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Comprehensive Taxpayer Attitude Survey (CTAS) 2018 Executive Report

Table of Contents

Background..... 3

Findings and Recommendations..... 6

Attitudes Towards Cheating and Paying Their Fair Share of Taxes.....11

Enforcement of Tax Laws by the IRS.....17

Factors Influencing Taxpayer Compliance.....20

Balance Between Enforcement and Customer Service.....24

IRS Services Provided to Taxpayers.....29

Tax Information Sources.....38

Interaction with the IRS.....43

Protection of Tax Records.....48

Background

Study Objectives

The objectives of the CTAS research study were three-fold:

- To conduct an RDD phone survey to capture updated time series data on taxpayers' tax compliance attitudes, service channel preferences, and behaviors, which can be compared to findings from previous surveys, providing insights into any changes in taxpayer views over time.
- To conduct a concurrent survey utilizing an online, representative, nationwide panel-based sampling methodology, allowing RAAS to continue to assess the benefits of using this methodology in future survey efforts.
- To provide RAAS with market research expertise to develop potential new survey questions that provide greater insight into taxpayer attitudes, preferences, and behaviors that are of strategic importance to tax administration and in keeping with the responsibilities of RAAS.

Methodology

Pacific Consulting Group (PCG) conducted the 2018 Comprehensive Taxpayer Attitude Survey (CTAS) from August 1 – August 28, 2018, collecting a total of 2,008 surveys from the general public.*

- PCG employed a multi-mode data collection methodology, comprised of telephone and online random sampling to ensure a representative sample of U.S. adults, aged 18 or over.
 - A total of 1,002 telephone survey responses** were collected via random digit dialing (RDD) to households with landlines in the continental U.S. (501 interviews) and to cell phone numbers (501 interviews). The interviewing methodology used was Computer Assisted Telephone Interviewing (CATI).
 - A total of 1,006 online survey responses** were collected. PCG subcontracted with GfK to provide the online sample from their probability based online panel, KnowledgePanel®. This panel uses an Address-Based Sampling (ABS) methodology which randomly recruits members by mail.
- Survey data from each data collection mode was weighted separately to allow for analysis of each sample separately and comparatively. The phone and online samples were also combined by generating an additional ‘blended’ weight variable.
- This survey has been sponsored by the IRS Oversight Board since 1999. Last year, 2017, was the first year the survey was sponsored by the RAAS Division.

* Margin of error: +/- 2.2% at 95% confidence level

** Response rate (total # completed interviews/total # contacts) was 2.7% for phone survey and 57.8% for online survey

Findings and Recommendations

Major Findings, 1 of 3

Ethical attitudes towards paying taxes remain high among Americans. The majority of Americans continue to say that it is not at all acceptable to cheat on taxes (85%), that it is every American's civic duty to pay their fair share of taxes (95% agree), and that everyone who cheats on their taxes should be held accountable (90% agree).

A sense of civic duty to pay a fair share of taxes increases as education level and age increase.

As income decreases, Americans are more likely to agree that they should only pay what they feel is a fair amount.

Trust in the IRS to enforce tax laws has grown significantly since 2014.

About 80% of taxpayers say it is very important that the IRS ensures that corporations and high income taxpayers are being honest about taxes.

Personal integrity continues to be the main factor that influences tax compliance. However, the influence of personal integrity on tax compliance is lower for younger generations of taxpayers.

Increasing education levels positively affects the influence of personal integrity.

Major Findings, 2 of 3

Nearly half of Americans say that there is a proper balance between enforcement and customer service programs.

However, there has been a slight shift in preference towards enforcement in 2018 compared to 2017.

Increasingly, most Americans would like to see additional funding to support both enforcement and customer service.

Electronic filing of income taxes is important to American taxpayers; with importance increasing as education levels rise.

The website and the toll-free telephone number are the top 2 IRS services. The IRS should prepare for greater demand for tax applications on mobile devices, and continue monitoring demand for the telephone service, which may be decreasing.

Taxpayers place the most value on the tax advice and information they receive from the IRS website, paid tax professionals, and IRS representatives. A majority of the youngest group of taxpayers (18-24 years old) value all information sources available to them.

The use of a paid tax professional increases as taxpayer age increases.

Major Findings, 3 of 3

Eight out of ten taxpayers are satisfied with their interactions with the IRS. However, more educated taxpayers are less likely to be satisfied.

In the past year, one in ten taxpayers recall being contacted by the IRS, and about one third of taxpayers initiated contact with the IRS. The most common taxpayer-initiated interactions include a visit to the IRS website (other than to file returns) and/or a telephone call. The likelihood that a taxpayer would initiate contact with the IRS increases as education level increases.

Trust that the IRS protects tax records is high. Seven out of ten taxpayers (rising to eight out of ten aged 18-24) indicate that they trust the IRS to protect their tax account records from cyber criminals.

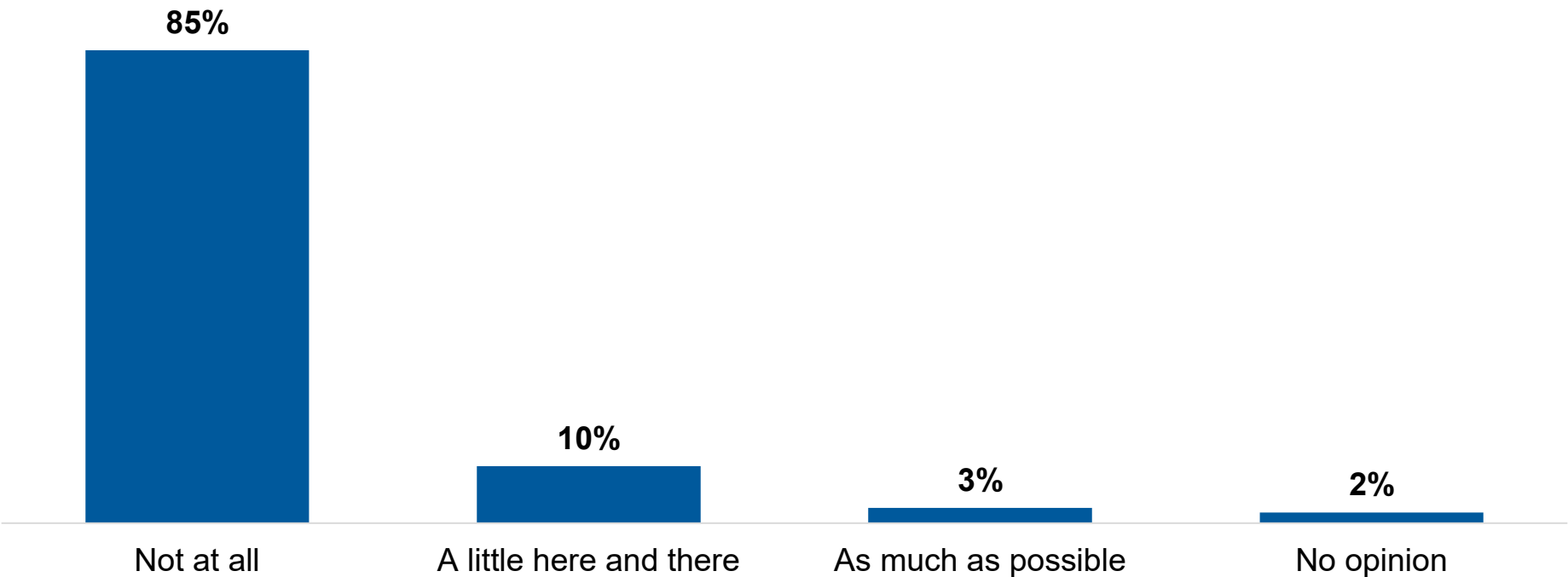
Recommendations: Actions to Improve Taxpayer Experience

- ✓ Continue to invest in the IRS website as a true customer service and problem solving platform.
 - ✓ Use Customer Experience (CX) and User Experience (UX) best practices to increase the level of real assistance provided by the site, using the “one stop resolution” model, so that the first channel used is the last channel used.
 - ✓ Consider the different “jobs” and “knowledge levels” of the different types of website visitors.
- ✓ Fulfill the public’s trust in the knowledge and value of IRS representatives by increasing access.
 - ✓ Consider supplementing toll free access with email access, guiding taxpayers on which channel is best for the assistance they need.
 - ✓ Examine ways to increase IRS-endorsed or IRS-trained tax aides within communities (VITA volunteers).
- ✓ Leverage the younger generation’s adoption of mobile technology, by offering more help and guidance via mobile tax apps.
- ✓ Ensure the public knows about the number of initiatives the IRS is taking to invest in customer service while communicating the IRS’ intent to enforce tax law among all constituencies, including corporations and high income earners, which is essential to maintaining trust in the IRS.

Attitudes Towards Cheating and Paying Their Fair Share of Taxes

The American public continues to have an ethical attitude about cheating on their income taxes

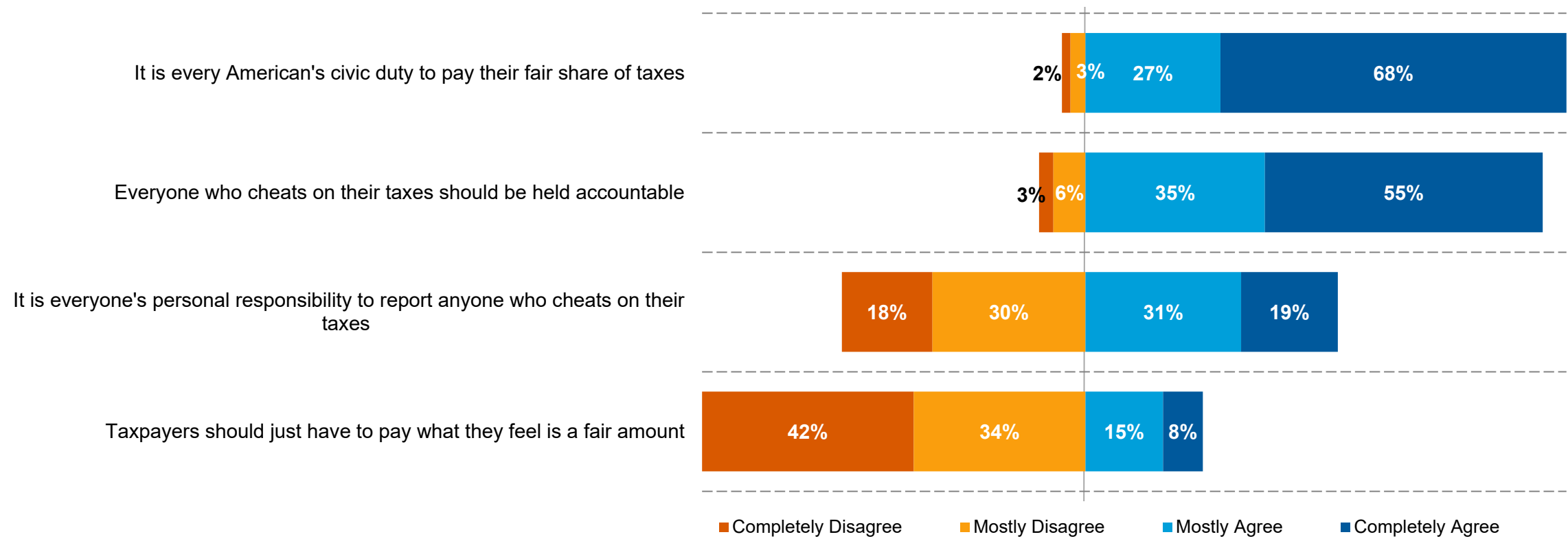
What Is an Acceptable Amount to Cheat on Income Taxes?



Q1: How much, if any, do you think is an acceptable amount to cheat on your income taxes? Would you say...?
Margin of error is +/- 2.2% for blended online/phone respondents.

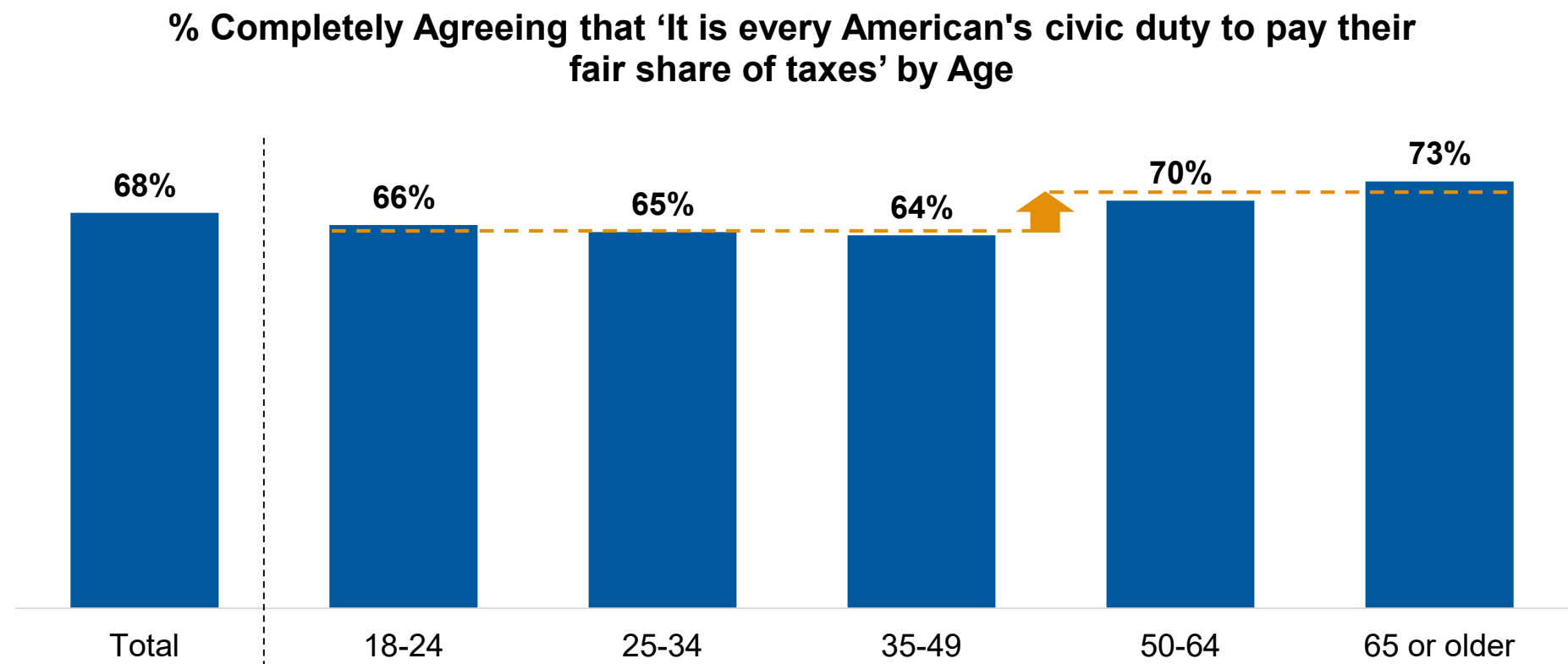
In 2018, a majority of taxpayers agree that it is a civic duty to pay a fair share, and that everyone who cheats should be held accountable

Attitudes about Cheating and Payment of Fair Share of Taxes



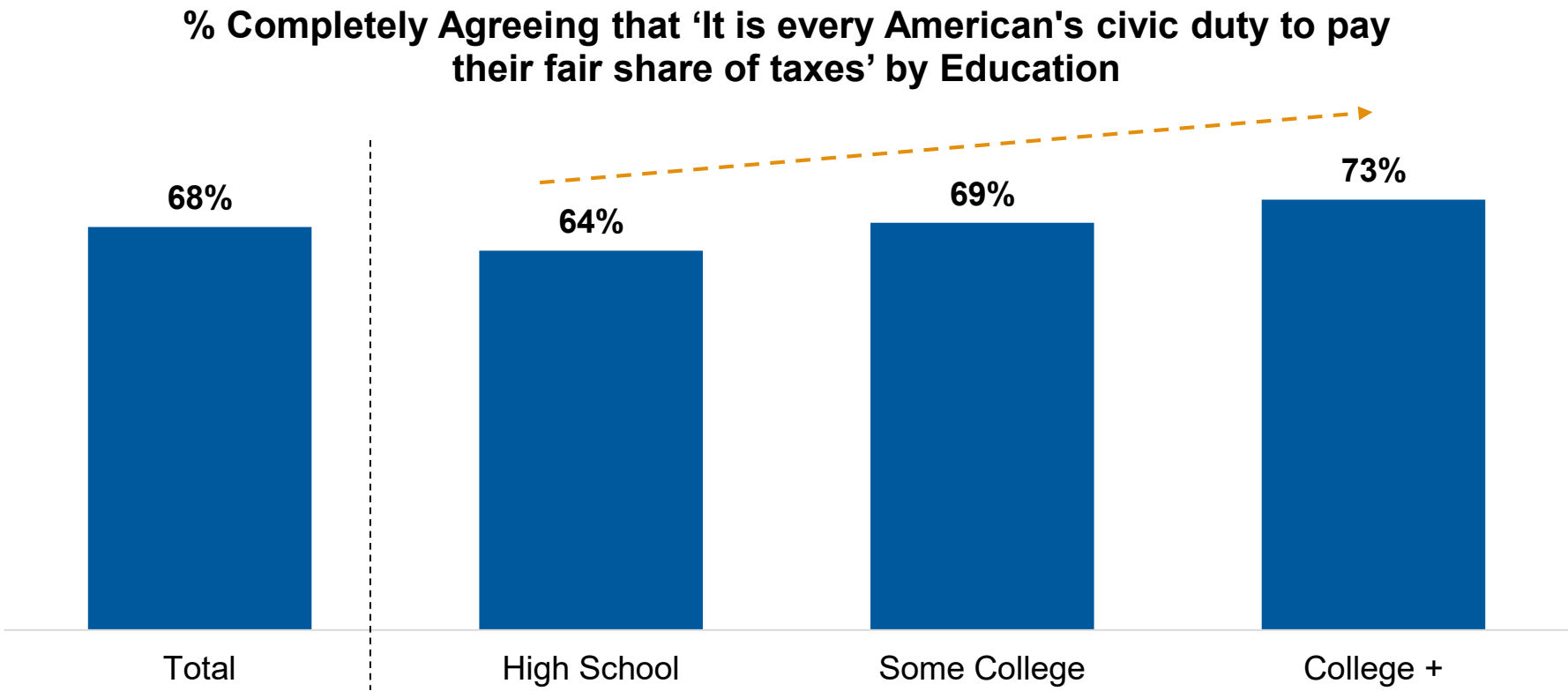
Q2: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree.
Margin of error is +/- 2.2% for blended online/phone respondents. Note: Each stacked bar may not add up to 100% due to “don’t know,” “not applicable,” or “no response.”

Attitudes around whether it is a civic duty to pay a fair share of taxes differs between Millennials/Generation X and Baby Boomers



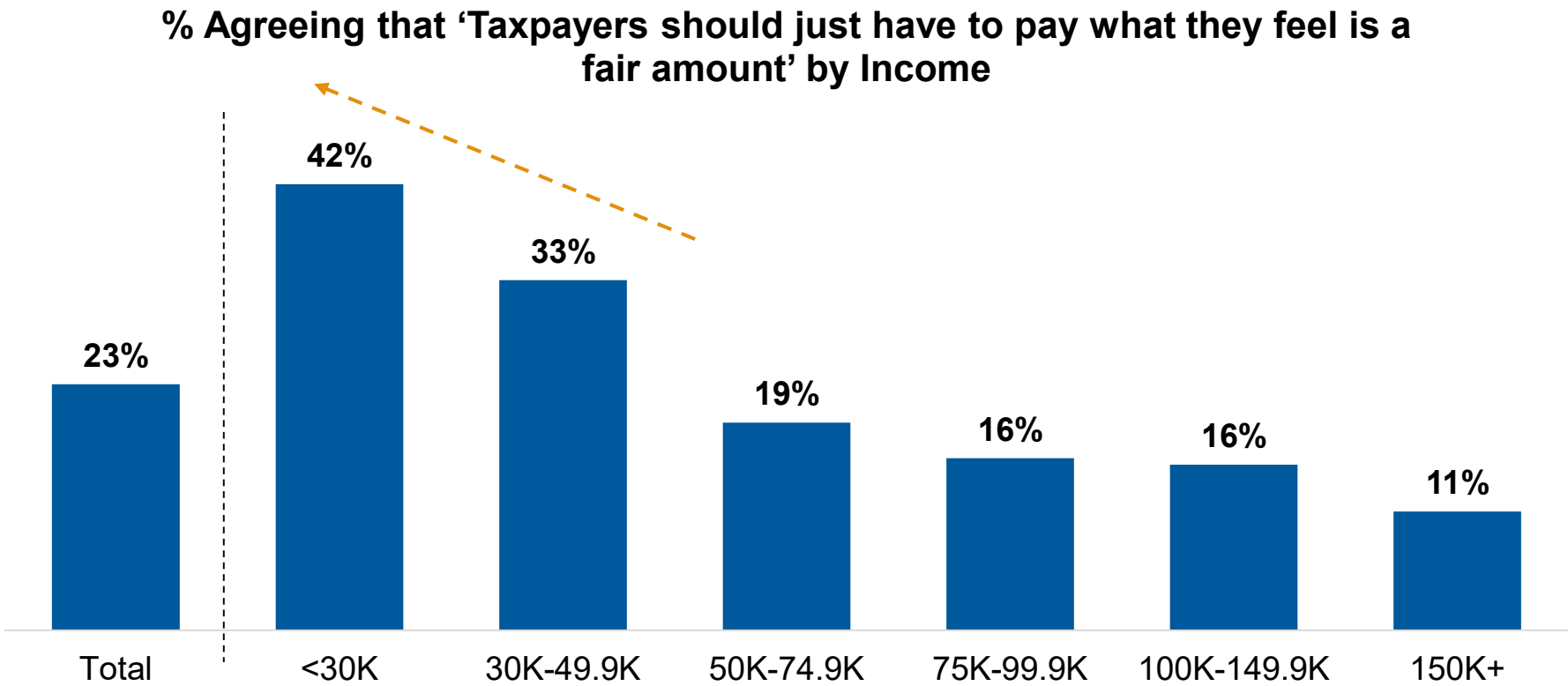
Q2: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage 'completely agree' is shown. Margin of error is +/- 2.2% for blended online/phone respondents.

A sense of civic duty to pay your fair share of taxes increases as education level increases



Q2: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage 'completely agree' is shown. Margin of error is +/- 2.2% for blended online/phone respondents.

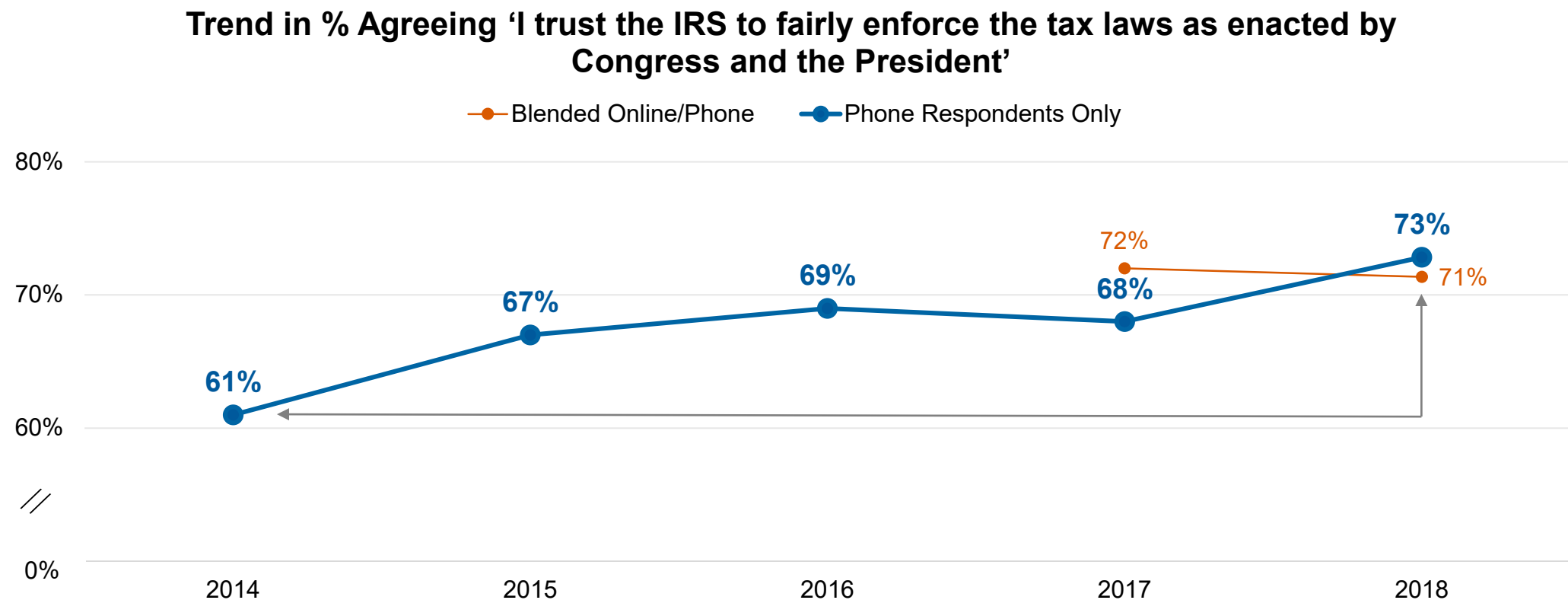
Agreement that taxpayers should just have to pay what they feel is a fair amount is highest among taxpayers with less than \$50K income



Q2: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage 'completely agree' plus 'mostly agree' is shown.
Margin of error is +/- 2.2% for blended online/phone respondents.

Enforcement of Tax Laws by the IRS

Trust in the IRS to enforce tax laws is continuing to grow, increasing from 61% agreeing they trust the IRS to enforce in 2014 to 73% in 2018

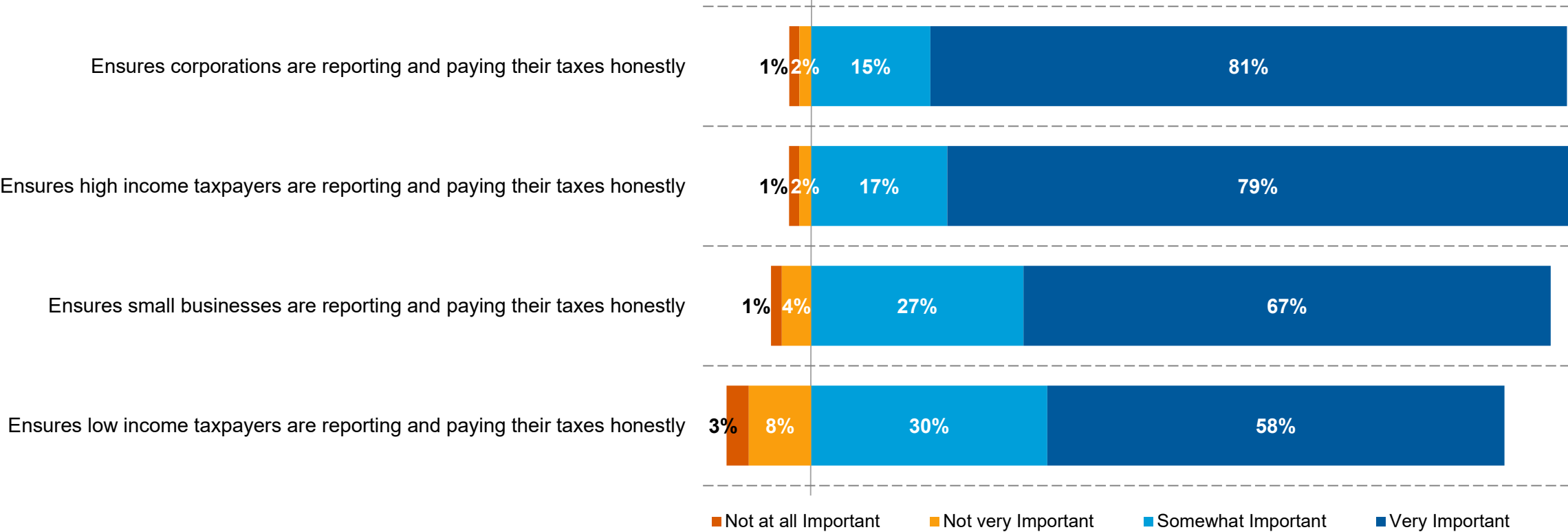


Q2: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage 'completely agree' plus 'mostly agree' is shown.

Margin of error is +/- 2.2% for blended online/phone respondents and +/- 3.1% for phone respondents only.

About 80% of taxpayers say it is very important that the IRS ensures that corporations/high income taxpayers report and pay taxes honestly

Importance of IRS Ensuring Taxpayers Report and Pay Honestly

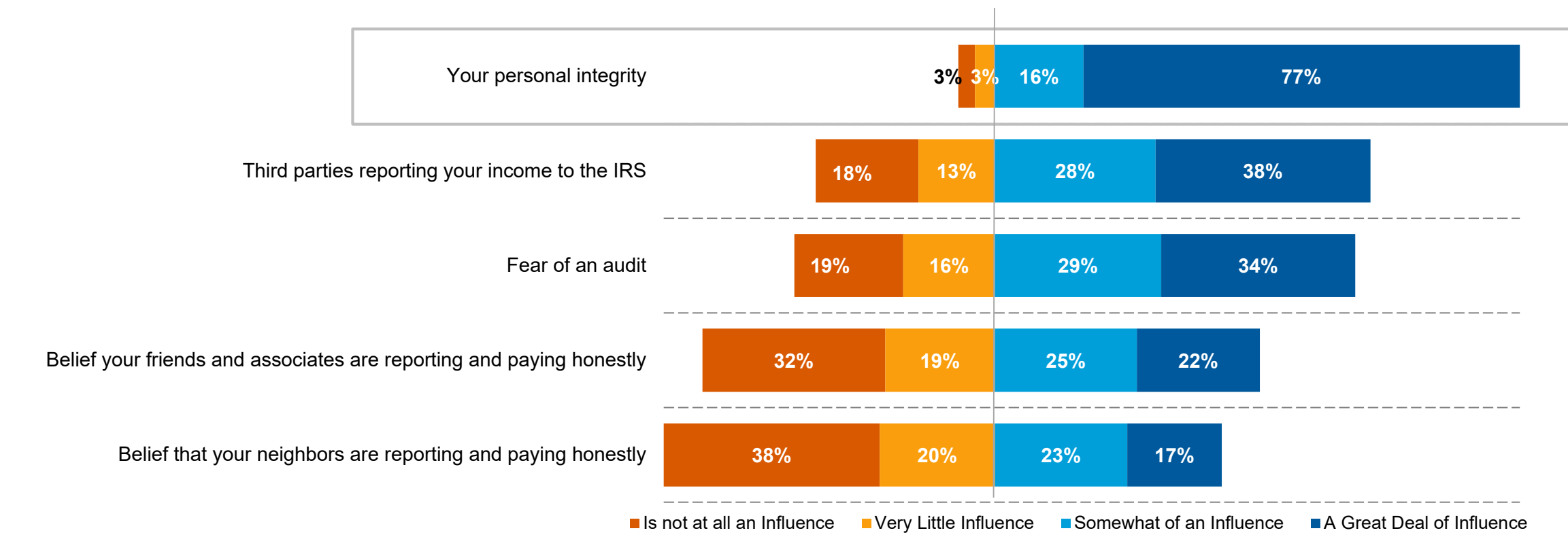


Q3: How important is it to you, as a taxpayer, that the IRS, the Internal Revenue Service, does each of the following to ensure that all taxpayers honestly pay what they owe?
Margin of error is +/- 2.2% for blended online/phone respondents. Note: Each stacked bar may not add up to 100% due to “don’t know,” “not applicable,” or “no response.”

Factors Influencing Taxpayer Compliance

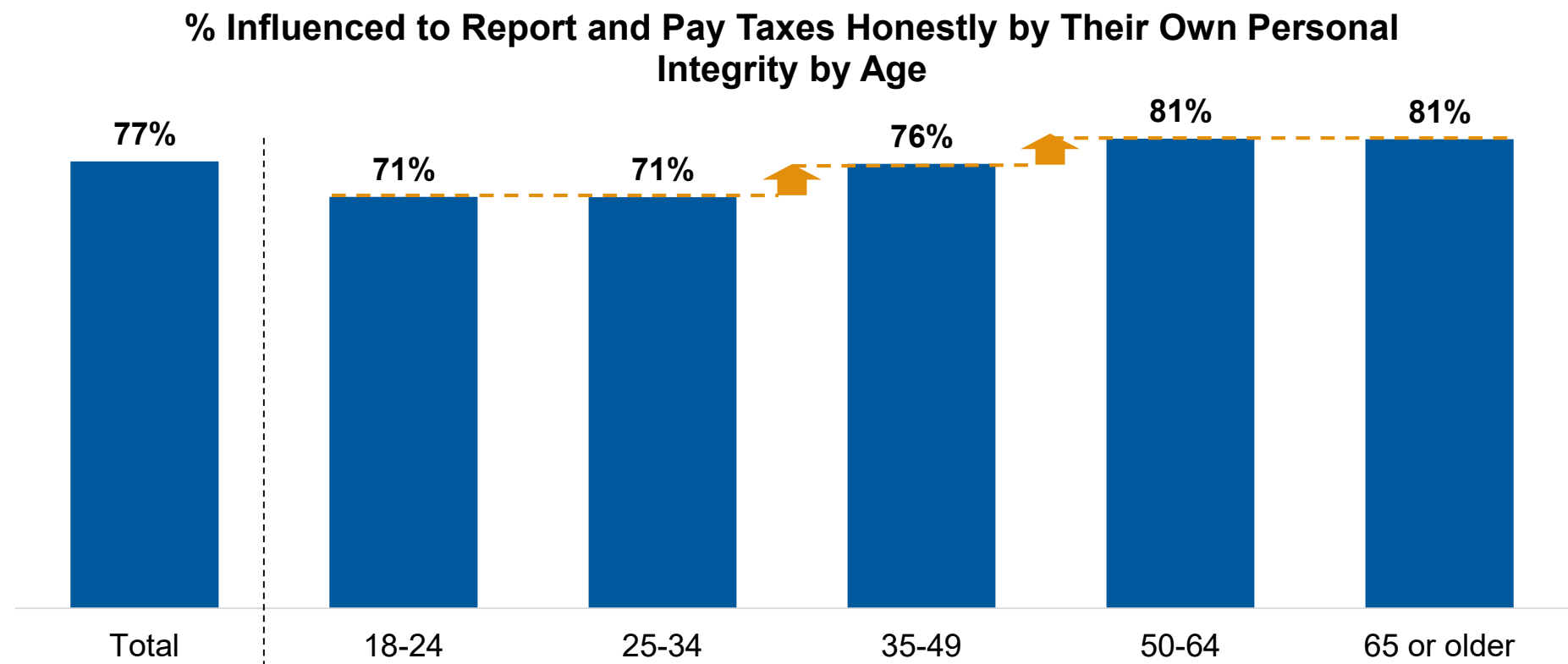
Personal integrity is the main factor influencing honest reporting and paying of taxes, followed by third party reporting and fear of an audit

Influence of Factors In Reporting and Paying Taxes Honestly



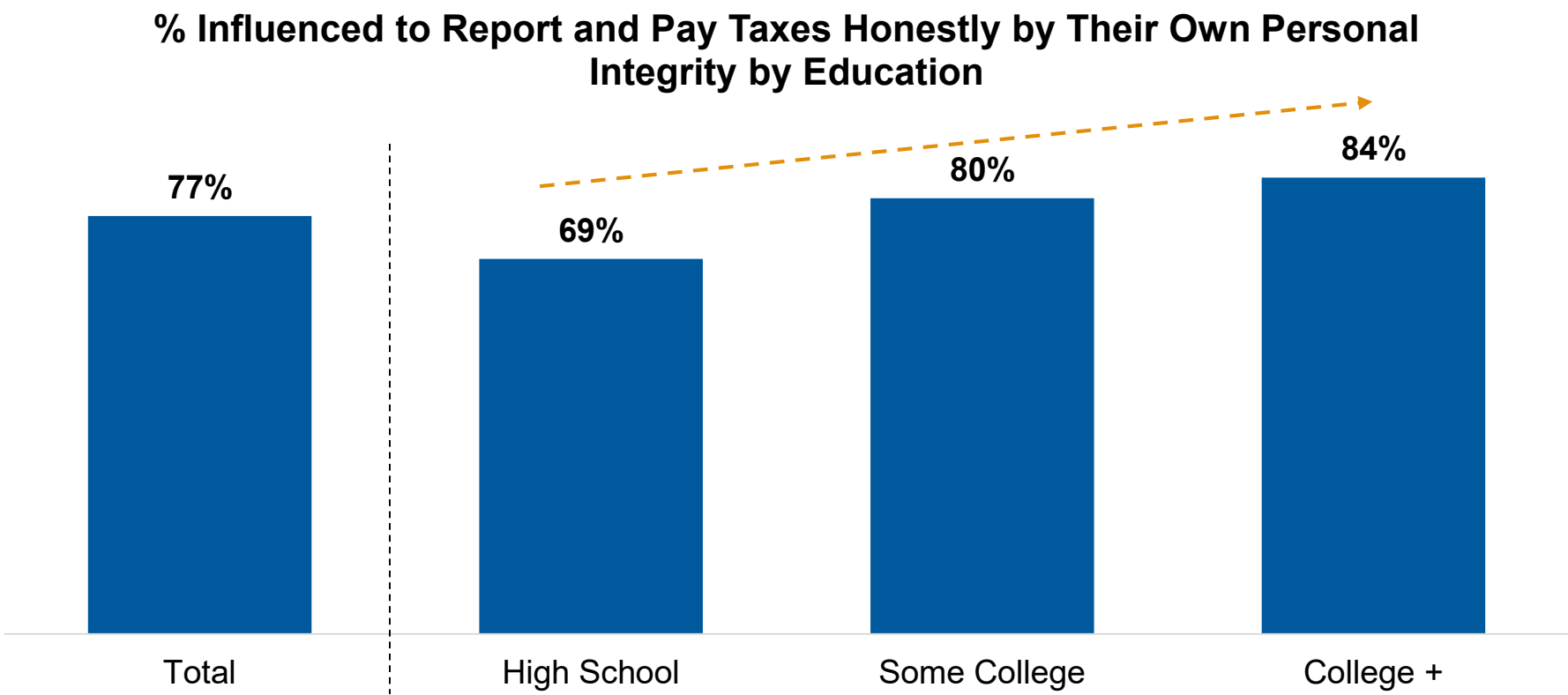
Q4: How much influence does each of the following factors have on whether you report and pay your taxes honestly?
Margin of error is +/- 2.2% for blended online/phone respondents. Note: Each stacked bar may not add up to 100% due to “don't know,” “not applicable,” or “no response.”

The influence of personal integrity on tax compliance is less for younger generations



Q4: How much influence does each of the following factors have on whether you report and pay your taxes honestly? Percentage 'a great deal of influence' is shown. Margin of error is +/- 2.2% for blended online/phone respondents.

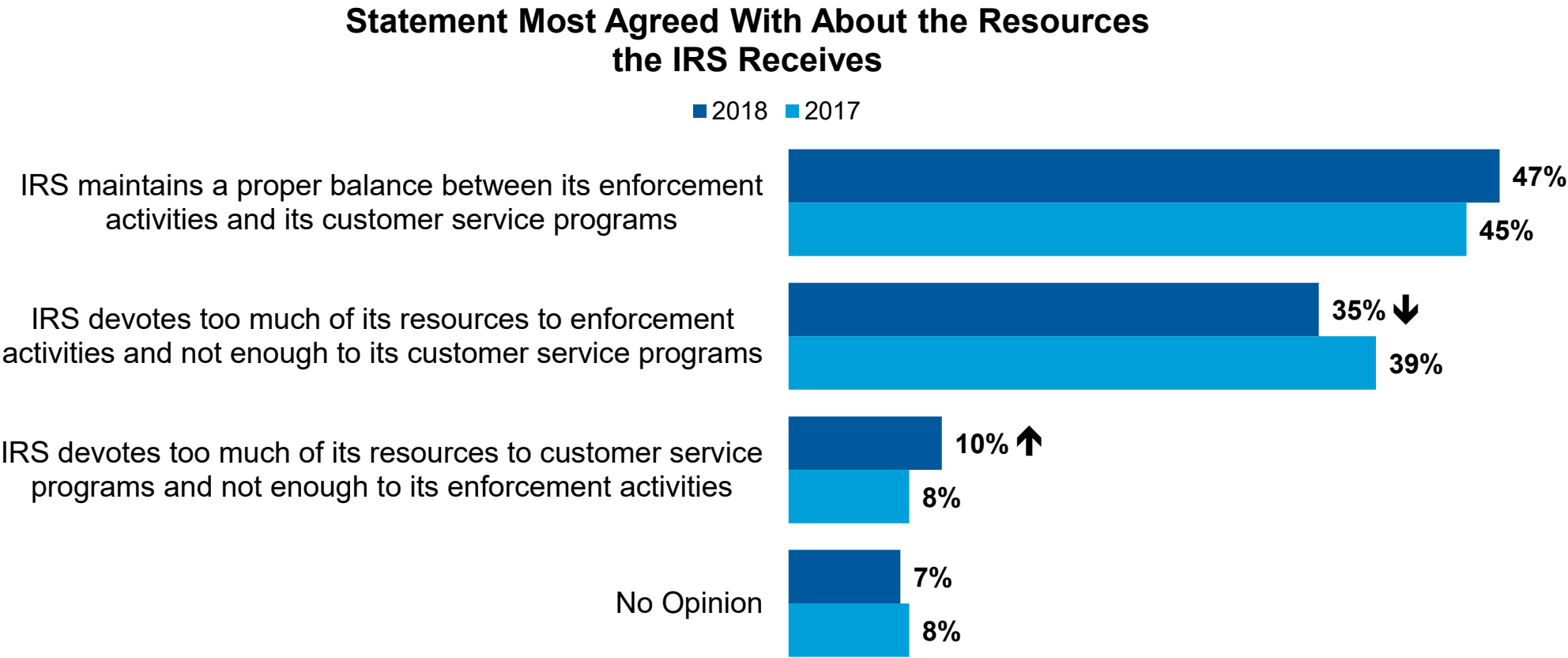
The influence of personal integrity on tax compliance rises as educational level increases



Q4: How much influence does each of the following factors have on whether you report and pay your taxes honestly? Percentage ‘a great deal of influence’ is shown. Margin of error is +/- 2.2% for blended online/phone respondents.

Balance Between Enforcement and Customer Service

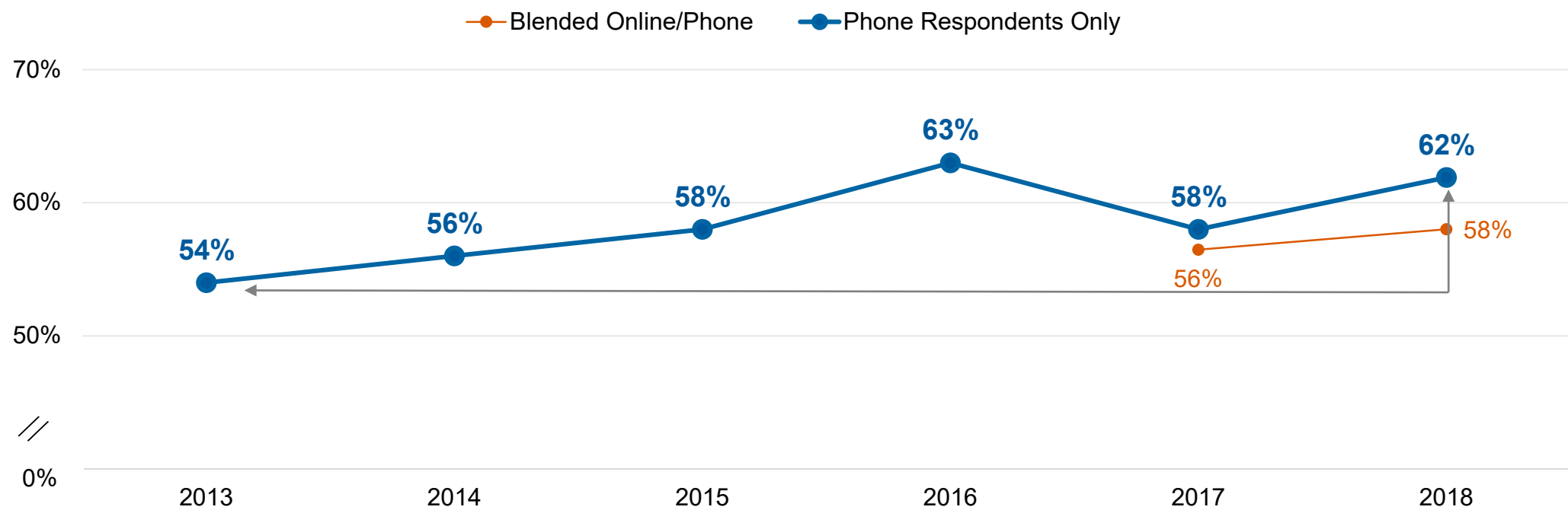
Almost half agree that service and enforcement are properly balanced



Q10a: Considering the resources the IRS receives to do its job, which of the following statements do you most agree with? Do you feel that the...
Margin of error is +/- 2.2% for blended online/phone respondents. Arrows indicate the statistical differences between 2017 and 2018 at the 95% confidence level.

The level of agreement among taxpayers that the IRS should receive extra funding to enforce tax compliance is slowly increasing

Trend in % Agreeing ‘The IRS should receive extra funding to enforce tax laws and ensure taxpayers pay what they owe’

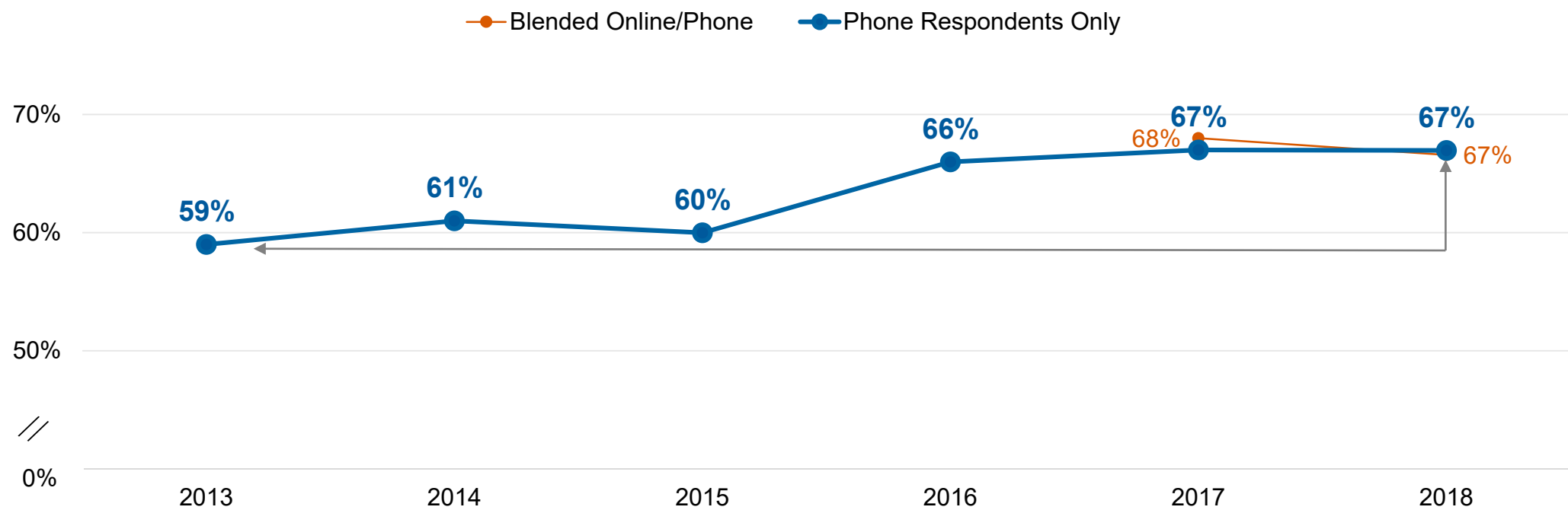


Q11: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage ‘completely agree’ plus ‘mostly agree’ is shown.

Margin of error is +/- 2.2% for blended online/phone respondents and +/- 3.1% for phone respondents only.

The share of taxpayers who agree the IRS should receive extra funding for phone and in person assistance has increased since 2013

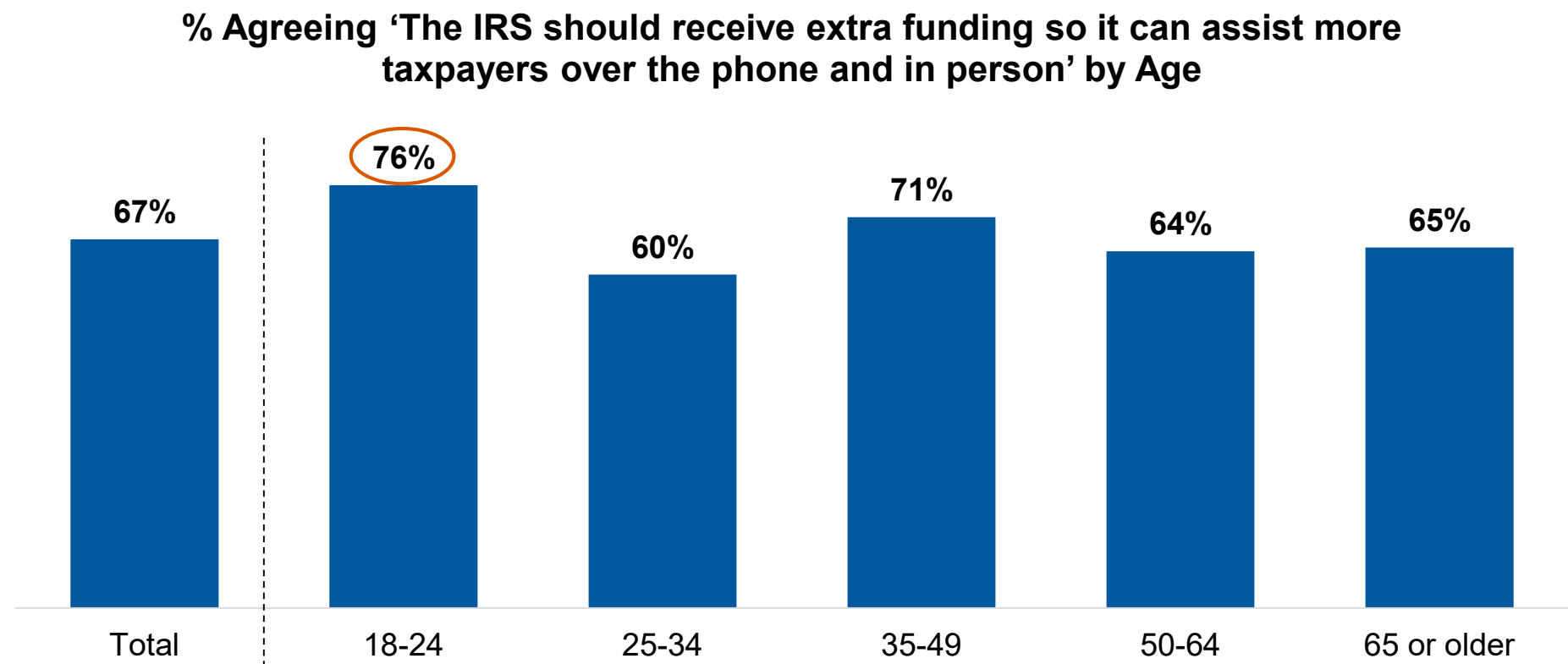
Trend in % Agreeing ‘The IRS should receive extra funding so it can assist more taxpayers over the phone and in person’



Q11: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage ‘completely agree’ plus ‘mostly agree’ is shown.

Margin of error is +/- 2.2% for blended online/phone respondents and +/- 3.1% for phone respondents only.

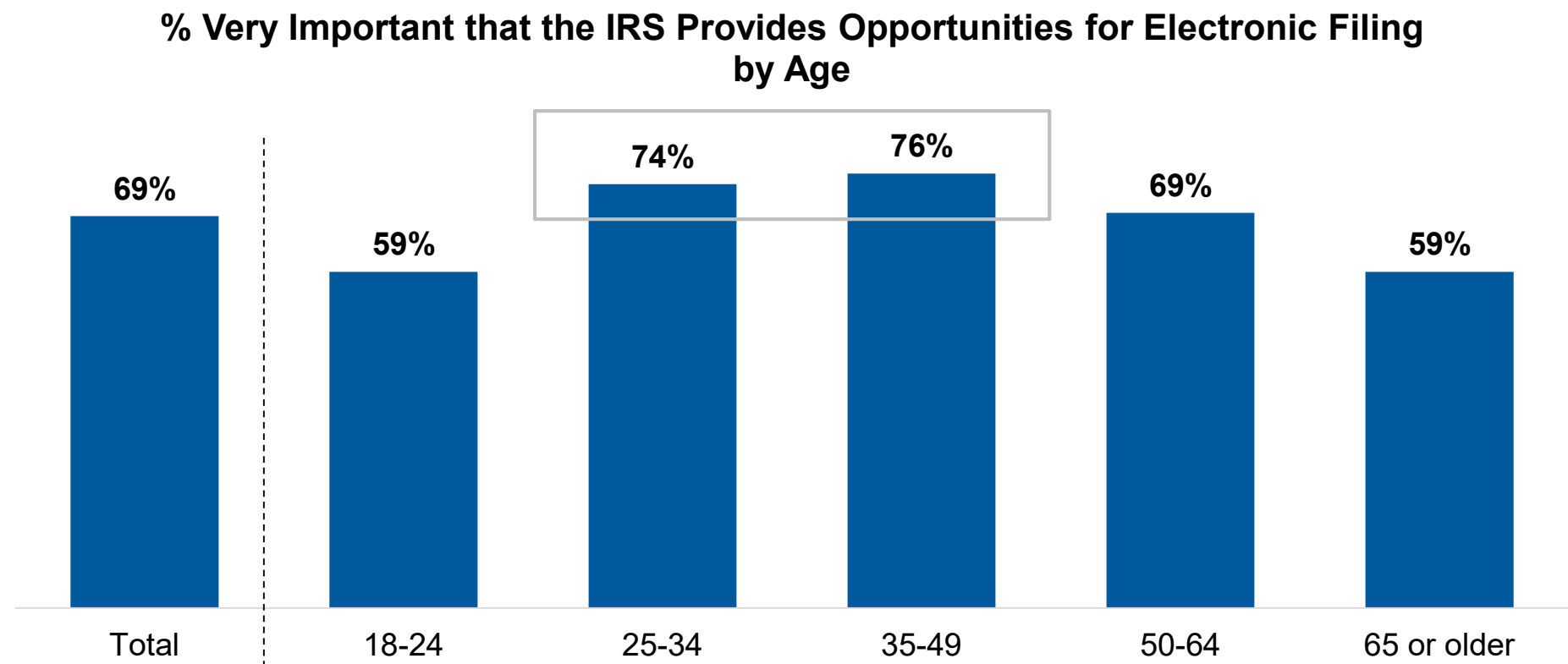
Taxpayers aged 18-24 are most likely to agree that the IRS should receive extra funding to assist more taxpayers by phone and in person



Q11: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage 'completely agree' plus 'mostly agree' is shown.
Margin of error is +/- 2.2% for blended online/phone respondents.

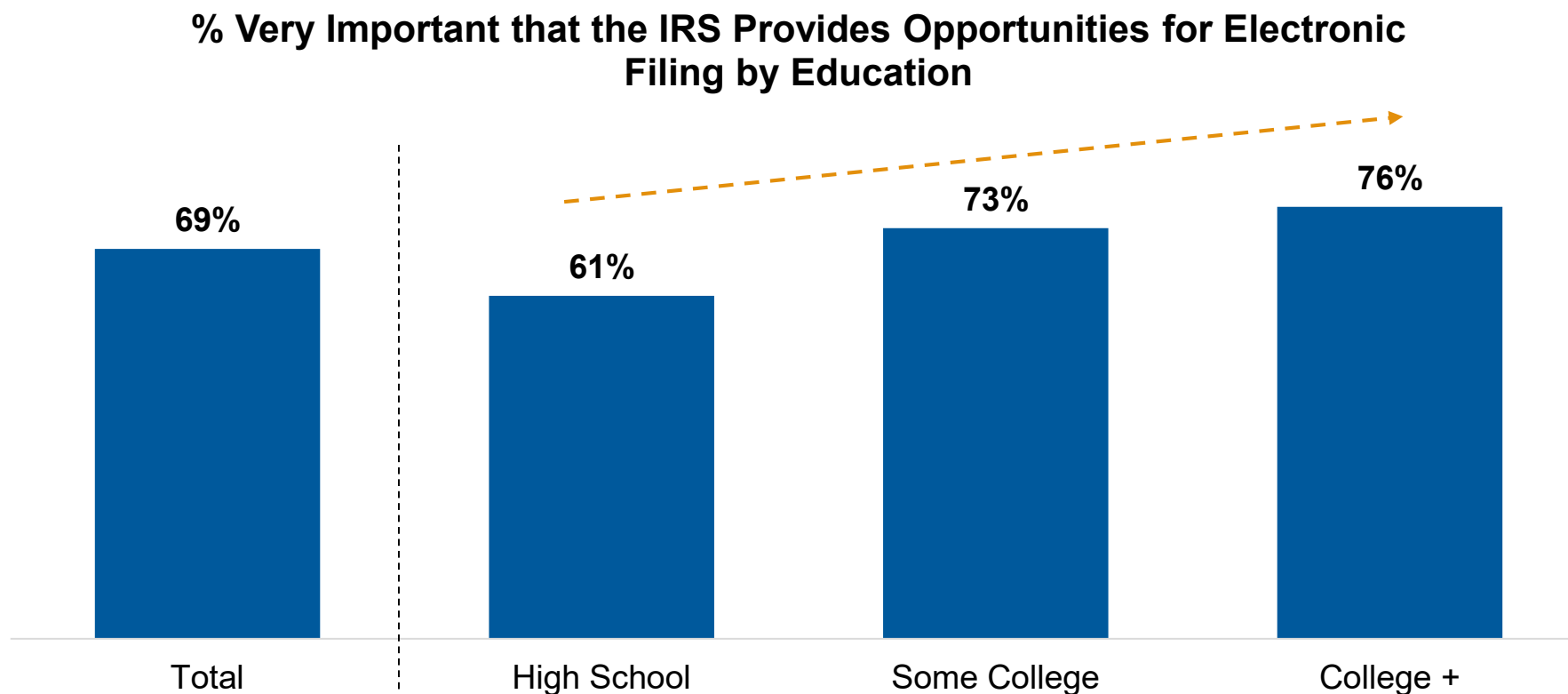
IRS Services Provided to Taxpayers

Electronic filing of tax returns is very important for 69% of taxpayers, and especially important for taxpayers in the 25-49 age group



Q5: How important is it to you, as a taxpayer, that the IRS provides each of the following services to assist taxpayers? Would you say it is very important, somewhat important, not very important, or not at all important? Percentage 'very important' is shown.
Margin of error is +/- 2.2% for blended online/phone respondents.

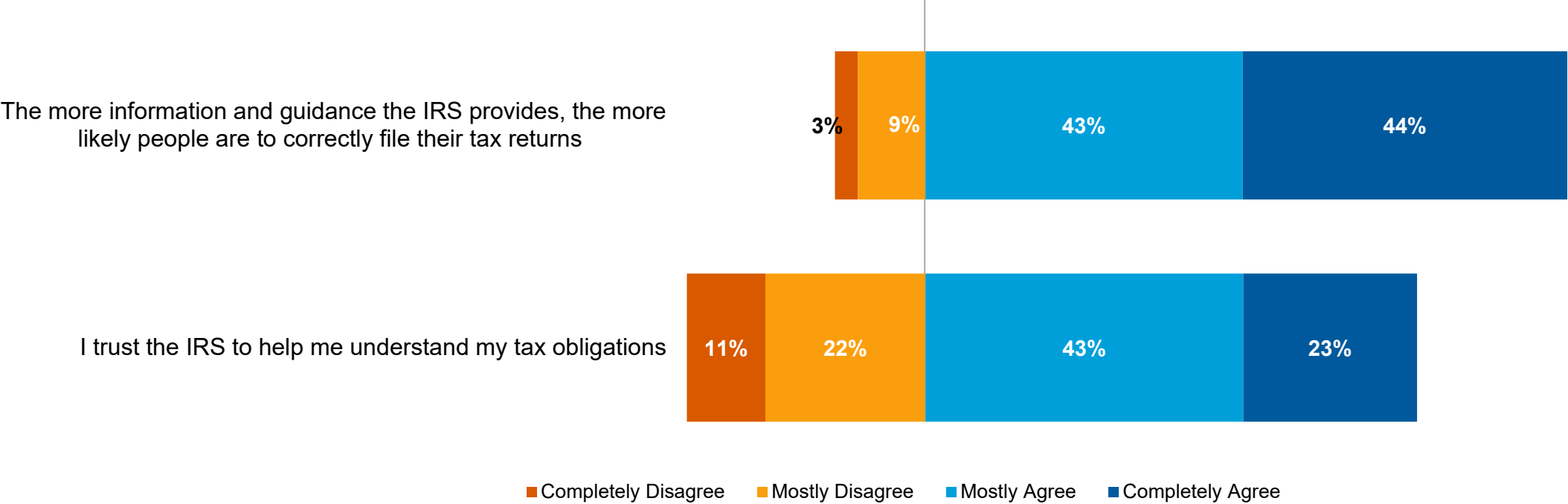
Electronic filing becomes increasingly important to taxpayers as education levels increase



Q5: How important is it to you, as a taxpayer, that the IRS provides each of the following services to assist taxpayers? Would you say it is very important, somewhat important, not very important, or not at all important? Percentage 'very important' is shown.
Margin of error is +/- 2.2% for blended online/phone respondents.

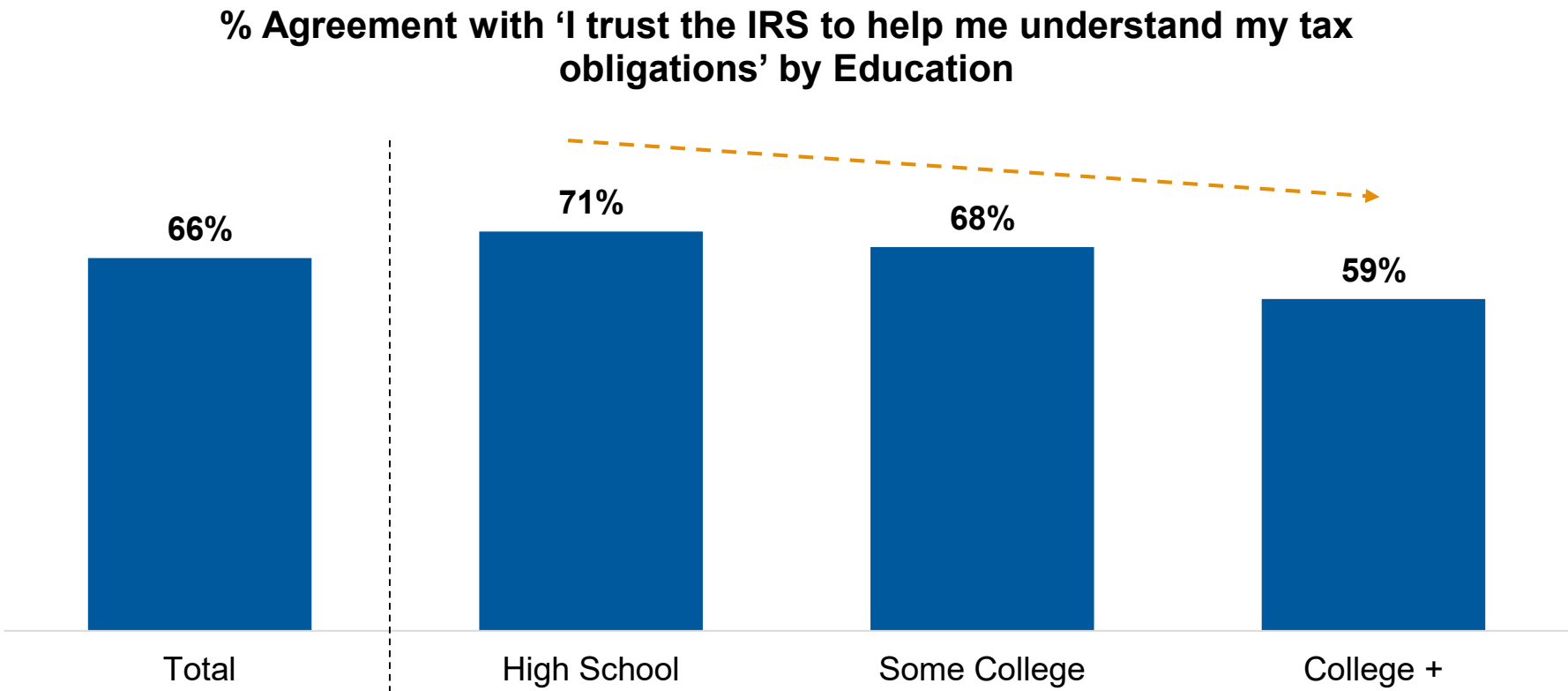
Most taxpayers agree that more information and guidance from the IRS helps them file correctly, and they trust the IRS to help them understand their tax obligations

Agreement with Statements about Guidance and Help from the IRS



Q2: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree.
Margin of error is +/- 2.2% for blended online/phone respondents. Note: Each stacked bar may not add up to 100% due to “don’t know,” “not applicable,” or “no response.”

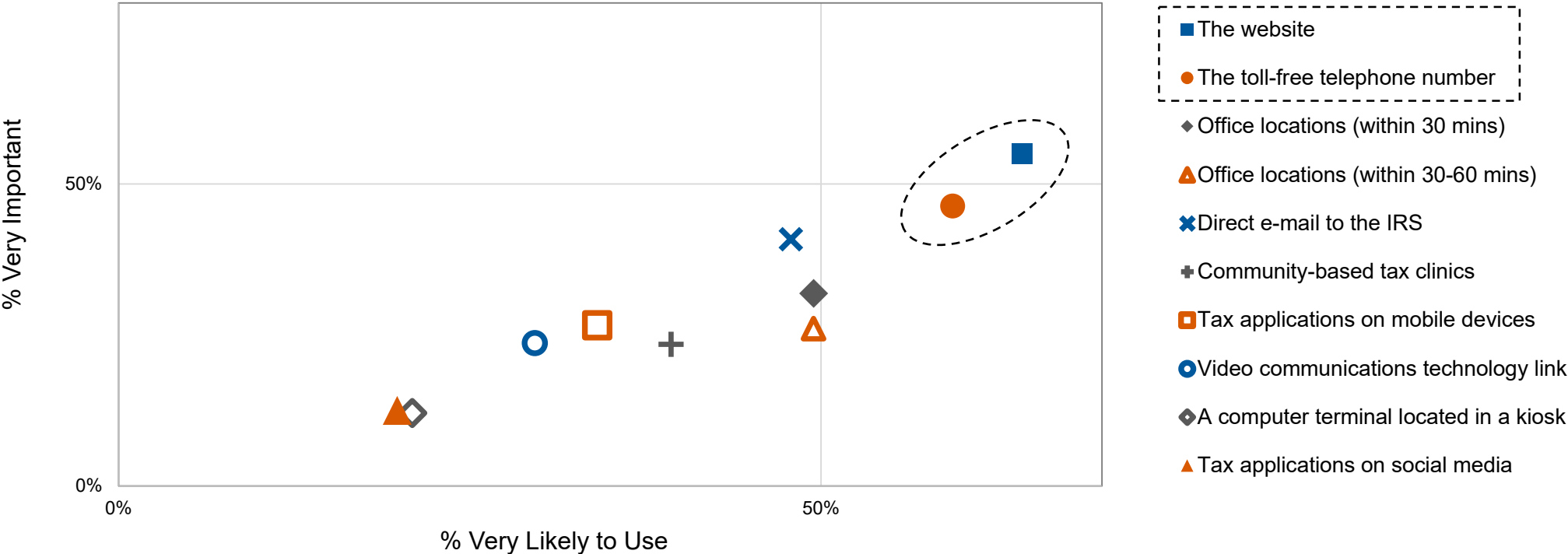
As education levels increase, the trust that taxpayers have that the IRS will help them understand their tax obligations decreases



Q2: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage 'completely agree' plus 'mostly agree' is shown.
Margin of error is +/- 2.2% for blended online/phone respondents.

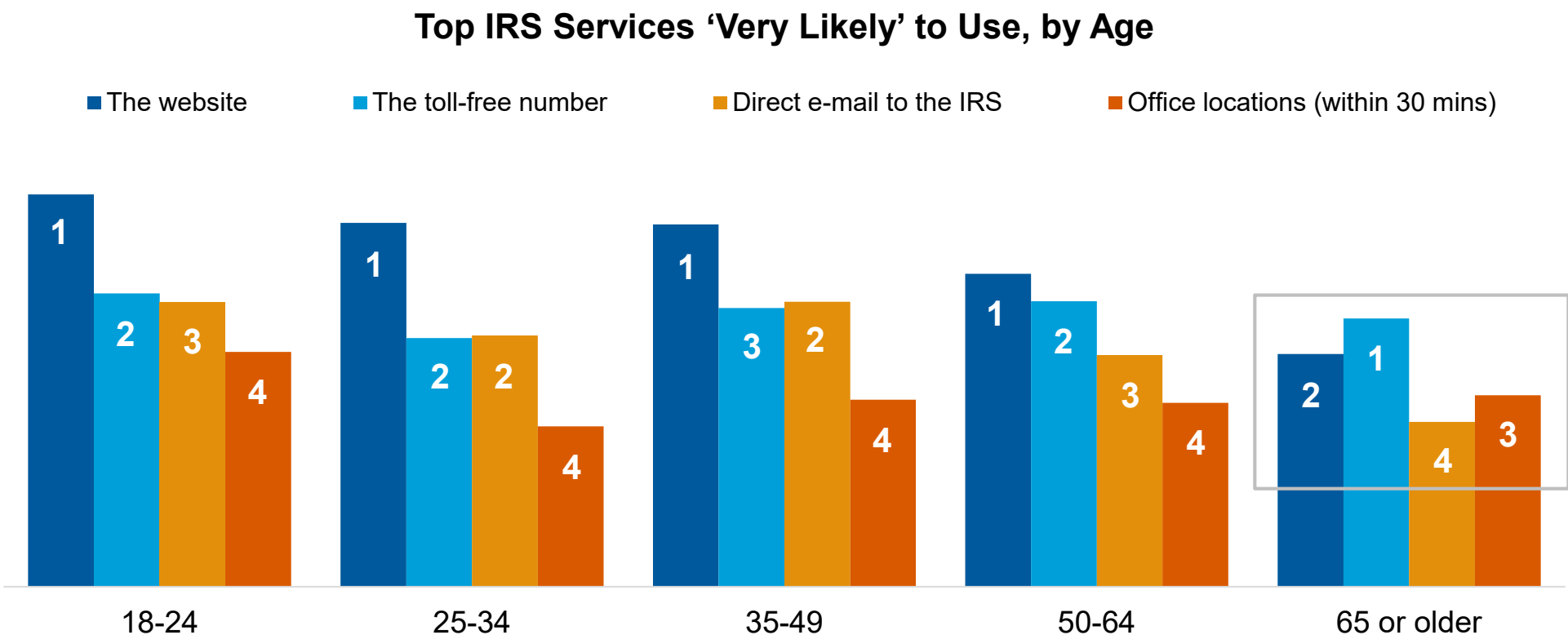
Taxpayers say the website and the toll-free telephone number are the most important services for the IRS to provide

IRS Services: Importance versus Likelihood to Use



Q5: How important is it to you, as a taxpayer, that the IRS provides each of the following services to assist taxpayers? Would you say it is very important, somewhat important, not very important, or not at all important?
Q6: How likely would you be to use each of the following services for help with a tax issue? Would you be very likely, somewhat likely, not very likely, or not at all likely?
Margin of error is +/- 2.2% for blended online/phone respondents.

Taxpayers aged 65 and older prefer the toll-free number over the website, and the office location (within 30 mins) over direct email

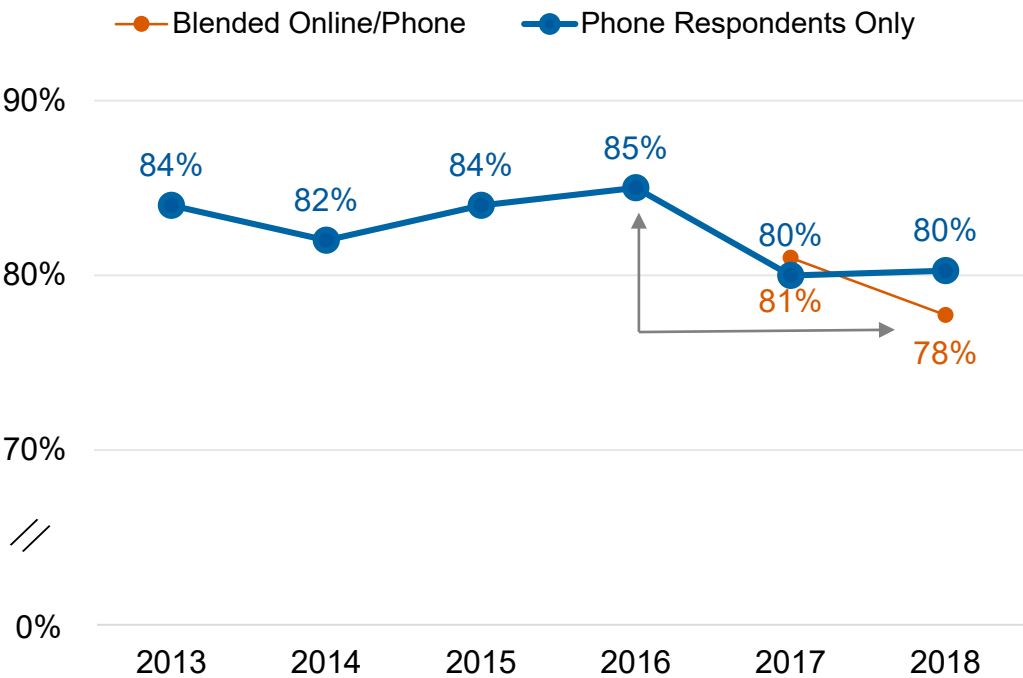


Q6: How likely would you be to use each of the following services for help with a tax issue? Would you be very likely, somewhat likely, not very likely, or not at all likely? Percentage ‘very likely’ is shown.
Margin of error is +/- 2.2% for blended online/phone respondents.

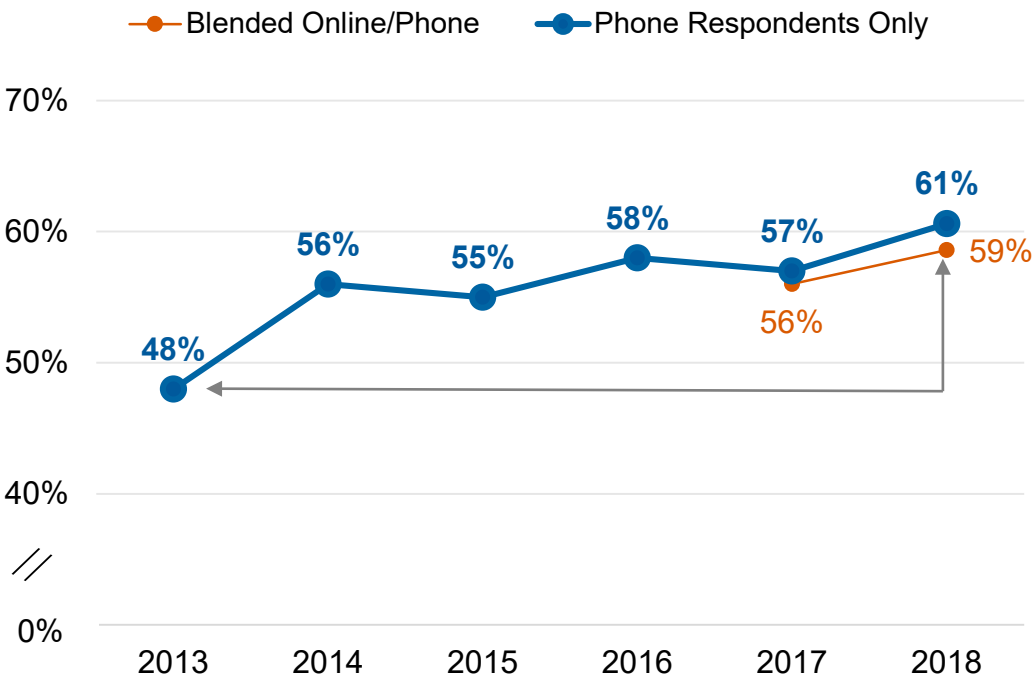
Likelihood to use toll-free telephone service is beginning to decrease, while concurrently, likelihood to use mobile tax apps is increasing

Trend in % Likely to Use

A toll-free telephone number to answer your questions



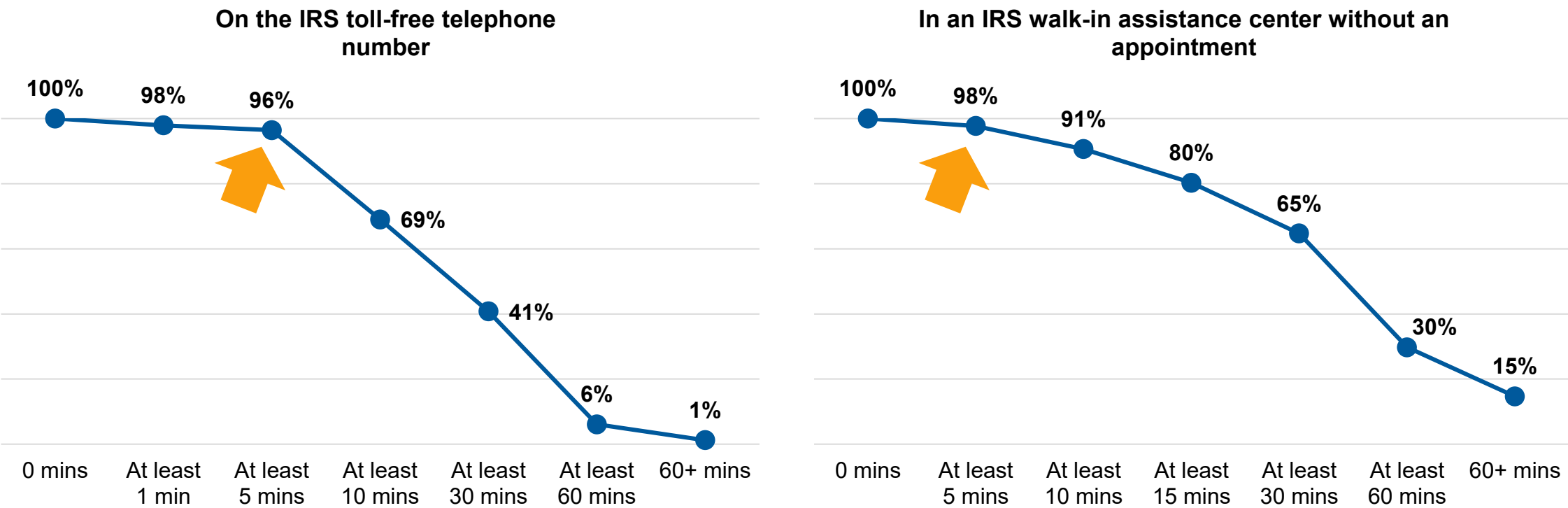
Tax applications on mobile devices like smartphones or tablets



Q6: How likely would you be to use each of the following services for help with a tax issue? Would you be very likely, somewhat likely, not very likely, or not at all likely? Percentage 'very likely' plus 'somewhat likely' is shown.
Margin of error is +/- 2.2% for blended online/phone respondents and +/- 3.1% for phone respondents only.

The optimal time to serve taxpayers is within 5 minutes on the phone and at the walk-in assistance center

Time Willing to Wait to Speak to a Customer Representative

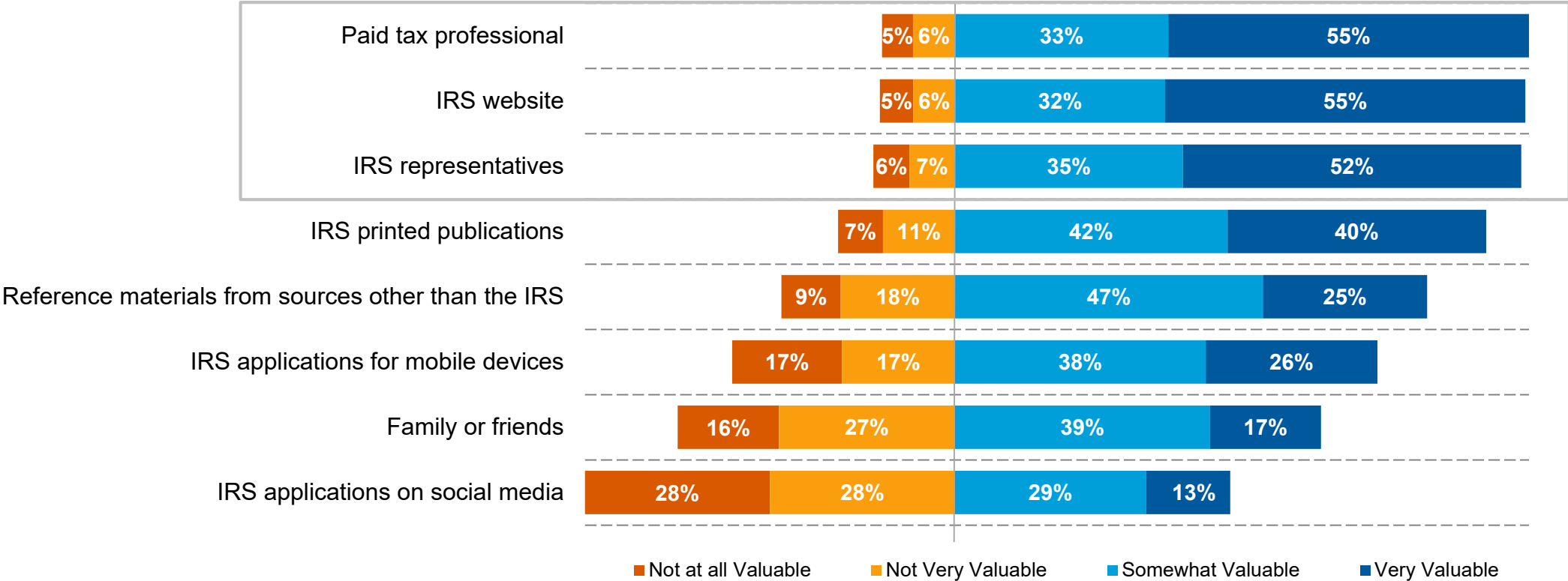


How long are you willing to wait to speak to a customer representative... (Data totaled cumulatively and might not add to 100% due to rounding)
Q7. When calling an IRS toll-free telephone number? Base: those likely to use a toll free number.
Q8a: If you visited an IRS walk-in assistance center without an appointment? Base: those likely to use office location, Margin of error is +/- 2.2% for blended online/phone respondents.

Tax Information Sources

More than half of taxpayers say the IRS website, IRS representatives, and paid tax professionals are ‘very valuable’ sources for tax advice

Value of Sources of Getting Tax Advice or Information

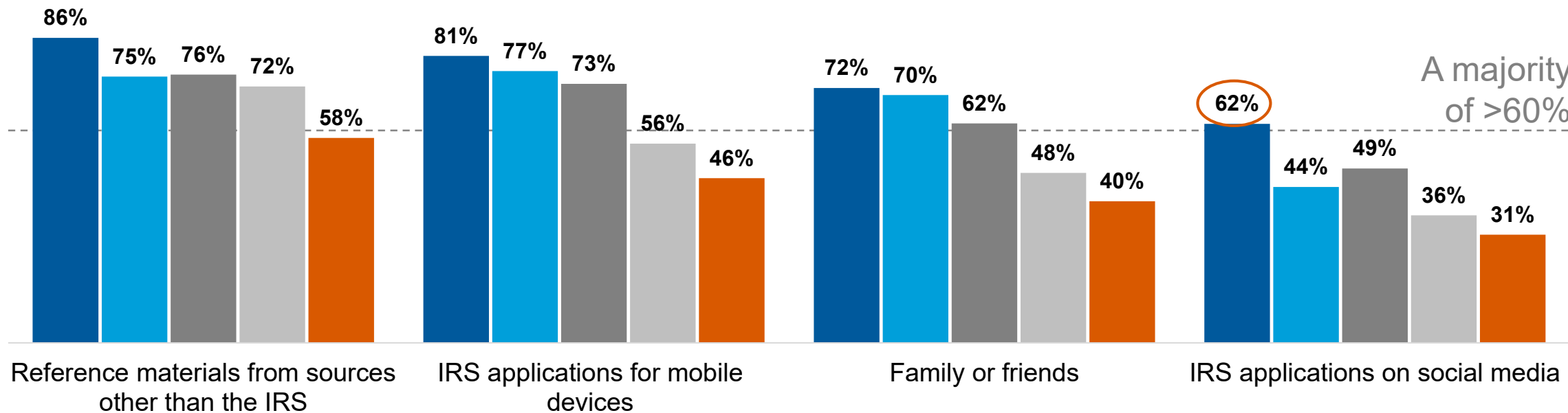


Q9: How valuable would you say each of these sources is for getting tax advice or information?
Margin of error is +/- 2.2% for blended online/phone respondents. Note: Each stacked bar may not add up to 100% due to “don’t know,” “not applicable,” or “no response.”

The value of some information sources correlates with age – a majority of young taxpayers say IRS applications on social media are valuable

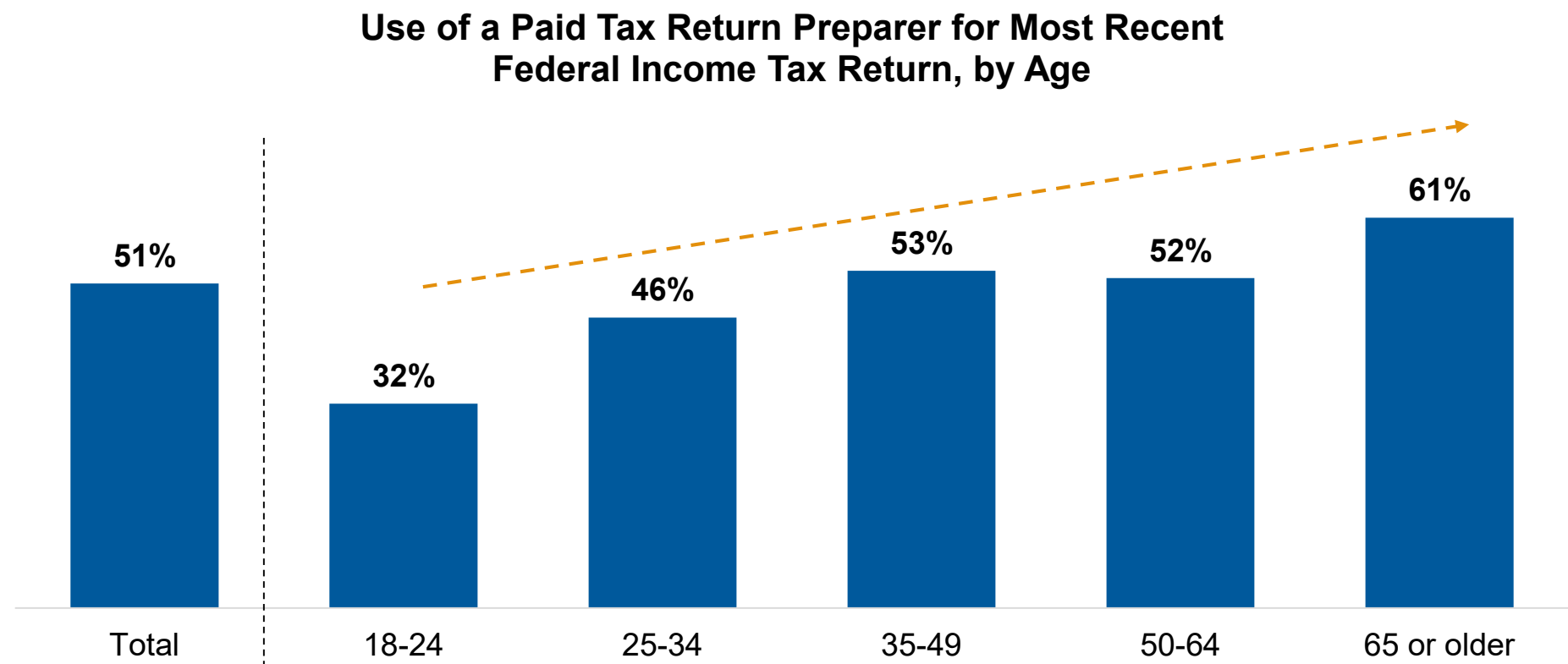
Valuable Sources of Tax Advice or Information that Vary By Age

■ 18-24 ■ 25-34 ■ 35-49 ■ 50-64 ■ 65 or older



Q9: How valuable would you say each of these sources is for getting tax advice or information? Percentage 'very valuable' plus 'somewhat valuable' is shown. Margin of error is +/- 2.2% for blended online/phone respondents.

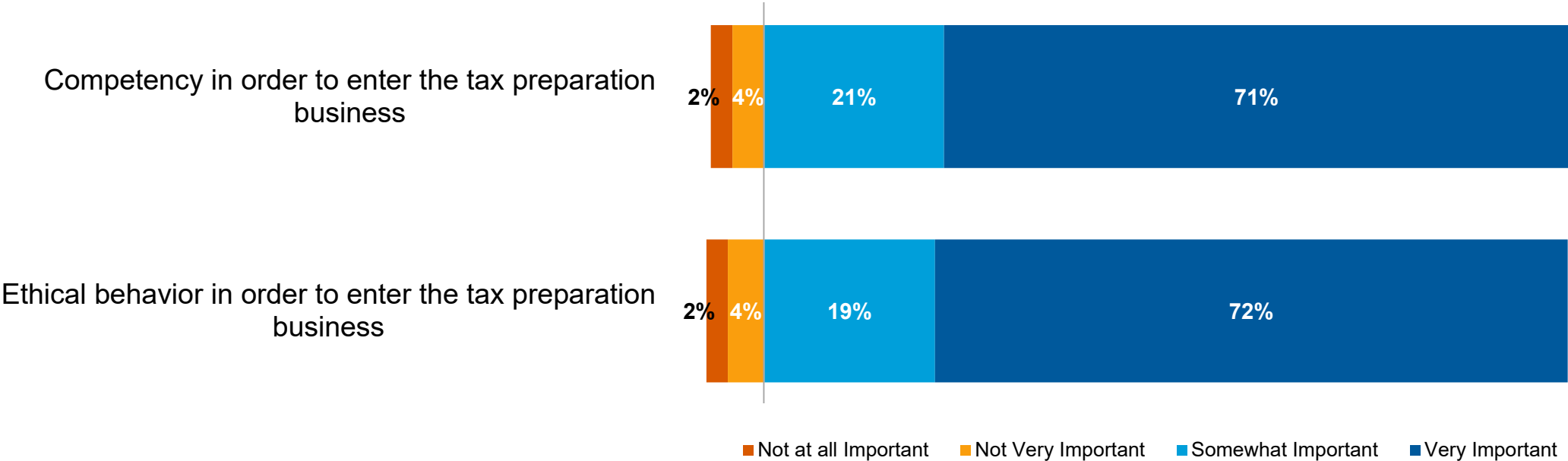
Half of all taxpayers used a paid tax preparer for their most recent income tax return – and use of a paid tax preparer increases with age



Q14: Did you use a paid tax return preparer to prepare your most recent Federal income tax return?
Margin of error is +/- 2.2% for blended online/phone respondents.

An overwhelming majority say it is ‘very’ or ‘somewhat important’ that tax preparers meet standards of ethical behavior and competency

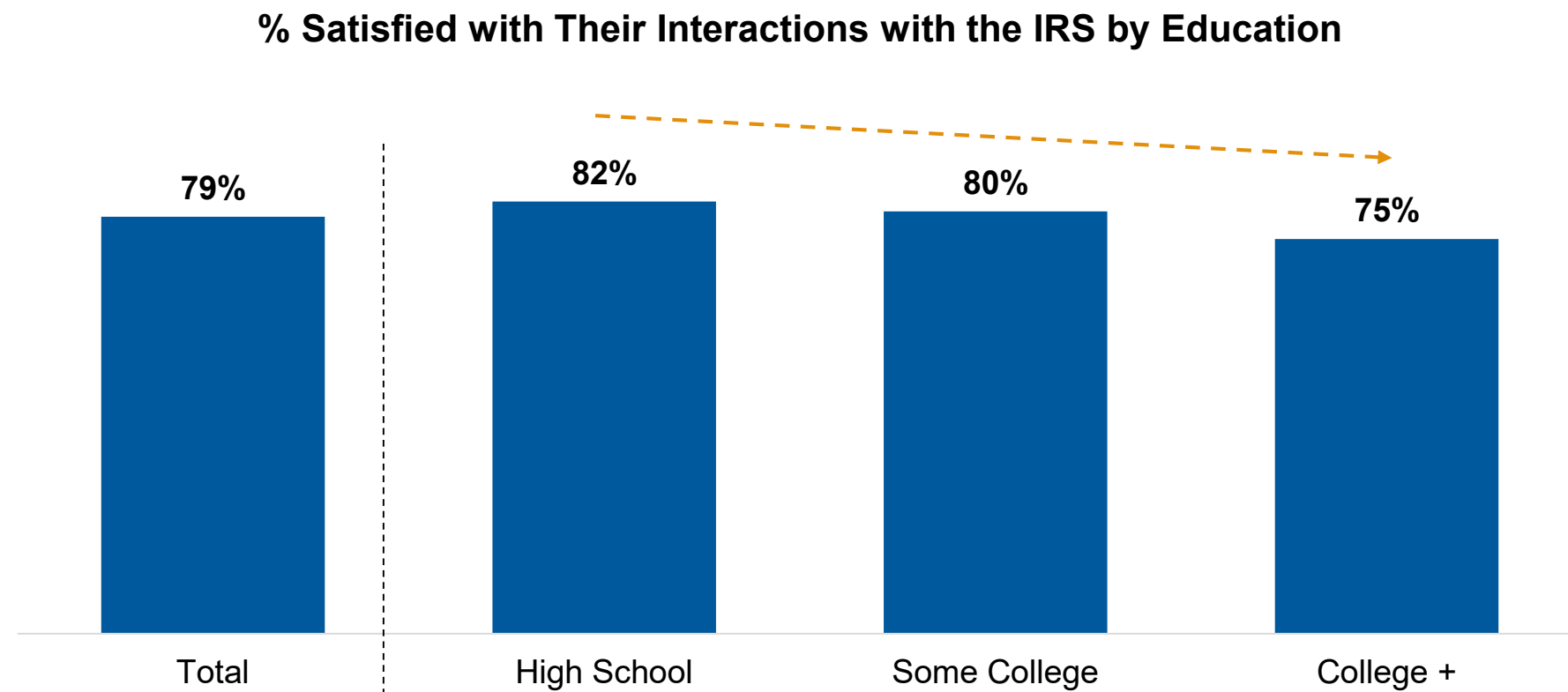
Importance of Tax Preparer Standards



Q13: Would you say it is very important, somewhat important, not very important, or not at all important that tax preparers who charge a fee for preparing federal tax returns be required to meet standards of...
Margin of error is +/- 2.2% for blended online/phone respondents. Note: Each stacked bar may not add up to 100% due to “don’t know,” “not applicable,” or “no response.”

Interaction with the IRS

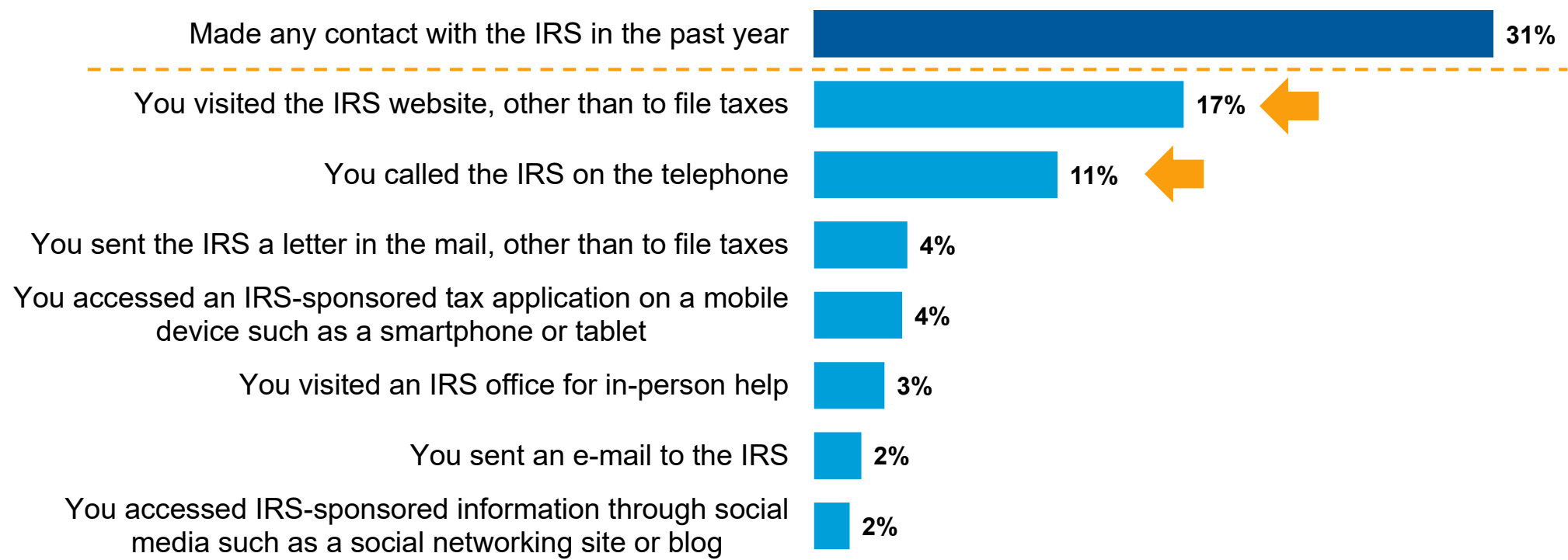
Eight out of ten taxpayers (79%) are satisfied with their interactions with the IRS – however, satisfaction decreases as education increases



Q10: How satisfied would you say you have been with your personal interaction with the IRS? Would you say very satisfied, somewhat satisfied, not very satisfied, or not at all satisfied? Percentage 'very satisfied' and 'somewhat satisfied' is shown.
Margin of error is +/- 2.2% for blended online/phone respondents.

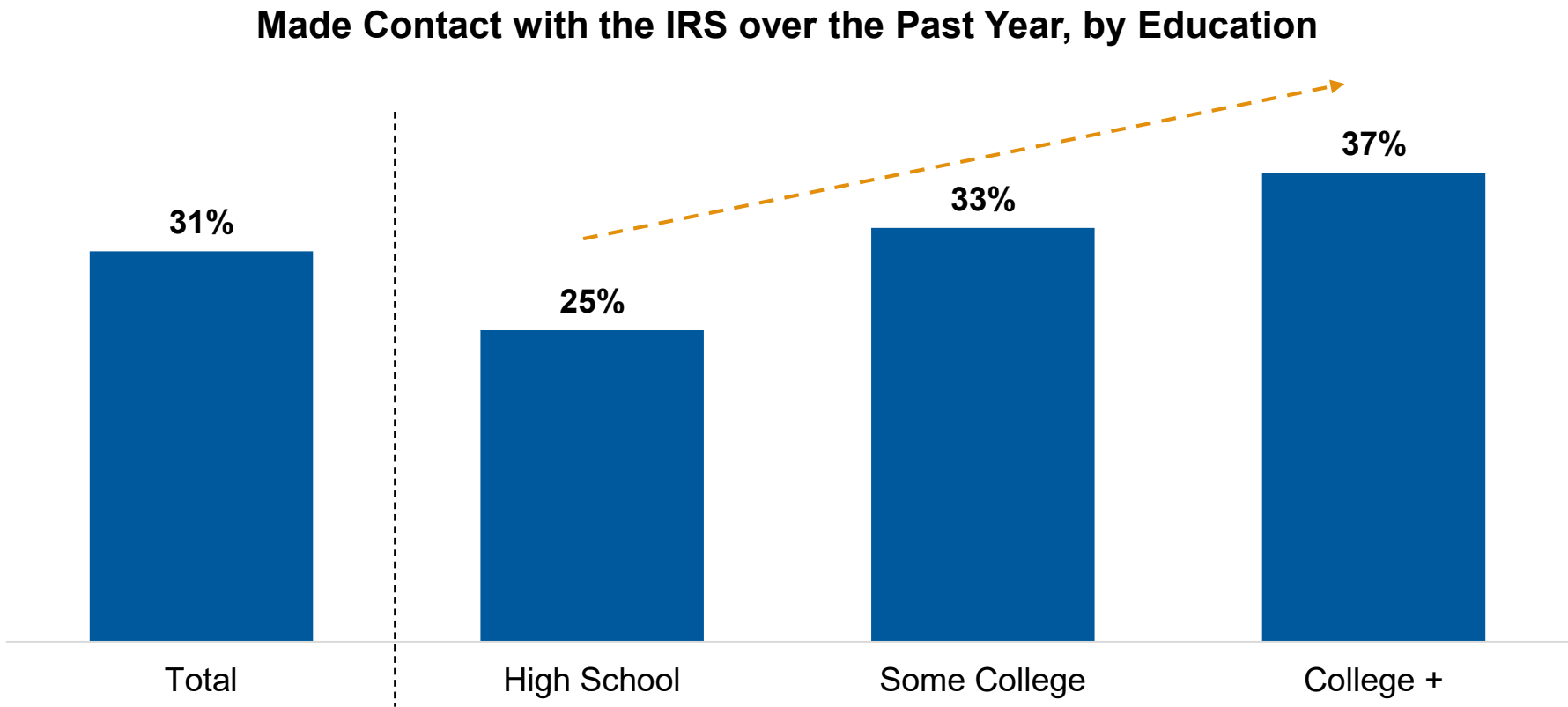
Almost one-third (31%) of taxpayers made contact with the IRS in the past year, largely by visiting the website or calling on the telephone

Made Contact with the IRS over the Past Year



Q15: Thinking back over the past year, and excluding the filing of a tax return, did you initiate a contact with the IRS using any of the following methods?
Margin of error is +/- 2.2% for blended online/phone respondents.

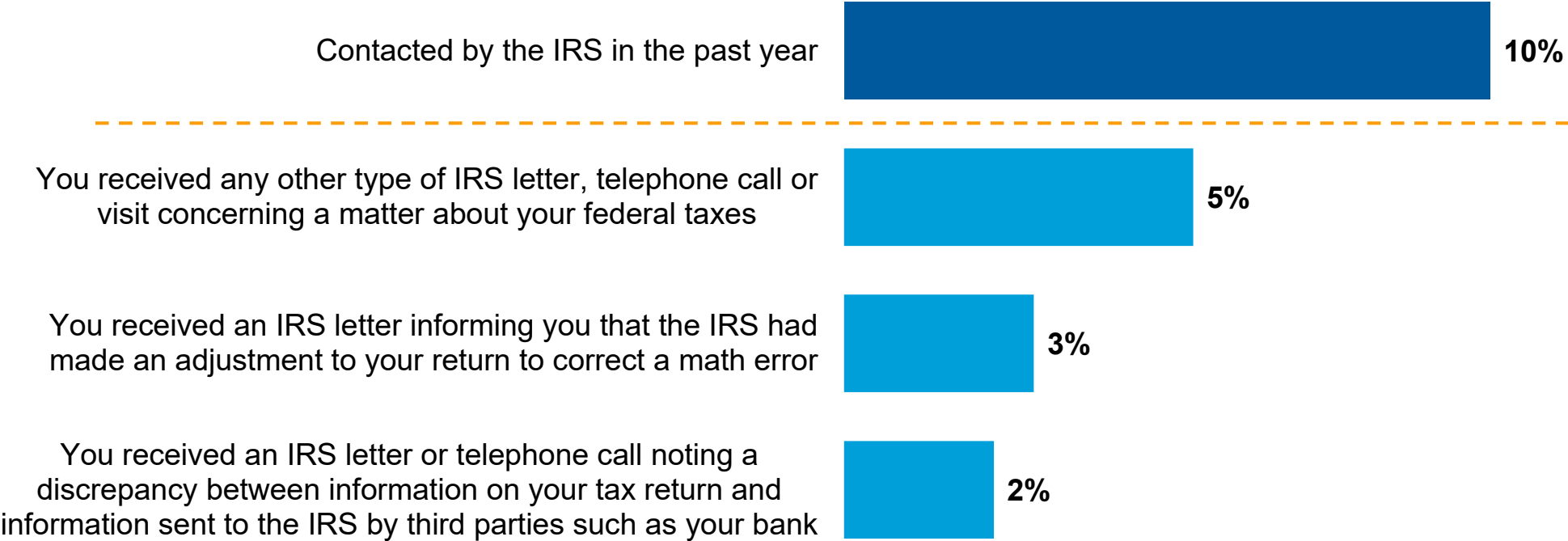
The proportion of taxpayers who initiated contact with the IRS increases as education level increases



Q15: Thinking back over the past year, and excluding the filing of a tax return, did you initiate a contact with the IRS using any of the following methods?
Margin of error is +/- 2.2% for blended online/phone respondents.

Only one in ten taxpayers (10%) recall being contacted by the IRS, most commonly concerning a matter about their federal taxes

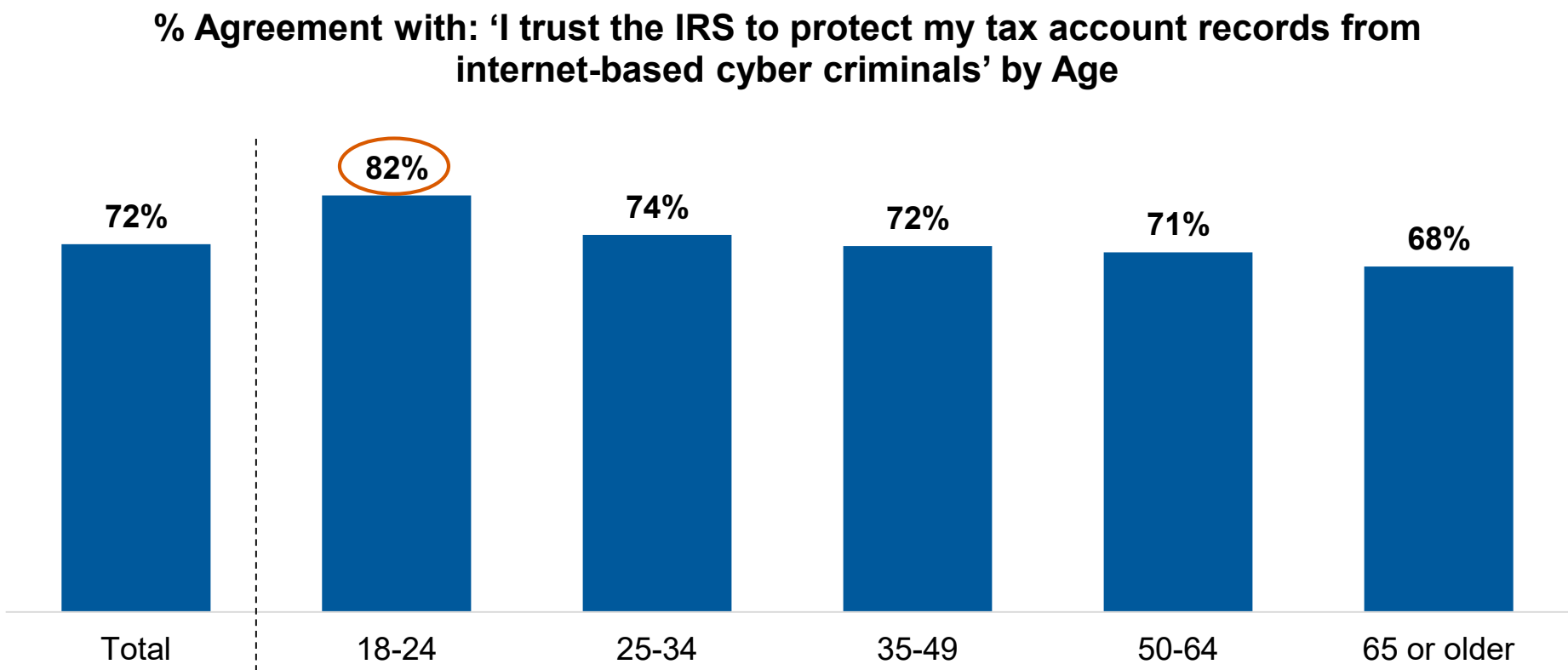
Contacted by the IRS over the Past Year



Q16a: Again, thinking back over the past year, and excluding the filing of a tax return, were you contacted by the IRS?
Q16b: Under which of the following circumstances did the IRS contact you?
Margin of error is +/- 2.2% for blended online/phone respondents.

Protection of Tax Records

Most Americans, especially 18-24 year old taxpayers, say they trust the IRS to protect their tax account records from cyber criminals



Q2: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage 'completely agree' plus 'mostly agree' is shown.
Margin of error is +/- 2.2% for blended online/phone respondents.