
BASE:	502	500
	%	%
<u>% Agree Completely/Mostly/Somewhat That <i>e-file</i>...</u>		
Is The Way Of The Future	99	95
Gives My Clients What They Want	96	57
Gives Me Greater Peace Of Mind	95	41
Makes My Life Easier	93	43
Increases My Personal Productivity	88	37
Increases My Revenues	80	47
Brings Me New Customers	76	39
Reduces My Overhead Costs	70	32
Is A Hassle	11	59
<u>% Agree Completely/Mostly/Somewhat That...</u>		
The more I get used to the idea of <i>e-file</i>, the more I like it	98	59
Like IRS promoting <i>e-file</i> in advertising & other means – it's good for Preparers	87	54
It's important to all of us that the IRS make its <i>e-file</i> goal	78	45
<i>e-file</i> has caused strain on tax prep industry, but in long run, it'll be worth it	63	59
IRS bent on reaching <i>e-file</i> goals, no matter how much trouble it causes Preparers	35	69
Resent all the <i>e-file</i> advertising, since it's stirring up clients and making them want to <i>e-file</i>	10	27

Barriers To Usage Among Committed V-Coders

- Asked why they don't use *e-file*, V-Coders focused on lack of demand as their main reason. But, the main component of this was NOT that clients reject *e-file*; rather, it was that clients DO NOT ASK for *e-file*. As we saw with Users, clients require some stimulation to use and V-Coders apparently are not willing to provide it. Why not? Paper filing is less work/easier/more comfortable for them; plus, they don't like the requirements or the costs involved.

		V-Coders' Reasons For Not Using <i>e-file</i>		
			Total Reasons For Not <i>e-filing</i>	Most Important Reason For Not <i>e-filing</i>
			500 %	500 %
	BASE:			
		Clients don't ask for it	37	27
Lack Of Demand	➔	Clients don't want to pay the extra charge	12	7
		Clients don't trust it yet	10	5
Paper Filing Is Easier/Less Work More Familiar	➔	Just more comfortable staying with paper returns	14	10
		It takes too much time	9	5
		It's too much work	7	2
		Don't trust <i>e-file</i> -- it's too risky -- too new -- too much can go wrong	4	2
		I/We just don't care to get involved in it	4	2
		Don't like computers	3	1
		It's not as easy to use as they say it is	3	1
		It's just something else to have to deal with	2	1
				24%
Process Too Stringent	➔	You need to go through the IRS registration/approval process	6	3
		The signature form requirement	3	2
		The rejection rates are high	3	1
		All the extra requirements, e.g., matching Social Security Numbers, etc.	2	1
				7%
Costs/Fees	➔	Transmission fees are too high	4	1
		Costs too much to get started	3	2
		Costs too much (unspecified)	3	2
		The hardware/software costs too much	2	1
				6%
Type Of Return	➔	Not appropriate for the types of returns we do/types of clients we have	3	2

Is The ERO Registration Process A Barrier?

- To see whether the ERO Registration Process is a problem for V-Coders, we looked at registration measures on a comparative basis and found that, while Committed e-file Users are more likely to be EROs and more likely to think the registration process is easy, a surprisingly high number of Committed V-Coders (63%) are already EROs, and by and large, they do not seem to think that the registration process is particularly difficult.

	The ERO Registration Process	Committed <i>e-file</i> Users	Committed V-Coders
BASE:		502 %	500 %
<u>% Who Are Personally An ERO</u>		94	63
<u>Avg. # EROs In Firm</u>		1.7	1.0
<u>For V-Coders Only: % Familiar With ERO Registration Process</u>		na	78
<u>% Of Those Familiar Who Consider The ERO Registration Process To Be:</u> (New Base = Re-Based To Total Familiar/Answering)		(502)	(418)
Very Easy		51	37
Somewhat Easy		40	42
Somewhat Difficult		7	17
Very Difficult		2	4
<u>Suggestions For Making ERO Registration Easier:</u>			
Make fingerprint process simpler/easier/eliminate it		8	8
Ability to register online		8	4

Is Type Of Return A Barrier?

- Return type does appear to be a barrier, with V-Coders accepting e-file as appropriate for Simple returns, but not for more Complex returns. This is particularly true in the case of Business returns.

Appropriateness Of e-file For Business & Individual Returns

	Committed <u>e-file Users</u>	Committed <u>V-Coders</u>
BASE:	502 %	500 %
A Simple <u>Business</u> Tax Return	95	86
A Complex <u>Business</u> Tax Return	83	46
A Very Complex <u>Business</u> Tax Return	68	27
<u>Q51--Specific Business Returns Most Appropriate For:</u>		
Form 1065 – US Return of Partnership Income	42	31
Form 1120 – Corporation Income Tax Return	40	34
Form 1120s – S Corporation Income Tax Return	38	29
Schedules – C, D, K-1, Q, etc.	29	17
A Simple <u>Individual</u> Tax Return	100	97
A Complex <u>Individual</u> Tax Return	98	64
A Very Complex <u>Individual</u> Tax Return	88	35
<u>Q53—Specific Individual Returns Most Appropriate For:</u>		
Form 1040 – the Individual Income Tax Return	76	67
Form 1040A – Also an Individual Income Tax Return	57	54
Form 1040EZ – Return for Single or Joint Filers w/No Dependents	51	53
Form 1040X, Amended Return	24	12
Forms with EITC/Earned Income Tax Credit Attachments	23	8

Other Learning

Attitudes Toward The IRS

- In other learning from the study, when we asked the two segments to rate their level of agreement with a series of statements about the IRS, we found that Committed e-file Users consistently rated IRS far more positively than did the Committed V-Coders.

Attitudes Toward The IRS		Committed <i>e-file</i> Users	Committed V-Coders
BASE:		502 %	500 %
<u>% Agree Completely/Mostly/Somewhat That...</u>			
I think the IRS is doing a pretty good job, especially considering all the pressure they have on them		(87)	80
The IRS does its best to help tax preparers with all the regulations and requirements of tax prep work		(72)	59
The IRS is like a partner to me – they're that important and that helpful to me		(68)	43
When it comes to technology, I don't trust the IRS to get things right the first time, everything has to go through lots of trial and error		54	(74)
The IRS doesn't communicate very well with tax preparers		48	(62)
While tax complexity originates in Congress, the IRS only makes things worse with all their rules		45	(55)
IRS always seems to be trying to dump more of its work on the tax preparer		45	(59)
IRS doesn't care how complicated they make things, they know preparers will just have to do what they require		41	(63)
Dealing with the IRS is like dealing with an adversary, you're having to constantly fight with them		34	(44)
The IRS doesn't really care what tax preparers think		24	(41)

Contact With The IRS

- In their current contact with IRS, the segments are similar in phone, mail, and professional meeting contact, but Users have more contact via irs.gov, tax forums, and e-mail.
- Only 14% of each group want to have "more" contact with the IRS (most want no change in contact). In preferences for type of contact, Users focused first on contact via irs.gov, followed by regular mail and then e-mail; while V-Coders generally seemed to want to limit information to irs.gov and regular mail.

Incidence, Frequency & Helpfulness Of Contact With IRS

	Committed <u>e-file Users</u>	Committed <u>V-Coders</u>
BASE:	502 %	500 %
<u>Ever Have Contact Via Phone</u>	<u>97</u>	<u>94</u>
How Often? (# times per year)	31	31
<u>Ever Have Contact Via IRS Website</u>	<u>87</u>	<u>76</u>
How Often? (# times per year)	<u>73</u>	51
<u>Ever Have Contact Via Regular Mail</u>	<u>80</u>	<u>84</u>
How Often? (# times per year)	29	38
<u>Ever Have Contact Via IRS Forums</u>	<u>58</u>	<u>46</u>
How Often? (# times per year)	27	26
<u>Ever Have Contact Via Professional Meetings</u>	<u>56</u>	<u>49</u>
How Often? (# times per year)	10	7
<u>Ever Have Contact Via In-Person Visits</u>	<u>54</u>	<u>62</u>
How Often? (# times per year)	8	8
<u>Ever Have Contact Via E-Mail</u>	<u>48</u>	<u>31</u>
How Often? (# times per year)	<u>34</u>	24

IRS Contact & Preferences For Receiving Info From IRS

	Committed <u>e-file Users</u>	Committed <u>V-Coders</u>
BASE:	502 %	500 %
<u>% Want "More" Contact With IRS</u>	<u>14</u>	<u>14</u>
<u>Pref'd. Methods Of Receiving Info From IRS:</u>		
<u>From the IRS's Website – irs.gov</u>	<u>40</u>	<u>33</u>
<u>In the Mail</u>	<u>27</u>	<u>38</u>
<u>Via E-Mail</u>	<u>17</u>	10
From Software Companies	12	13
Contact w/IRS Tax Specialist/IRS Employee	5	5
From Other Internet Websites	5	7
From News Articles	4	2
Pick Up Information At An IRS Office	2	3
Via Electronic Bulletin Board	2	1
From Advertising	1	*
NATP.com	1	*

Usage Of & Attitudes Toward e-services

- To this point, only 34% of Committed *e-file* Users and 19% of Committed V-Coders have used e-services, but 2/3rds or more of those who've used are satisfied (especially the V-Coders).
- There was high interest in each group in using e-services (especially the TDS, EAR, and Disclosure Authorization Forms services).
- In addition, 68% of V-Coders said access to e-services would make them switch to *e-file* – a response very similar to what we've seen in other surveys of Non-Users in 2004.

IRS Contact & Preferences For Receiving Info From IRS

BASE:	Committed <i>e-file</i> Users	Committed V-Coders
	502 %	500 %
<u>% Have Ever Used e-services (Total)</u>	34	19
<u>% Of Users Who Are Very/Somewhat Satisfied</u>	63	79
<u>% Of All Respondents Who Definitely/Probably Will Use e-services</u>	87	70
<u>Specific e-services Interested In Using:</u>		
Use Of The Transcript Delivery System	62	61
Electronic Account Resolution	60	59
Submission & Modification Of Disclosure Authorization Forms	50	46
Taxpayer Identification Number (TIN) Matching	44	44
Registration For e-services	36	36
Preparer Tax Identification Number (PTIN) Application	32	31
Online <i>e-file</i> Application To Become An ERO	24	24
None/No Answer	17	24
<u>V-Coders Only: % Very/SW Likely To Switch To <i>e-file</i> For e-services Access</u>	na	68

Differences In Characteristics Of V-Coders & Users

- To learn as much as possible about the V-Coder target, we analyzed the profile data in the three pages that follow and found that, compared to Committed Users, Committed V-Coders...
 - Personally skew more Male, higher income, and active in tax prep work longer (but not older).
 - ◆ It has been hypothesized that most V-Coders are older and closer to retirement (and thus feel *e-file* would have little/no impact on their clients), but the data here showed that only 29% of Committed V-Coders fit that model.
 - Professionally, Committed V-Coders prepare fewer returns and are more industry-involved – that is, more likely to belong to a professional organization (especially AICPA and state groups) and more likely to read trade publications, especially the *Journal Of Accountancy*.
 - They are more likely to be working in older firms serving a smaller base of clients – firms with more full-time (vs. seasonal) Practitioners, who are far more likely to be CPAs/Accountants and less likely to be primarily Tax Preparers (than we see with Users). Their firms, though focused mainly on Individual returns, also include more Business clients than the User firms.
 - With their skew toward CPAs and Accountants, they tend to have older, more upscale clients with more complicated tax returns.
 - Finally for profiling, results show that the firms of V-Coders are far less likely than User firms to advertise/promote – though if they do, they (like Users) tend to do so mainly through person-to-person contact. About 1/5th of Users say they mention *e-file* in their communications/advertising. 6% of V-Coders also mention *e-file*, and about 1/4th more say they would if they used it.

Personal & Professional Characteristics

BASE:	Total Practitioners From '04 Practitioner Tracking	Committed e-file Users PBI Study	Committed V-Coders PBI Study
	750	502	500
	%	%	%
<u>Average Age (Mean)</u>	54	54	54
<u>Gender:</u>			
Male	57	60	74
Female	43	40	26
<u>Average # Years In Tax Preparation Work</u>	22	24	29
<u>% Who Are College Educated</u>	na	94	97
<u>Average Total HH Income</u>	na	\$92.2K	\$108K
<u>Committed V-Coders Only: NET % Near Retirement Or Planning To Leave Business & Feel e-file Has Little/No Impact On Clients</u>	na	na	29
<u>Median # Individual Returns Personally Prepared</u>	300	325	235
<u>Membership In Trade/Professional Organizations</u>			
<u>Total Who Belong To Any Organization</u>	53	64	73
<u>State Associations Or Groups</u>	20	12	26
NATP (National Association Of Tax Practitioners)	15	28	13
<u>AICPA (Am. Inst. Of Cert'd. Public Accountants)</u>	15	18	45
NAEA (National Association Of Enrolled Agents)	7	17	6
NSA (National Society Of Accountants)	5	15	8
<u>Top Trade/Prof'l. Publications Subscribe To/Read Regularly</u>			
<u>Journal of Accountancy</u>	na	14	37
The Kiplinger Letter	na	12	17
Accounting Today	na	6	8
EA Journal	na	5	2
Practical Accountant	na	5	8
Tax Advisor	na	4	6

Characteristics Of Firms & Clients

BASE:	Committed <i>e-file</i> Users PBI Study	Committed V-Coders PBI Study
	502 %	500 %
Avg. # Years Firm Has Been In Business	21	27
Median # Active Preparers At All Of Firm's Locations	2	2
Median # Total Clients At All Locations	450	366
Average # Tax Prep Offices Of Firm	3	3
Avg. % Of Preparers Who Are Full-Time (vs. Seasonal)	75	84
<u>Avg. % Of Preparers Who Are...</u>		
Primarily CPAs	22	53
Primarily Accountants	29	23
Primarily Financial Planners	3	1
Primarily Tax Preparers	32	16
Primarily Lawyers	1	3
Primarily Some Other Profession	12	4
Avg. % Of Preparers In Firm Focused On Individual Returns	84	75
<u>Average Age Of Individual Clients</u>	44	47
<u>Avg. % Of Clients Who Are:</u>		
Male	51	54
Female	49	46
<u>Avg. % Of Clients Who Are:</u>		
Caucasians	76	80
<u>Avg. HH Income Of Clients</u>	\$57,877	\$87,212
<u>Avg. % Of Ind'l. Returns That Are:</u>		
Simple	40	30
Complex	44	48
Very Complex	16	20
<u>Avg. % Of Bus. Returns That Are:</u>		
Simple	42	35
Complex	43	49
Very Complex	15	15

Advertising & The Role Of *e-file*

	Committed <i>e-file</i> Users <u>PBI Study</u>	Committed V-Coders <u>PBI Study</u>
BASE:	502 %	500 %
<u>% Who Say Their Firm Advertises/Promotes Thru Media</u> (New Base: Firm Ever Advertises)	61 (307)	47 (235)
<u>Main Media Used</u>		
Through Person-to-Person Contact	46	47
Through Local Newspapers or Magazines	35	23
Through Local Phone or Other Directories	28	20
Through the Internet	22	15
Through Local Direct Mail	22	12
<u>How They "Talk About Their Firm" In Ads/Promotions</u> (New Base: Total Who Promote Firm)	(307)	(235)
That We Offer <i>e-filing</i>/Electronic Filing	22	6
Our Good Reputation	15	12
How Convenient We Are	14	2
Our Credibility/Certification	14	12
That We Provide Tax Filing/Tax Preparation	13	17
We Talk About Our Services	12	16
That We Have Experience/Professional Experience	12	16
<u>Would Use Of <i>e-file</i> Affect How V-Coders "Talk About Their Firm"</u>		
Total Say <i>e-file</i> Would Be Mentioned In Ads If They Used It	na	26
Would Have No Effect On Our Ads	na	70

The Software Brand Issue

- Next, as in the Practitioner Tracking Study, we found clear differences in the brands of tax return prep software used by Committed V-Coders – with significantly higher use of LaCerte, Intuit, ATX, and CCH; while Committed e-file Users have far higher use of Drake and TaxWise. However, the age and electronic transmission capability of software is very similar, which tells us the V-Coders are not using older software. Assuming brand differences are not just coincidental, there must some other factor at play here – why else would V-Coders use such different brands?

Tax Return Prep Software Usage

BASE:	<u>Committed e-file Users</u>			<u>Committed V-Coders</u>		
	Total Use	Use For Indiv. Returns	Use For Business Returns	Total Use	Use For Indiv. Returns	Use For Business Returns
	502	502	502	500	500	500
	%	%	%	%	%	%
Drake	29	29	27	5	5	4
LaCerte	16	16	15	23	23	21
TaxWise	10	10	9	5	5	5
Intuit, Inc	10	9	8	15	15	12
ATX Tax Forms	8	7	7	12	10	12
CCH	4	4	4	11	11	10
TASC	1	1	*	0	0	0
TurboTax	*	*	*	4	4	3
Ultra Tax	4	0	4	5	4	4
Creative Solutions	3	0	3	5	5	4
Pro Series	4	0	3	5	5	4
Tax Works	3	0	2	2	2	2
<u>Avg. # Years Since Purchase</u>	x	3.5	3.5	x	3.8	3.7
<u>% With SW Capable Of Transmitting Electronically</u>	x	100	91	x	98	90

Appeal Of Messaging Concepts

- Finally, Committed V-Coders were presented with a series of possible messaging concepts (in randomized order) and asked which would make them much more, somewhat more, somewhat less, or much less interested in using e-file. Two of the 11 concepts were about equally strong (they're highlighted below) and were, by far, the most believable. A third concept had strength in terms of interest.

Committed V-Coder Reaction To Messaging Concepts

	<u>Much More Interested</u>	<u>Much/SW More Interested</u>	<u>% Say It's Believable</u>
BASE:	500 %	500 %	500 %
In a recent survey, 98% of Practitioners using e-file said the more they learn about e-file, the more they like it	27	72	71
In a recent survey, 9 out of 10 Practitioners said e-file is the way of the future because your competitors are now e-filing and clients are expecting it	25	66	69
In a recent survey, 9 out of every 10 Practitioners using e-file said e-file is the way of the future and that it gives clients what they want while increasing their own productivity and making their life easier	22	64	52
In a recent survey, 9 out of 10 Practitioners said e-file gives their clients what they want – that is, more choice and better service	18	61	55
e-file helps me retain my customers	18	54	44
e-file increases a Practitioner's personal productivity	18	53	34
If you want to grow your business, e-file is a must – e-file brings new customers and increases profitability	18	52	44
In a recent survey, 3 out of 4 Practitioners using e-file said e-file brings them new customers and increases their revenue	17	52	56
e-file gives you greater peace of mind because you know your business is moving in the right direction	15	55	49
e-file takes the hassle out of tax preparation and frees you up to focus more on your clients' tax issues	14	41	22
The easiest way to grow your business is start e-filing	13	42	28

Appendix
Questionnaires Used In The Study
(Attached Electronically)