

**STUDY OF TAXPAYER NEEDS,
PREFERENCES, AND WILLINGNESS
TO USE IRS SERVICES**

INTRODUCTION

When contacting the IRS, taxpayers may obtain information or services through a myriad of offerings: publications, telephone, walk-in offices, Internet sites, and e-mail or written correspondence. For a number of years, the National Taxpayer Advocate has expressed concern that the IRS does not know what taxpayer preferences are with respect to use of these various services, nor does it know what services taxpayers need, and in what format they need to receive them, in order to comply with their tax obligations. Moreover, the IRS does not know whether taxpayers are willing or even able to “migrate” from one form of service to another form that is less costly to the government. Finally, the IRS does not know the impact on taxpayer compliance of its failure to provide needed services.

In response to a congressional mandate based on similar concerns, the IRS is developing a plan for determining how best to provide services to taxpayers in the future.¹ As part of this plan, known as the Taxpayer Assistance Blueprint (TAB), the IRS conducted a number of research studies to gain insight into taxpayers’ preferences, use of IRS services, and willingness to use various IRS service channels to obtain information or resolve tax issues. The National Taxpayer Advocate and her staff were key participants in this process.

As part of the Taxpayer Advocate Service’s contribution to the TAB, the National Taxpayer Advocate commissioned her research function to review the data on taxpayer service. The discussions contained in this report are based on several of the major studies conducted as a part of this effort: the Opinion Survey of Taxpayer Resources and Services (Benchmark), Oversight Board, and Market Segment research studies. These studies focus on taxpayers’ needs, preferences, and willingness to use IRS services.

BACKGROUND

Taxpayers need some collection of information and services to comply with their tax obligations. A variety of sources are available to taxpayers ranging from services and information available from the IRS, services available through volunteer organizations, and services available from tax professionals.

Only three percent of taxpayers who filed a 2005 tax return did not use any services to help complete their tax return.² Although tax professionals charge a fee for services and infor-

¹ Citing concerns about the IRS’s proposed reductions to taxpayer service and inability to explain the impact these changes will have on taxpayers, the Senate Appropriations Committee directed the IRS to:
... undertake a comprehensive review of its current portfolio of taxpayer services and develop a 5-year plan that outlines the services it should provide to improve services for taxpayers. This plan should detail how it [IRS] plans to meet the service needs on a geographic basis (by State and major metropolitan area), including any proposals to realign existing resources to improve taxpayer access to services, and address how the plan will improve taxpayer service based on reliable data on taxpayer service needs.
S. Rep. No. 109-109, at 133-34 (2005).

² W&I Research, *Opinion Survey of Taxpayer Resources and Services, 2006*, question 2, 2.9 – 3.9 percent did not use any type of service.

mation, approximately 55 percent of taxpayers chose to obtain help from this industry.³ However, even those taxpayers who pay a tax professional to complete their tax returns use other information sources for tax related services. Approximately 70 million taxpayers sought information or help from some source other than a tax professional when completing their 2005 federal income tax returns.⁴

The IRS, when weighing policy decisions and strategies, must decide what obligations the Service has to provide taxpayers with tax related information and services. One important consideration is taxpayer burden. Burden limits taxpayers' ability to use a particular service (*i.e.*, if a taxpayer cannot complete the return himself and cannot afford to pay for help, the burden is too high for the taxpayer) and consequently impacts voluntary compliance. Also, some services, such as many account related services, are only available through the IRS.

For those services that the IRS provides, there are two different factors that should be considered:

- 1) Is the product being delivered such that a taxpayer can understand and use the product to achieve a correctly completed tax return, and
- 2) Is the taxpayer able to obtain the product or service needed without experiencing an unreasonable burden?

Each IRS service option must be such that it successfully meets the taxpayers' needs as delivered and allows taxpayers to correctly complete the task. This is especially true if the service is available only through the IRS, such as some account related services.

In this report, we define *taxpayer needs* as the collection of services taxpayers require to comply with their tax obligations, and the requirement that these services be delivered in a manner that allows the taxpayer to correctly use them without unreasonable burden. *Preferences* are taxpayers' favored methods for obtaining services. *Willingness* is a threshold value of the preference measure. A taxpayer's preference for a particular service offering must exceed a minimum value or the taxpayer will not use the service (*i.e.*, he or she will be "unwilling" to use it).

³ W&I Research, *Opinion Survey of Taxpayer Resources and Services, 2006*, Question 2, 24.6 – 27 percent used tax preparation companies; and 31.1 – 33.5 percent used personal accountants or bookkeepers. Fifty-five to 57 (54.6 – 57.2) percent used some type of tax professional. Tax preparation software was used by 16.8 – 18.7 percent of taxpayers. Forty-nine to 54 (48.7 – 54.4) percent of those using software packages also use IRS forms/publications or the irs.gov website.

⁴ W&I Research, *Opinion Survey of Taxpayer Resources and Services, 2006*, Question 2, 13.8 -17.5 percent of those using the irs.gov website or using IRS forms/publications also hired tax preparation companies. Likewise an additional 16.8 – 20 percent of those who used these Internet services and of those who used IRS documents also used personal accountants or bookkeepers. About 70 million taxpayers seek information or services from sources other than a tax professional. (134.9 million total taxpayers - 34.8 million taxpayers using tax preparation software - 43.6 million taxpayers using an accountant or bookkeeper = 56.5 million taxpayers not using tax professional + 5.4 million using tax preparation and other services + 8 million using accountant or bookkeeper and other services = 69.9 million). *IRS 2006 Filing Season Statistics, Cumulative Through 10/27/06*, Individual Income Tax Returns total receipts= 134,919,000.

TAXPAYERS

One challenge facing the IRS is developing an understanding of the interactions among needs, preferences, use of, and willingness to use services. Stated preferences do not always mirror actions, and people may not be aware of the many considerations that influence their decision making processes. The IRS must somehow reconcile taxpayers' stated preferences with actual service channel use. Availability, reason for contact, urgency, and convenience are all factors that impact actual channel use. It is likely that some combination of these factors guides taxpayers' decision making behavior when selecting among service options.⁵

IRS will need to consider the task or problem, as well as taxpayers' skills and abilities, when developing customer service strategies, particularly those that focus on migrating taxpayer services and interactions to the Internet or other electronic, self-service vehicles.

As part of the Taxpayer Assistance Blueprint, the IRS conducted a number of studies to try to answer some of the questions about taxpayers' needs, preferences, and willingness to use service channels to obtain tax information, account services, and other tax related services. These studies attempted to obtain information pertaining to the following questions:

- ◆ What service channels do taxpayers prefer to use?
- ◆ What types of services are needed?
- ◆ Do all taxpayers require the same level of service; and
- ◆ Can the various service options be correctly used by taxpayers to meet their tax obligations?

Several of these studies attempted to gain insight into taxpayers' behavior by determining their preferred method for obtaining tax related information and services. Some findings that may impact or influence IRS strategies are presented below.

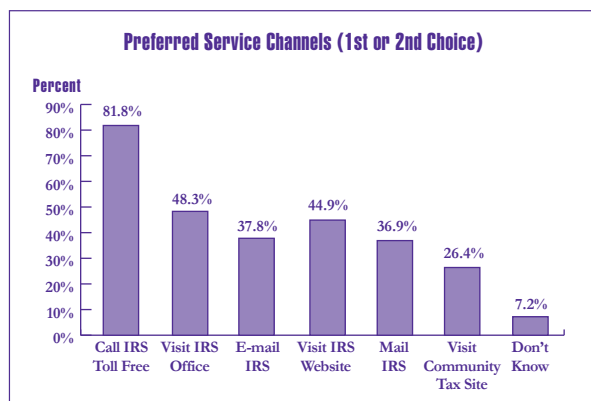
⁵ Pew Internet & American Life Project, *How Americans Get in Touch With Government* 6, 22, 27 (May 24, 2004). The study found that for Americans contacting the government, complexity, disclosure of personal information, nature of contact, and urgency are drivers of service channel selection. Cyber skills refer to one's ability to efficiently and effectively navigate, and use the Internet.

PREFERENCES

When asked how they prefer to obtain general tax information, more than 30 percent of taxpayers indicated they prefer to get information from the IRS or their tax professional.⁶

When using IRS services, taxpayers indicated that they overwhelmingly prefer in-person assistance (including phone or IRS office) over self help options (such as automated phone or using the Internet).⁷ Across all activities (considering taxpayers’ first and second choices), taxpayers prefer to call the IRS for information or help.⁸ Overall, taxpayers are not as willing to conduct account related activities via the Internet; they prefer calling the IRS or visiting an IRS office.⁹

FIGURE 1: PREFERRED SERVICE CHANNELS



Source: 2006 Oversight Board Service Channels Survey, Questions 14 & 15

Taxpayers who hire tax preparers to complete their income tax returns are more likely to prefer in-person service, and less likely to feel comfortable getting help from the IRS over the phone than their counterparts who prepare their own tax returns.¹⁰ Additionally, a larger portion of those taxpayers who report difficulties understanding tax forms pay a professional to complete their tax returns.

⁶ 2006 Market Segment Survey – Questions 1 & 2 – Taxpayers preferring to obtain information from IRS 31.4 - 36.4 percent compared to 28.6 - 33.1 percent for tax professionals. When asked how they want to receive information, taxpayers indicated they preferred receiving IRS direct mailings 60.9 - 69.8 percent, and 23.2 - 31.7 percent preferred using the IRS website for information.

⁷ IRS Oversight Board, 2006 Service Channels Survey – Question 16 – Shows taxpayers preferring in-person help 67.1 - 73.2 percent, versus self-help 23.6 - 29.6. Question 12 indicates 68.2 - 74.2 percent of taxpayers like getting help in person with tax questions.

⁸ 2006 Oversight Board Service Channels Survey – Questions 14 & 15 – taxpayers’ first or second service channel choice.

⁹ *Id.*

¹⁰ IRS Oversight Board, 2006 Service Channels Survey, Questions 12 & S4 – 83.2 - 89.3 percent of taxpayers who used tax professionals like in-person service as compared with 41 - 51.9 percent of self preparers. More self preparers are comfortable getting help from the IRS over the phone (58.8 - 69.3 percent) than those using tax professionals (41.9 - 50.71 percent). 57.1 - 65.8 percent of taxpayers hiring tax preparers report difficulty understanding tax forms vs. 29.6 - 39.7 percent of self preparers.

Older taxpayers, those 65 or over, are slightly less likely to use an IRS office if it is nearby than younger taxpayers. Also, significantly fewer of this older group feel comfortable getting help with taxes from the IRS over the phone than their younger counterparts.¹¹ This difference may simply reflect that the elderly have a general difficulty in getting around. However, the magnitude of the reluctance the elderly have to use the phone presents a real challenge for the IRS.

Taxpayers with incomes lower than \$35,000 per year are less likely to use the IRS's website.¹² Further, these taxpayers like getting tax help in person and would visit an IRS office if one were nearby. Additionally, more of this group think their tax returns would be more accurate if they received help from the IRS.¹³

The following table and chart show the preferred methods of service delivery (first or second choice) for different activities for the three preferred service delivery channels.

FIGURE 2: PREFERRED CHANNEL BY ACTIVITY

Service Needed	Call the IRS Toll-Free Number	Visit an IRS Office for in person help	Visit the IRS website
Make payment (n=672)	67.7%	31.8%	27.7%
Get tax forms (n=646)	53.2%	28.4%	42.9%
Get prior year return (n=607)	69.5%	33.5%	33.8%
Ask tax law question (n=663)	77.7%	33.8%	34.7%
Prepare tax return (n=509)	75.5%	43.9%	27.0%
Respond to notice or letter (n=797)	84.1%	39.0%	19.5%
Earned Income Tax Credit (EITC) eligibility (n=470)	77.4%	37.5%	30.4%
Resolve dispute /error (n=788)	84.4%	44.4%	17.4%
Get Individual Taxpayer ID Number (ITIN) (n=563)	72.8%	31.8%	33.3%
Payroll tax help (n=61)	77.5%	33.8%	25.5%
Estimated tax deposits help (n=103)	77.7%	29.6%	29.8%
Get Employer Identification Number (EIN) (n=103)	76.5%	19.4%	42.2%

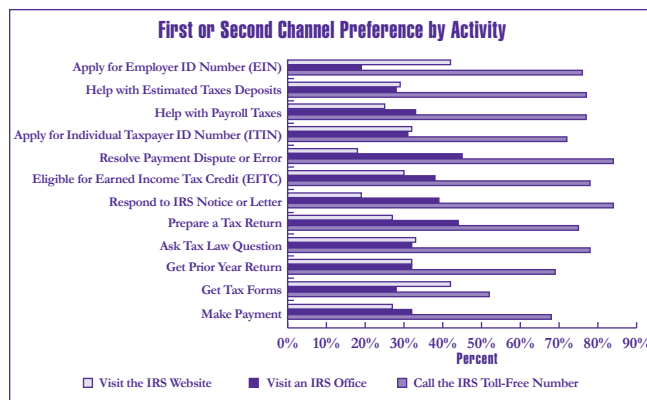
Source: 2006 Oversight Board Service Channels Survey, Questions 14 & 15

¹¹ IRS Oversight Board, *2006 Service Channels Survey*, Questions 12 & D2 – 27.7 - 40.9 percent of taxpayers 65 or older feel comfortable getting help from the IRS over the phone compared with 53.6 - 61.1 percent of those younger than 65. Similarly, fewer older taxpayers would visit an IRS office if it were nearby (31.9 - 45.4 percent) than their younger counterparts (47.6 - 55.1 percent).

¹² IRS Oversight Board, *2006 Service Channels Survey*, Questions 17 & D5 – 10.1 – 19.4 percent of those taxpayers with incomes less than \$35,000 have used the irs.gov website in the last 2 years vs. 25.3 - 32.3 percent of taxpayers with incomes of \$35,000 or more.

¹³ IRS Oversight Board, *2006 Service Channels Survey*, 12 & D5 – 73.5 - 84 percent of taxpayers earning less than \$35,000 like getting help in person from IRS compared with 64.5 - 71.7 percent of those with incomes of \$35,000 or more. Similarly, more low income taxpayers would visit an IRS office if it were nearby (55.7 - 68.2 percent) than higher income taxpayers (40 - 47.4 percent). More of this group (33 - 45.9 percent) believes their tax return would be more accurate if they received IRS help than their wealthier counterparts (23 - 29.7 percent).

FIGURE 3: PREFERRED CHANNEL BY ACTIVITY



Source: 2006 Oversight Board Service Channels Survey, Questions 14 & 15

The chart above shows that taxpayers consistently prefer to obtain services by calling the IRS, followed by either visiting an IRS office or using the IRS website (dependent on the activity).¹⁴

WILLINGNESS

Taxpayer Assistance Blueprint researchers also explored taxpayers’ willingness to use channels. Willingness seems to represent a stronger set of feelings than stated preference and may be a stronger indicator of taxpayer use of service channels.

Overall, taxpayers like receiving in-person help with tax questions. Taxpayers expressed willingness, however, to conduct certain types of activities using the Internet, particularly activities that are not account related. For instance, more than 60 percent stated a willingness to check the status of their tax refund if they had the appropriate tools rather than seeking in-person help.¹⁵ And about 50 percent of taxpayers are willing to use irs.gov to obtain tax forms and publications or tax law information.¹⁶ Taxpayers responded similarly when asked about what service channels they used in the past two years for different activities.¹⁷

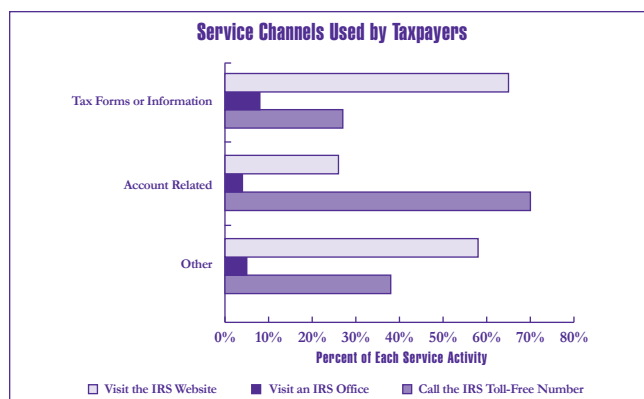
¹⁴ IRS Oversight Board, *2006 Service Channels Survey*, Questions 14 & 15.

¹⁵ IRS Oversight Board, *2006 Service Channels Survey*, Questions 12j & r - 68.2 – 74.2 percent of taxpayers stated they agreed (agreed or strongly agreed) with the statement ‘I like getting help in-person with my tax questions’, and 60.3 – 66.6 percent agreed (agreed or strongly agreed) that they would check the status of their refund themselves if the IRS provided tools that would allow this.

¹⁶ Opinion Survey of Taxpayer Resources and Services, W&I Research, 2006 – Question 8 – 48.2 – 50.8 percent of taxpayers are willing to use irs.gov to obtain tax forms and publications. Similarly, 45.9 – 48.5 percent of taxpayers are willing to obtain tax law information from IRS.gov.

¹⁷ IRS Oversight Board, *2006 Service Channels Survey*, Questions 17 & 18.

FIGURE 4: CHANNEL USE



Source: 2006 Oversight Board Service Channels Survey, Questions 17 & 18

Taxpayers are apprehensive about sharing personal information over the Internet. Approximately 75 percent stated they were not secure sharing personal information via the Internet.¹⁸ Privacy concerns and Internet security issues are driving this unwillingness to share personal information via the Internet. This attitude suggests that a limited number of taxpayers are willing to conduct IRS account related activities over the Internet. Internet privacy and security issues will impact IRS efforts to migrate taxpayers to Internet use.

Additionally, more than 25 percent of taxpayers stated that they are unwilling to use the IRS website for any service activities in the future.¹⁹ Until barriers deterring taxpayers from using the Internet can be successfully addressed, limiting service availability to only the Internet and web-based self-help options would have a negative impact on these taxpayers and might impede their ability to correctly complete their tax returns or fulfill their tax obligations.

Almost 50 percent of taxpayers stated that they were unwilling to use an IRS office for any activity.²⁰ However, those who speak a language other than English at home are considerably more willing to go to an IRS Taxpayer Assistance Center, particularly for return preparation or to obtain information about a tax refund.²¹ Limiting access to IRS offices would nega-

¹⁸ IRS Oversight Board, 2006 Service Channels Survey, Question 11 – 70.2 – 76.2 percent do not feel secure sharing personal information over the Internet. Reasons include privacy concerns (33.4 – 40.8 percent) and Internet security issues (41.9 – 49.6 percent).

¹⁹ W&I Research, *Opinion Survey of Taxpayer Resources and Services, 2006* – Question 8 – 25.3 – 27.4 percent of taxpayers stated they were unwilling to use the IRS website for any services. This compares with findings from the Pew Internet & American Life Project, *How Americans Get in Touch With Government 27* (May 24, 2004), which states that 36 percent of adult Americans do not go online.

²⁰ W&I Research, *Opinion Survey of Taxpayer Resources and Services, 2006* – Question 9 – 45.5 – 48.1 percent of taxpayers stated they were unwilling to visit an IRS office for any reason.

²¹ W&I Research, *Opinion Survey of Taxpayer Resources and Services, 2006* – Question 9 – Overall, 63.8 - 74.6 percent of non-English speakers would use a TAC vs. 50.8 - 53.4 percent of those who speak English. Results are similar for return preparation with 25.7 – 28.1 percent non-English speakers vs. 29.4 – 40.5 percent English speakers willing to visit the IRS for this service. Likewise, 16 - 25.4 percent non-English vs. 13 - 15.1 percent English speakers are willing to visit a TAC office for refund information.

tively impact this segment of the taxpaying population.²² For a more detailed discussion on taxpayers with special service needs, see the Most Serious Problem, Limited English Proficient (LEP) Taxpayers: Language and Cultural Barriers to Tax Compliance, in the National Taxpayer Advocate's 2006 Annual Report to Congress, Volume I.

Only about 30 percent of taxpayers are unwilling to call an IRS phone representative for services. Disabled taxpayers are less likely to use this service than the general taxpaying population.²³ For a more detailed discussion on taxpayers with special service needs, see the Most Serious Problem, Reasonable Accommodations For Taxpayers With Disabilities, in the National Taxpayer Advocate's 2006 Annual Report to Congress, Volume I.

SELF-HELP OPTIONS

A pattern emerges concerning self-help options, showing that roughly half of the taxpaying population is not willing to obtain help or services through a delivery channel that requires them to help themselves. For example, less than 50 percent of respondents would consider using an IRS Kiosk in the future, even if it were in a secure location. About a third of the respondents would consider using a Kiosk to make a payment or file a simple tax return.²⁴

Nearly 50 percent of taxpayers are not willing to use the automated phone service. About 25 percent are willing to use the automated system to obtain refund information, but taxpayers with disabilities are less likely to use this service than others.²⁵ Automated telephone service is even less popular with older taxpayers.

About 45 percent of those who called IRS and more than 75 percent of those who visited the IRS stated they would not use the IRS website rather than calling or visiting. When probed further as to why they would not use the website, about half stated they were unwilling to use the website principally due to their preference for personal service or due to privacy and security concerns. The other half gave reasons which essentially suggest that they are unable to use

²² U.S. Census Bureau, *U.S. Interim Projections by Age, Sex, Race and Hispanic Origin*, Table 1a (March 2004). The Census Bureau projects the Hispanic population alone will rise to almost 48 million by 2010 and exceed 102 million by 2050.

²³ W&I Research, *Opinion Survey of Taxpayer Resources and Services, 2006* – Question 14 – 30.7 – 33 percent of taxpayers stated they are unwilling to call phone representative vs. 34.8 - 41.3 percent for taxpayers with disabilities.

²⁴ 2006 Market Segment Survey – Question 11 – 32.3 – 37.4 percent would use a kiosk to make a payment and 34 - 39.2 percent would use it to file a simple tax return. Forty-five – 50.1 percent of taxpayers stated they would consider using a kiosk in a secure location.

²⁵ W&I Research, *Opinion Survey of Taxpayer Resources and Services, 2006* – Question 10 – 45.9 – 48.5 percent of taxpayers are not willing to use the automated phone service. To obtain refund information, 24.1 – 26.5 would use the service compared with 16.7 - 22.8 of those with disabilities. Only 36.3 – 40 percent of taxpayers over 60 are willing to use automated telephone service.

the web. This latter group will be explored further in the “Needs” section to follow.²⁶ These results mean that a number of taxpayers, likely between 13.5 and 18.5 million, are currently unable or unwilling to use the IRS website for the services they received from other sources.

NEEDS

Nearly 25 percent of taxpayers do not have Internet access, with more than twice as many taxpayers over 60 not having Internet access as those 60 or younger.²⁷ This figure compares with Census Bureau Reports that show about 45 percent of households did not have Internet access at home in late 2003. Households headed by those 65 or older were nearly four times less likely to have Internet access than younger households.²⁸

Among taxpayers who have used IRS services in the last two years, about 45 percent of those who called IRS and more than 75 percent of those who visited the IRS stated they would not use the IRS website. When probed further as to why they would not use the website, more than half stated a reason that suggests that they could not use the website due to lack of computer equipment, Internet access, or computer savvy.²⁹

The chart below shows the reasons taxpayers stated as to why they would not use the IRS website. Taxpayers giving the following responses likely could not use the website correctly and conveniently to obtain the service they received:

- ◆ Don't like Internet/computers;
- ◆ Don't have a computer;
- ◆ Don't know how;
- ◆ Information hard to find;
- ◆ Internet too complicated; and

²⁶ IRS Oversight Board, *2006 Service Channels Survey*, Questions 17, 19 & 20 – About fifty percent (42.5 - 57.5) of taxpayers who called or visited the IRS are unwilling to use irs.gov, (37.2 - 52.7 percent of those who called and 60.5 - 92.7 percent of those who visited the IRS stated they would not use the IRS Internet site). More than 23 percent of taxpayers called or visited the IRS within the last two years, which translates to roughly 32 million taxpayers using these services (based on a filing population of slightly less than 135 million). About half of these people who use IRS phone or TAC office services, approximately 16 million taxpayers, are unable or unwilling to use the Internet. *IRS 2006 Filing Season Statistics, Cumulative Through 10/27/06*, Individual Income Tax Returns total receipts = 134,919,000.

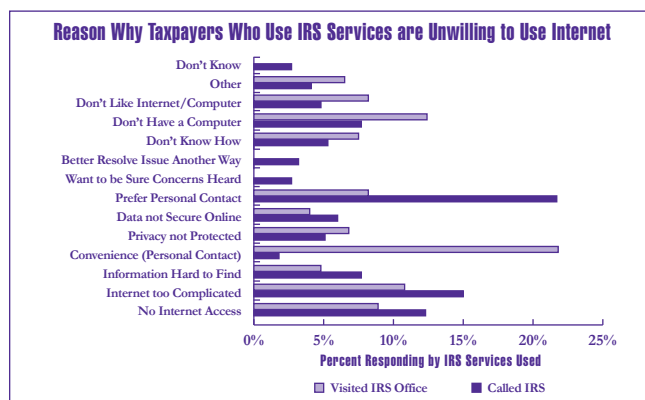
²⁷ W & I Research, *Opinion Survey of Taxpayer Resources and Services, 2006* – Question 7 – 22.5 – 24.6 percent of taxpayers do not have Internet access. Eighteen to twenty one (18 - 20.6) percent of taxpayers 60 or younger do not have Internet access, while 39.2 – 43 percent of taxpayers older than 60 do not have Internet access.

²⁸ U.S. Census Bureau, *Current Population Survey*, Table 1A (Oct. 2003).

²⁹ IRS Oversight Board, *2006 Service Channels Survey*, Questions 17, 19 & 20 – About fifty percent (42.5 - 57.5) of taxpayers who called or visited the IRS are unwilling to use irs.gov, (37.2 - 52.7 percent of those who called and 60.5 - 92.7 percent of those who visited the IRS stated they would not use the IRS Internet site). More than 23 percent of taxpayers called or visited the IRS within the last two years, which translates to roughly 32 million taxpayers (based on a filing population of slightly less than 135 million) using these services. About half of these people who use IRS phone or TAC office services, approximately 16 million taxpayers, are unable or unwilling to use the Internet. *IRS, 2006 Filing Season Statistics, Cumulative Through 10/27/06*, Individual Income Tax Returns total receipts = 134,919,000.

- ◆ No Internet access.

FIGURE 5: REASONS FOR UNWILLINGNESS TO USE INTERNET SITE



Source: 2006 Oversight Board Service Channels Survey, Questions 19 & 20, chart excludes those who wrote to the IRS due to the small number of respondents.

Until these barriers to Internet use can be addressed, eliminating the option of being able to call or visit the IRS means that it is likely these taxpayers would not be able to use the IRS website for the service they received, increasing the burden for these taxpayers to comply with their tax obligations.

BARRIERS

To encourage taxpayers currently using in-person assistance channels to use lower cost web based self-help services, the IRS must identify the barriers currently deterring taxpayers from using the web. Following are some of the barriers TAB research has identified to date.

- ◆ Lack of personal computers and Internet access

Nearly 25 percent of taxpayers do not have Internet access.³⁰ Additionally, more than 25 percent of taxpayers stated that they are unwilling to use the IRS website for any service activities in the future.³¹

- ◆ Publicity about Internet security issues and identity theft

Approximately 75 percent stated they were not secure sharing personal information via the Internet.³² Privacy concerns and Internet security issues are driving this unwillingness to share personal information via the Internet. Any instance in which data is lost or identities are

³⁰ W & I Research, *Opinion Survey of Taxpayer Resources and Services, 2006* – Question 7 – 22.5 – 24.6 percent.

³¹ W & I Research, *Opinion Survey of Taxpayer Resources and Services, 2006* – Question 8 – 25.3 – 27.4 percent.

³² IRS Oversight Board, *2006 Service Channels Survey*, Question 11 – 70.2 – 76.2 percent do not feel secure sharing personal information over the Internet. Reasons include privacy concerns 33.4 – 40.8 percent and Internet security issues 41.9 – 49.6 percent.

stolen has the potential to negatively impact the types of transactions taxpayers are willing to conduct using the Internet.

◆ **Lack of computer skills**

About 45 percent of those who called the IRS and more than 75 percent of those who visited the IRS stated they would not use the IRS website. When probed further as to why they would not use the website, more than half stated a reason that suggests that they could not use the website due to lack of computer equipment, Internet access, or computer savvy.³³ This means that these taxpayers, likely between 13.5 and 18.5 million in number, are unable or unwilling to use the IRS website for the service they received.

◆ **Income and Age**

Fewer low income taxpayers and older taxpayers have used the IRS website within the last two years than their counterparts.³⁴

◆ **Tax Law and Procedural Complexity**

Nearly 20 percent of taxpayers stated they wished that they had better reading and writing skills in English.³⁵ This may indicate that even if taxpayers are able to get the information they are looking for, they may have difficulty comprehending the meaning if it is delivered in a written format.

Additionally, more than half of taxpayers indicated they have difficulty understanding tax forms.³⁶ More taxpayers who hire tax professionals reported having difficulty understanding tax forms than self preparers.³⁷ This data suggests that taxpayers may lack the skills and abilities to understand IRS documentation as it is currently presented.

◆ **Changes in life that impact tax return**

³³ IRS Oversight Board, *2006 Service Channels Survey*, Questions 17, 19 & 20 – About 50 percent (42.5 - 57.5) of taxpayers who called or visited the IRS are unwilling to use irs.gov (37.2-52.7 percent of those who called and 60.5 – 92.7 percent of those who visited the IRS stated they would not use the IRS Internet site). More than 23 percent of taxpayers called or visited the IRS within the last two years, which translates to roughly 32 million taxpayers using these services (based on a filing population of slightly less than 135 million). About half of these people who use IRS phone or TAC office services, approximately 16 million taxpayers, are unable or unwilling to use the Internet. IRS 2006 Filing Season Statistics, Cumulative through 10/27/06, Individual Income Tax Returns total receipts = 134,919,000.

³⁴ IRS Oversight Board, *2006 Service Channels Survey*, Questions 17, D2, & D5 – 10.1 - 19.4 percent of taxpayers with incomes less than \$35,000 have used irs.gov in the last two years compared with 25.3 - 32.3 percent of taxpayers with higher incomes. Similarly, 5.6 - 13.7 percent of taxpayers 65 or older used irs.gov, with 24.9 - 31.6 percent of those taxpayers younger than 65 using the website.

³⁵ IRS Oversight Board, *2006 Service Channels Survey*, Question 11 – 14.7 - 19.6 percent expressed a desire for better reading and writing skills in English.

³⁶ IRS Oversight Board, *2006 Service Channels Survey*, Question 12 – 48.1 – 54.7 percent have difficulties understanding tax forms.

³⁷ IRS Oversight Board, *2006 Service Channels Survey*, Questions 12 & S4 – 29.6 -39.7 percent of self preparers indicated they have difficulties understanding tax forms as compared with 57.1 - 65.8 percent of those using a paid professional.

More than 50 percent of taxpayers indicated that they have had some type of significant life change such as marriage, divorce, or retirement within the last two years.³⁸ This finding suggests that many taxpayers may have a change in their circumstances that will make return preparation more complex than it has been in previous years. These taxpayers may need some assistance completing their tax returns.

◆ **Groups with special needs - language, disabilities, age, income**

As a governmental entity, the IRS must provide some level of service to all taxpayers. Consequently, the IRS cannot forego offering services to groups of taxpayers who are difficult or costly to serve. Not all taxpayers have access to alternative sources of tax information and services. Typically these groups have less access or are less able to use self-service options such as the Internet, automated phone services, and kiosks. For a more detailed discussion on taxpayers with special service needs, see the Most Serious Problems on Reasonable Accommodations for Taxpayers with Disabilities and Limited English Proficient (LEP) Taxpayers: Language and Cultural Barriers to Tax Compliance, found in the National Taxpayer Advocate's 2006 Annual Report to Congress, Volume I.

- ◆ Approximately 12 percent of taxpayers have some type of disability.³⁹
- ◆ Around six percent of taxpayers speak a language other than English at home.⁴⁰
- ◆ About 30 percent of taxpayers make less than \$35,000 annually.⁴¹
- ◆ About 20 percent of taxpayers are 65 or older.⁴²

³⁸ IRS Oversight Board, *2006 Service Channels Survey*, Question D10 – 53.5 – 60 percent had some significant life change within the last two years.

³⁹ W & I Research, *Opinion Survey of Taxpayer Resources and Services*, 2006 – Question 19 - 87.2 - 88.7 percent of taxpayers do not have a disability.

⁴⁰ W & I Research, *Opinion Survey of Taxpayer Resources and Services*, 2006 – Question 20 – 5.4 – 6.8 percent speak a language other than English.

⁴¹ IRS Oversight Board, *2006 Service Channels Survey*, Question D5 – 25.8 – 32 percent of taxpayers make less than \$35,000.

⁴² IRS Oversight Board, *2006 Service Channels Survey*, Question D2 – 16.3 – 21.1 percent of taxpayers are 65 or older.

CONCLUSIONS

While the IRS is gaining insight into its customer base, there is still much left to learn about taxpayers' service needs. Some taxpayer segments, such as the elderly or low income taxpayers, have different service needs than the general population. The IRS must gain an understanding of the needs of different customer segments to develop a strategy for providing services that adequately meets taxpayers' service needs.

A strategy for migrating taxpayers to self-help options must consider the reason for contact, as taxpayers' willingness to use self-help options vary by the nature of the contact. Taxpayers are apprehensive about conducting transactions that include personal information over the Internet. Taxpayers' computer skills will also impact IRS attempts to encourage taxpayers to use the Internet or other self-service vehicles. Taxpayers who are unwilling or unable to navigate self-help service options must have services available to meet their needs. Otherwise, reduction in IRS service offerings has the potential to negatively affect taxpayers' voluntary compliance with tax obligations.

Taxpayers who hire a tax professional to prepare their returns and taxpayers who use software programs to prepare their tax returns also use IRS services. The IRS must therefore plan to continue to meet the service needs of these taxpayers as well.

RECOMMENDATIONS

The IRS should continue efforts to learn more about the service needs of taxpayers. In order for the IRS to make sound decisions regarding resource allocation, without adversely impacting taxpayer compliance and increasing taxpayer burden, the National Taxpayer Advocate makes the following recommendations.

- ◆ Conduct additional research studies to provide more insight into taxpayers needs.
- ◆ Update existing studies so data may be linked between studies. For example, a set of common demographic questions should be used to allow consistent segmentation. This would allow for findings for a particular taxpayer segment to be drawn from more than one survey.
- ◆ Update current information every few years.
- ◆ Conduct additional research studies to learn more about the barriers to use that taxpayers encounter when using our services. These studies should be done by taxpayer segment within a service channel.
- ◆ Consider increasing sample sizes as needed to provide sufficient responses for important service use details by segment and with reasonable confidence intervals.
- ◆ Use existing data sources such as census data to identify taxpayers' characteristics in different geographical areas.

The IRS should develop strategies and criteria for deciding where to place IRS Taxpayer Assistance Center offices, in consultation with its stakeholders.

The IRS should design a marketing plan that identifies customer segments and includes strategies for providing services to each customer segment. This plan should:

- ◆ Consider new technology adoption rates, particularly among the special needs groups.
- ◆ Identify tasks or problems that lend themselves to self – help service options versus those that require assistance.