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Comprehensive Taxpayer Attitude Survey (CTAS) 2019 Executive Report

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Background

Study Objectives

The objectives of the CTAS research study are to:

- Provide greater insights into tax compliance attitudes, service channel preferences, and behaviors and the changes over time that are of strategic importance to tax administration.
- Continuously assess the benefits of online vs RDD phone methodologies in terms of cost, time, response rate and mode effects.
- Improve study insights by identifying potential questionnaire improvements.

Methodology

Pacific Consulting Group (PCG) fielded the 2019 Comprehensive Taxpayer Attitude Survey (CTAS) from August 17 – September 9, 2019, collecting a total of 2,027 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 1,001 telephone survey responses were collected via random digit dialing (RDD) to households with landlines in the continental U.S. (500 interviews) and to cell phone numbers (501 interviews). The interviewing methodology used was Computer Assisted Telephone Interviewing (CATI).
 - A total of 1,026 online survey responses were collected. PCG subcontracted with Ipsos 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.
- The response rate (total # completed interviews/total # contacts) was 2.6% for phone survey and 61.2% for online survey. The average interview length was 21 minutes for phone and 13 minutes for online survey.
- Survey data from each data collection mode were 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.

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

Summary Findings and Recommendations

Overall taxpayer attitudes display a compliance-oriented mindset

- The majority of American taxpayers continue to say that it is ‘not at all’ acceptable to cheat on taxes (87%), 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 (91% agree).
- Taxpayer trust in the IRS to fairly enforce the tax laws and to help taxpayers understand their tax obligations has grown since 2014. Yet, there are about 30% of taxpayers that do not trust the IRS. Trust is especially lower among the more educated and high-income taxpayers.
- Most taxpayers are satisfied (80%) with their personal interactions with the IRS, whether it’s just filing tax returns or actually speaking with an IRS representative. Satisfaction is lower among the more educated taxpayers.

While taxpayers report and pay taxes honestly due to personal integrity, they believe more IRS help will promote more accurate returns

- Personal integrity is ‘a great deal’ or ‘somewhat’ of an influence to report and pay taxes honestly for 93% of taxpayers, followed by third party reporting (66%) and fear of an audit (62%).
- For millennials, fear of an audit and belief that friends, associates, and neighbors are reporting and paying honestly is more of an influence than for older taxpayers.
- Taxpayers agree that the more information and guidance the IRS provides, the more likely people are to correctly file their tax returns (89% agree).
- 37% of taxpayers agree that the IRS devotes too much of its resources to enforcement activities and not enough to its customer service programs, while 46% agree that the IRS maintains a proper balance. Only 10% of taxpayers agree that the IRS devotes too much of its resources to customer service.
- The proportion of taxpayers agreeing that the IRS should receive extra funding so it can assist more taxpayers over phone and in person has increased since 2013 (from 59% to 73% for phone respondents).
- The most important IRS services for taxpayers are the IRS website for information (92%), the toll-free number (89%) and office locations (85%) where IRS representatives can answer questions.

Taxpayers value the tax advice and information they receive from paid tax professionals, along with the IRS website and IRS representatives

- The most valuable sources of getting tax advice and information are the IRS website (89%), representatives (88%), and printed publications (82%), along with paid tax professionals (89%). Fewer taxpayers find reference materials from sources other than the IRS (73%), IRS applications on mobile devices (67%) or social media (46%), and family or friends (59%) valuable.
- The IRS website and the toll-free number were the most used methods of initiating contact with the IRS in the last one year, excluding the filing of tax returns (19% and 12% respectively).
- As expected, a higher proportion of millennials consider IRS applications on mobile devices and social media valuable as compared to older taxpayers. Millennials also consider family or friends and reference materials from sources other than the IRS more valuable sources of tax advice or information.
- 52% of taxpayers used a paid tax professional. Use of paid tax professionals is the lowest among millennials.

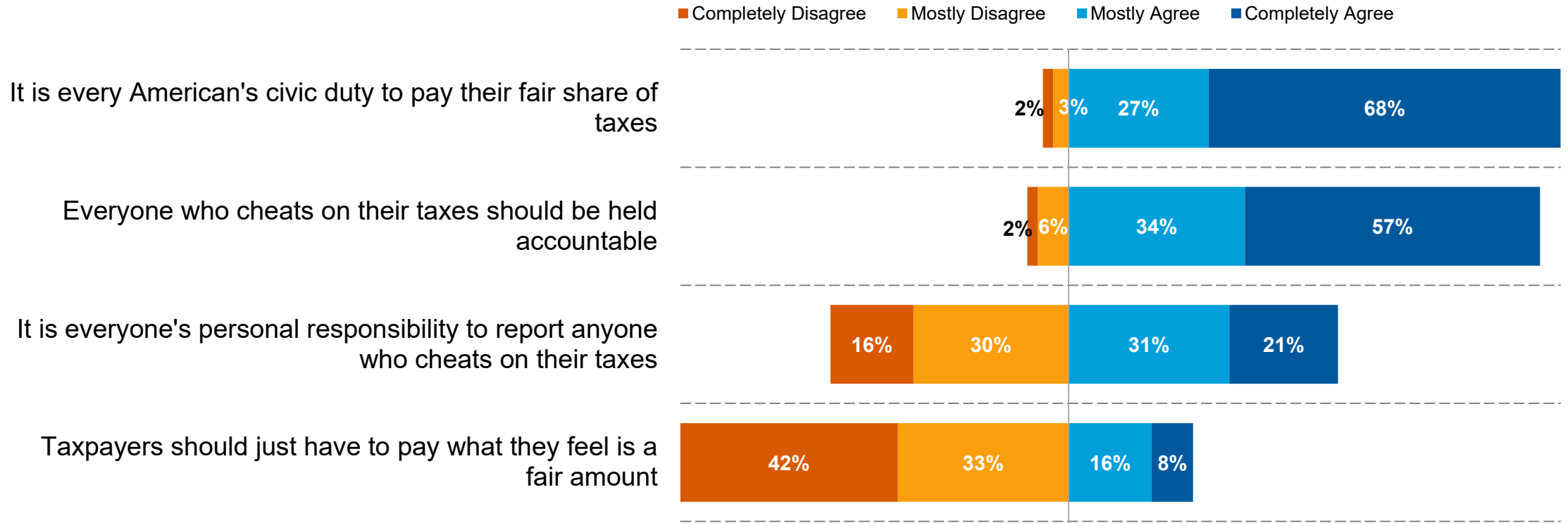
Recommendations: Actions to Improve Taxpayer Compliance and Experience

- ✓ Promote compliance by providing better service to taxpayers.
 - ✓ Continue to invest in the IRS website as a true customer service and problem-solving platform.
 - ✓ Use industry best practices to achieve “one stop resolution” and increase the level of real assistance provided by the website.
 - ✓ Ensure the IRS website is designed for knowledge levels of the different types of website visitors, especially those with lower income and education levels.
 - ✓ Offer more mobile app-based help and guidance to appeal to the younger generation.
- ✓ Design compliance treatments that are tailored for different segments.
 - ✓ Consider “social networking effects” for millennials as they are more influenced by fear of audit and peers reporting and paying honestly.
 - ✓ Identify ways to improve trust among taxpayers, especially those with higher education and income levels.

Taxpayer Relationship to Tax Obligations

Overall attitudes about the IRS promote compliance

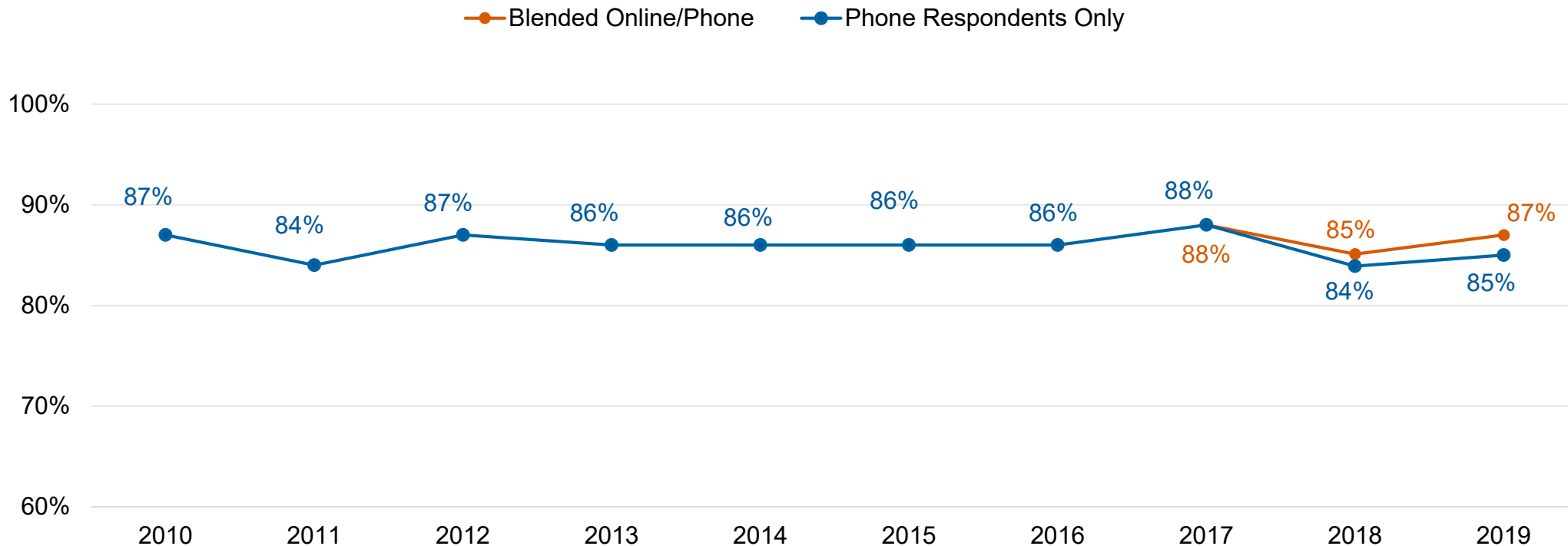
Attitudes about Cheating and Payment of Fair Share of Taxes



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."

Taxpayers continue to have an ethical attitude about not cheating on their income taxes

Trend in % Indicating it is 'Not at all acceptable to cheat on your 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 and +/- 3.1% for phone respondents only.

Taxpayers generally trust the IRS to protect tax records, enforce tax laws, and help understand tax obligations; yet, there is opportunity to improve trust for about 30% of taxpayers

Trust in the IRS

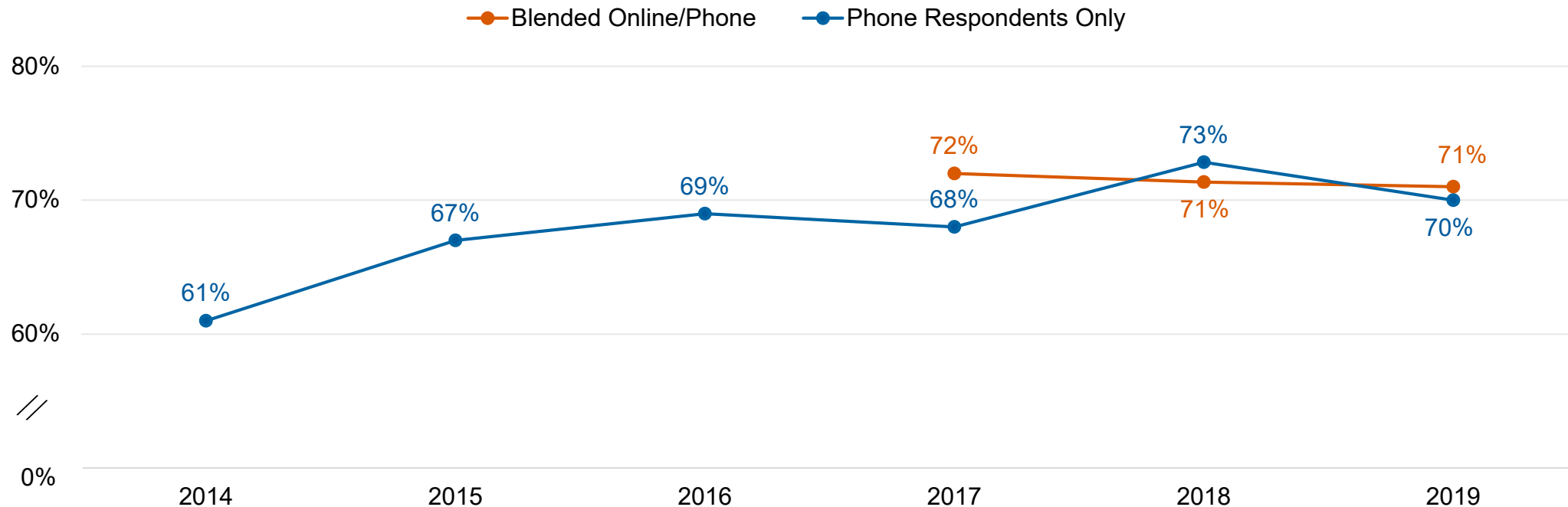
■ Completely Disagree
 ■ Mostly Disagree
 ■ Mostly Agree
 ■ Completely Agree



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.”

The percentage agreeing that they trust the IRS to fairly enforce tax laws has trended up since 2014

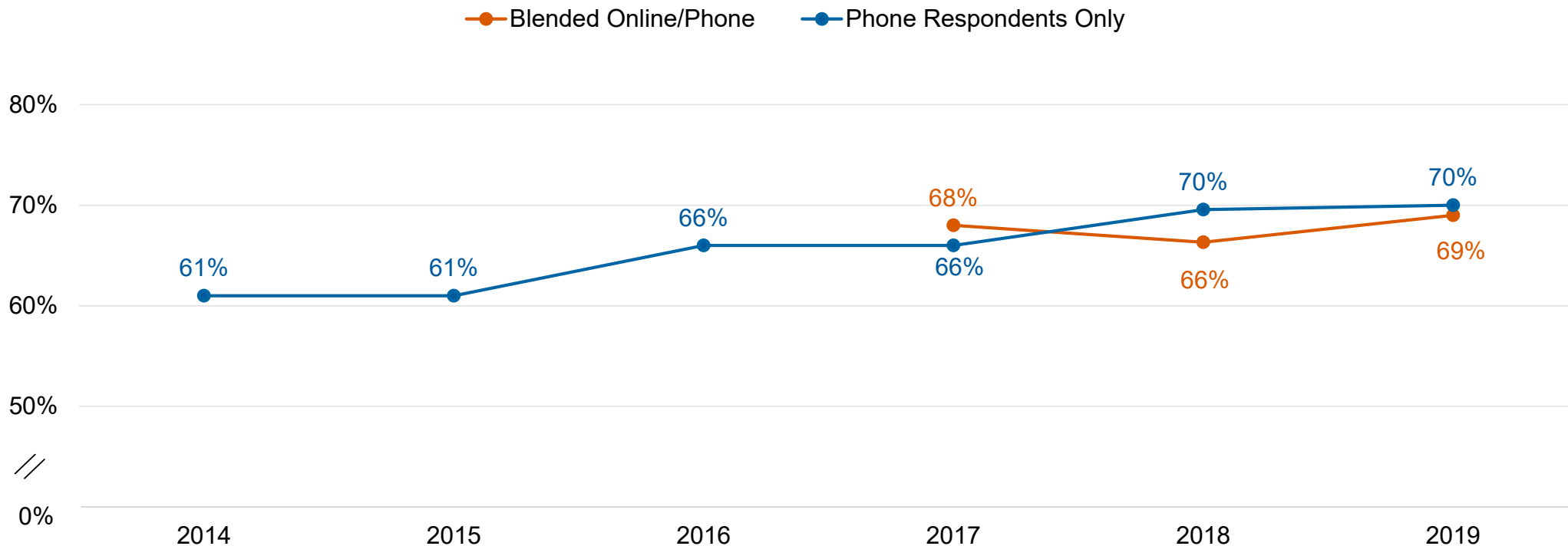
Trend in % Agreeing 'I trust the IRS to fairly enforce the tax laws as enacted by Congress and the President'



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.

The percentage agreeing that they trust the IRS to help understand their tax obligations has trended upward

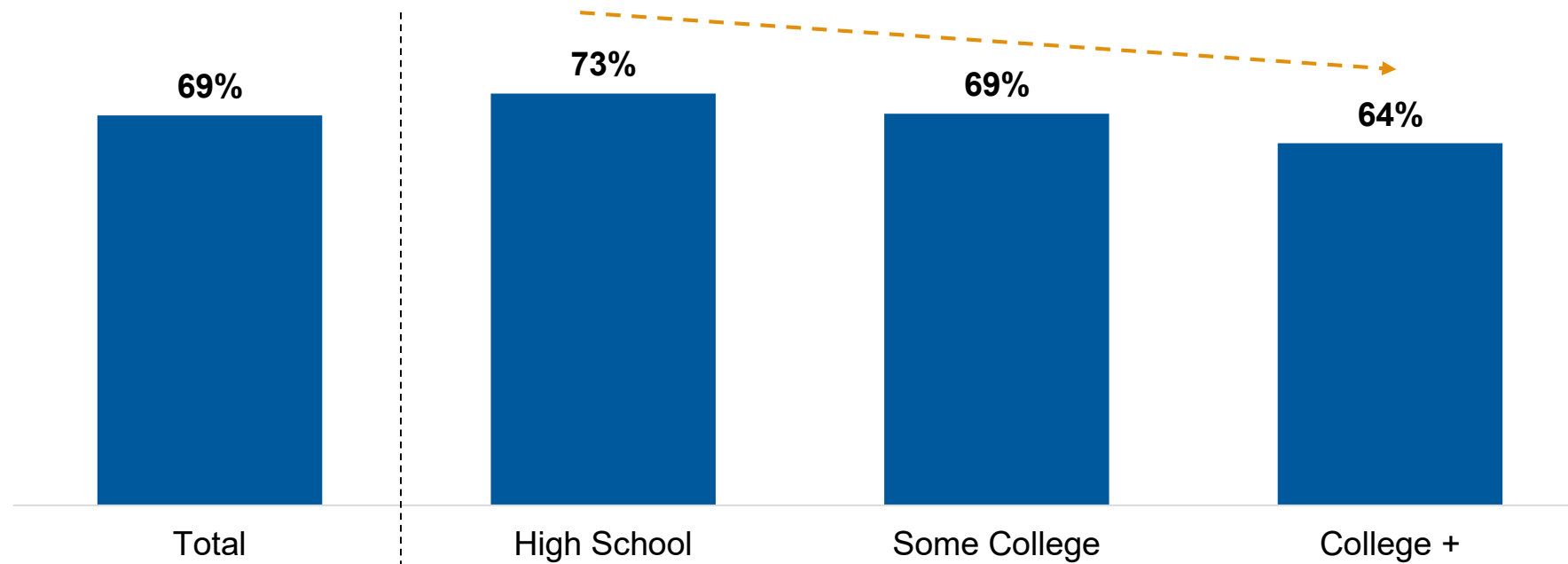
Trend in % Agreeing 'I trust the IRS to help me understand my tax obligations'



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.

Trust that the IRS will help them understand their tax obligations is lower among the more educated taxpayers

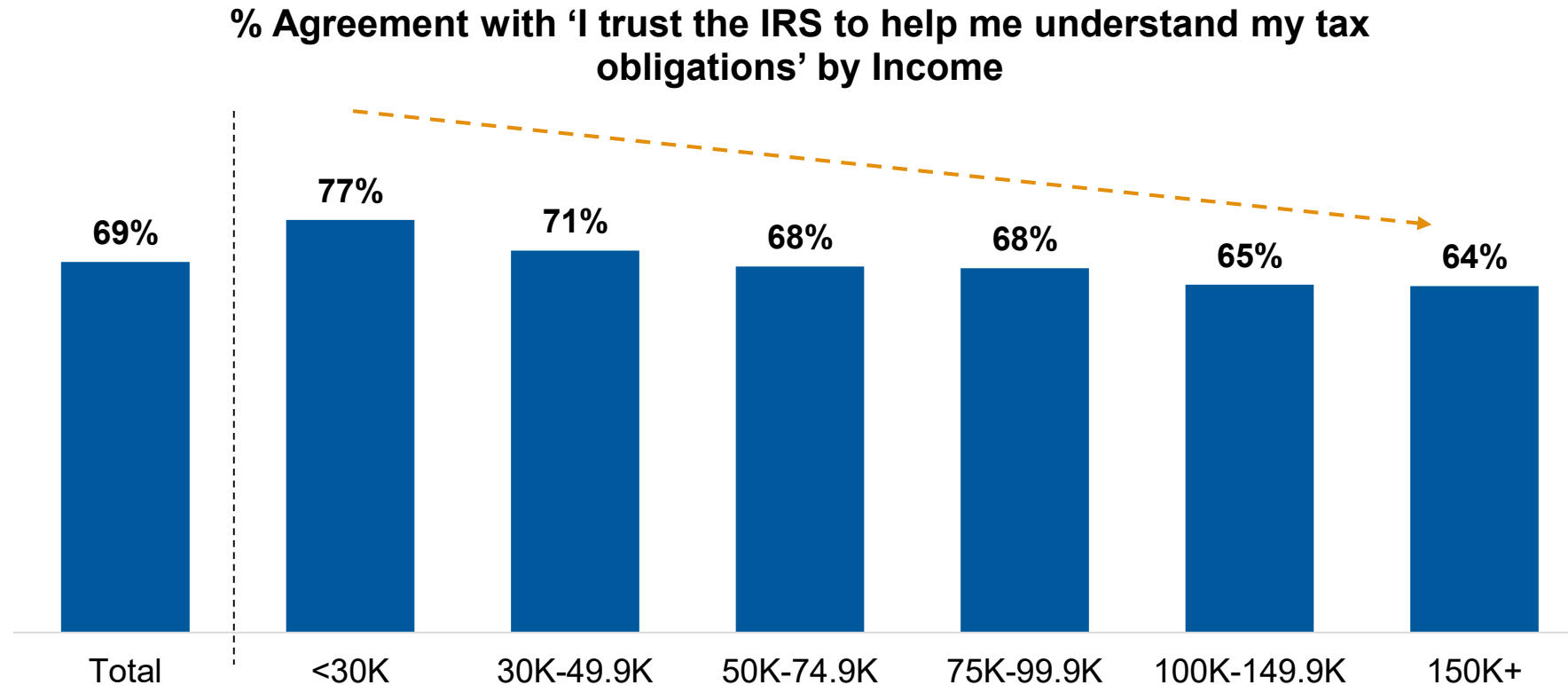
% Agreement with 'I trust the IRS to help me understand my tax obligations' by Education



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.

Trust is also lower among taxpayers with higher income levels

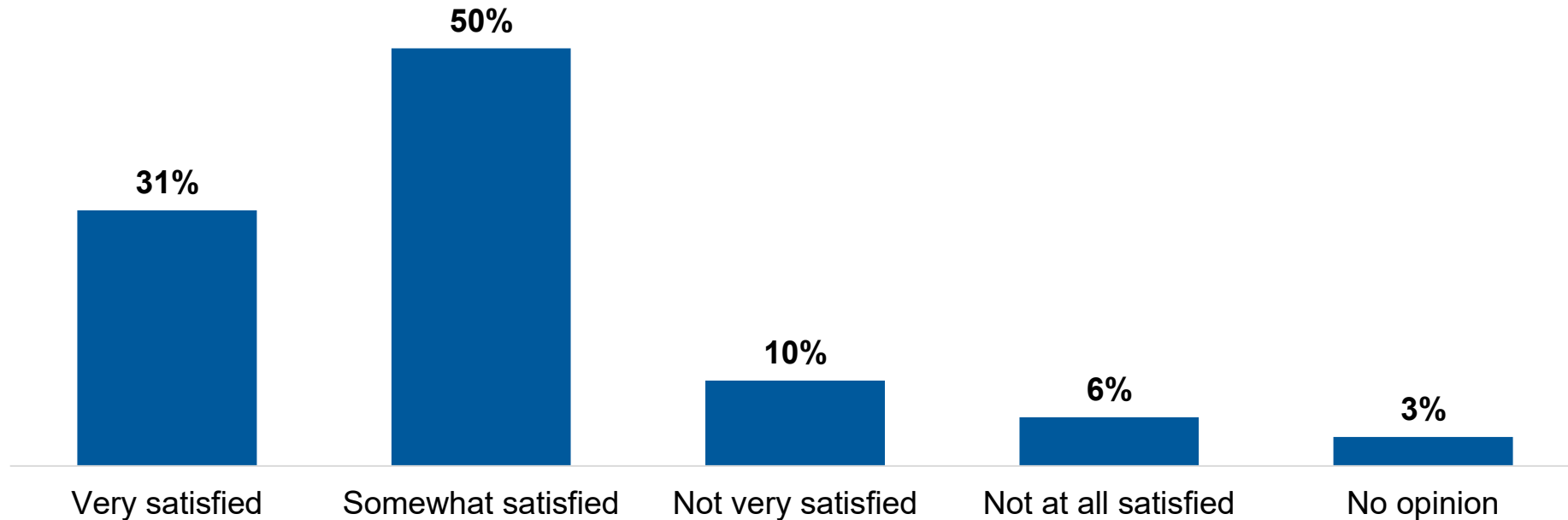


Q2: For each of the following statements, please indicate whether you completely agree, mostly agree, mostly disagree, or completely disagree. Percentage 'completely agree' plus 'mostly agree' is shown.

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

Taxpayers are largely satisfied with their personal interactions with the IRS

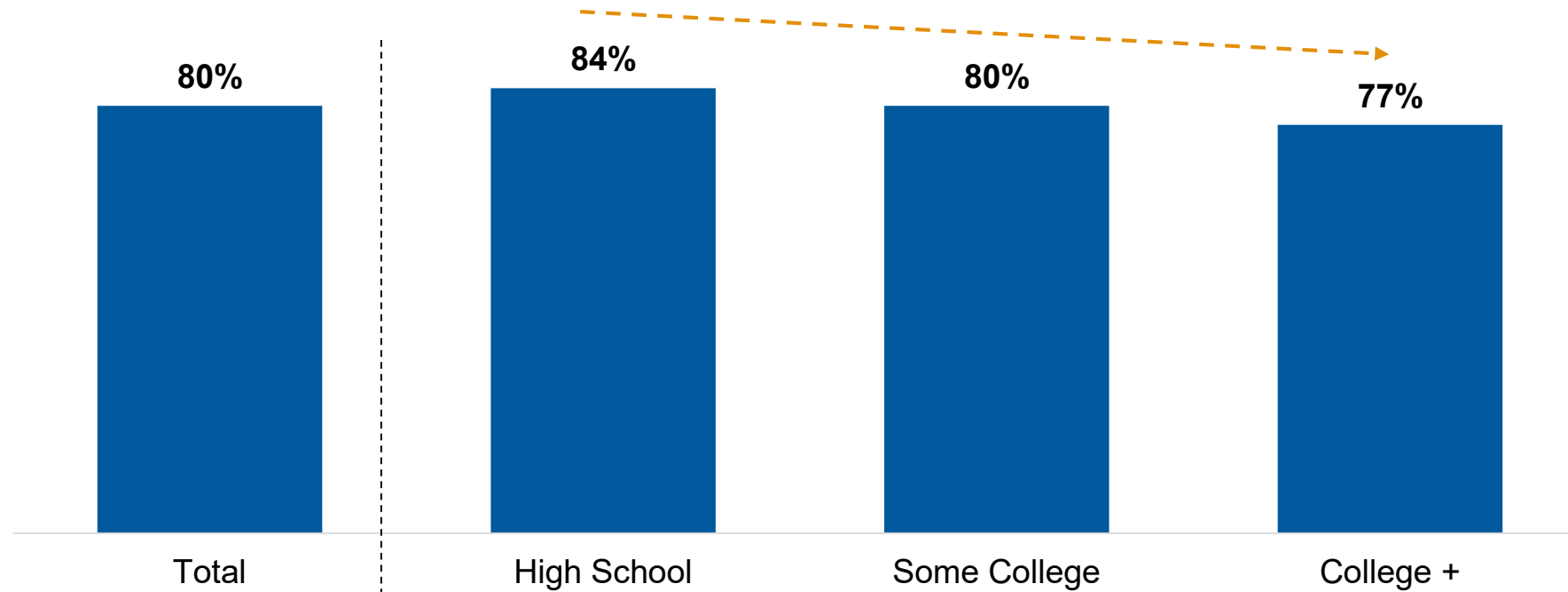
Satisfaction with Personal Interactions with the IRS



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?
Margin of error is +/- 2.2% for blended online/phone respondents.

Satisfaction is lower among the more educated taxpayers

% Satisfied with Their Interactions with the IRS by Education



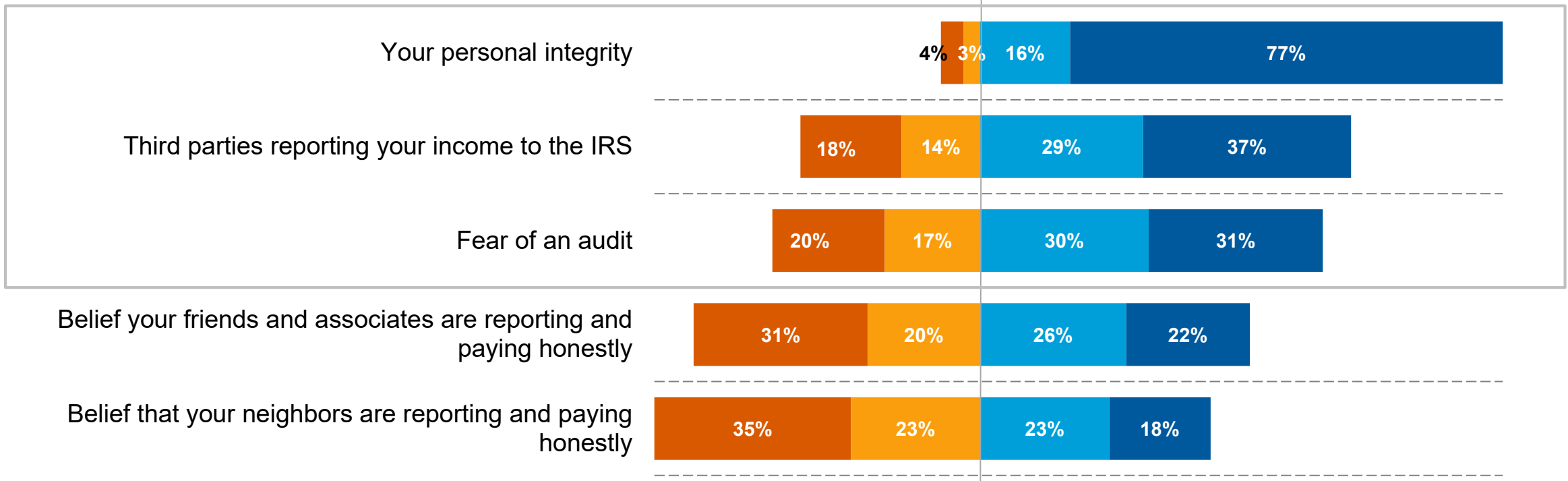
Q10: How satisfied would you say you have been with your personal interaction with the IRS? Would you say very satisfied, somewhat satisfied, not very satisfied, or not at all satisfied? Percentage 'very satisfied' plus 'somewhat satisfied' is shown. Margin of error is +/- 2.2% for blended online/phone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

Factors Influencing Taxpayer Compliance

Taxpayers report and pay honestly due to personal integrity; third party reporting and fear of audit are also important drivers of compliance

Influence of Factors In Reporting and Paying Taxes Honestly

■ Is not at all an Influence
 ■ Very Little Influence
 ■ Somewhat of an Influence
 ■ A Great Deal of Influence

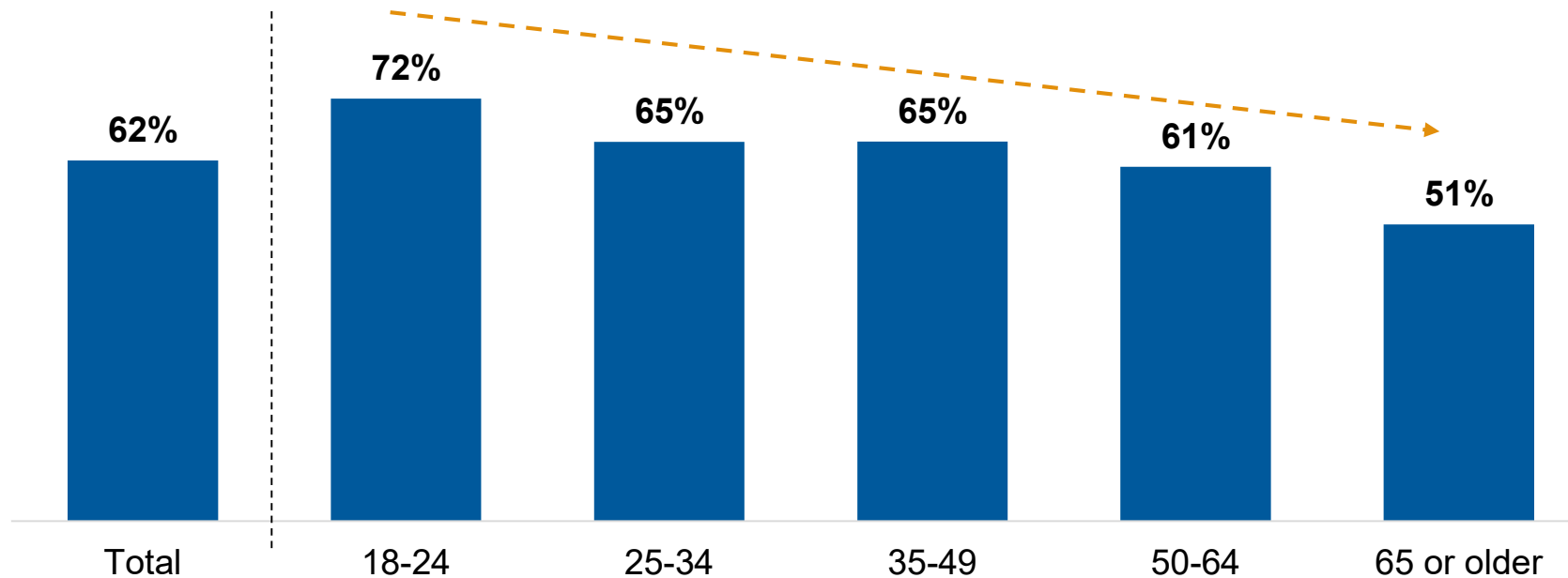


Q4: How much influence does each of the following factors have on whether you report and pay your taxes honestly? Would you say it has a great deal of influence, somewhat of an influence, very little influence, or is not at all an influence?

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."

Millennials are more influenced by the fear of an audit

**% Influenced to Report and Pay Taxes Honestly by 'Fear of an audit'
by Age**

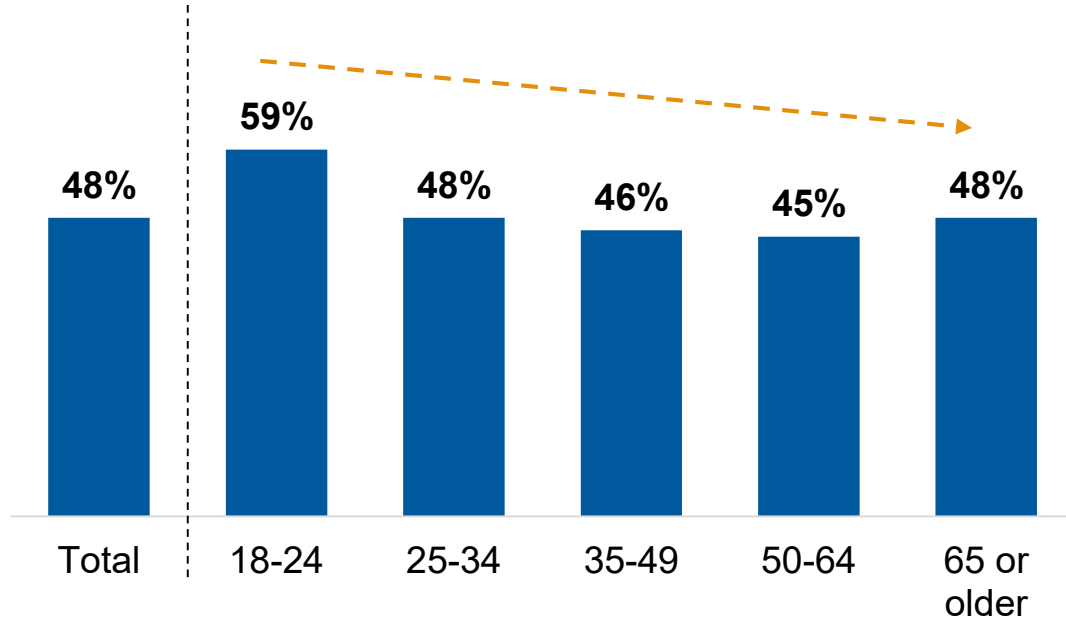


Q4: How much influence does each of the following factors have on whether you report and pay your taxes honestly? Would you say it has a great deal of influence, somewhat of an influence, very little influence, or is not at all an influence? Percentage 'a great deal of influence' plus 'somewhat of an influence' is shown.

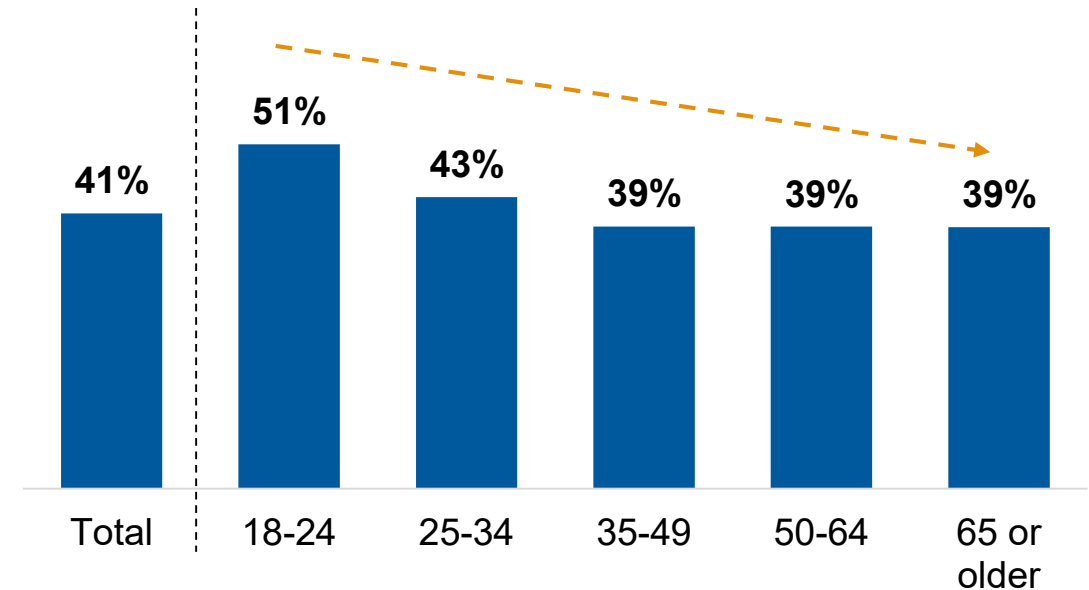
Margin of error is +/- 2.2% for blended online/phone respondents.

Millennials are also more influenced by their peers reporting and paying honestly

% Influenced to Report and Pay Taxes Honestly by 'Belief friends and associates are reporting and paying honestly' by Age



% Influenced to Report and Pay Taxes Honestly by 'Belief that your neighbors are reporting and paying honestly' by Age



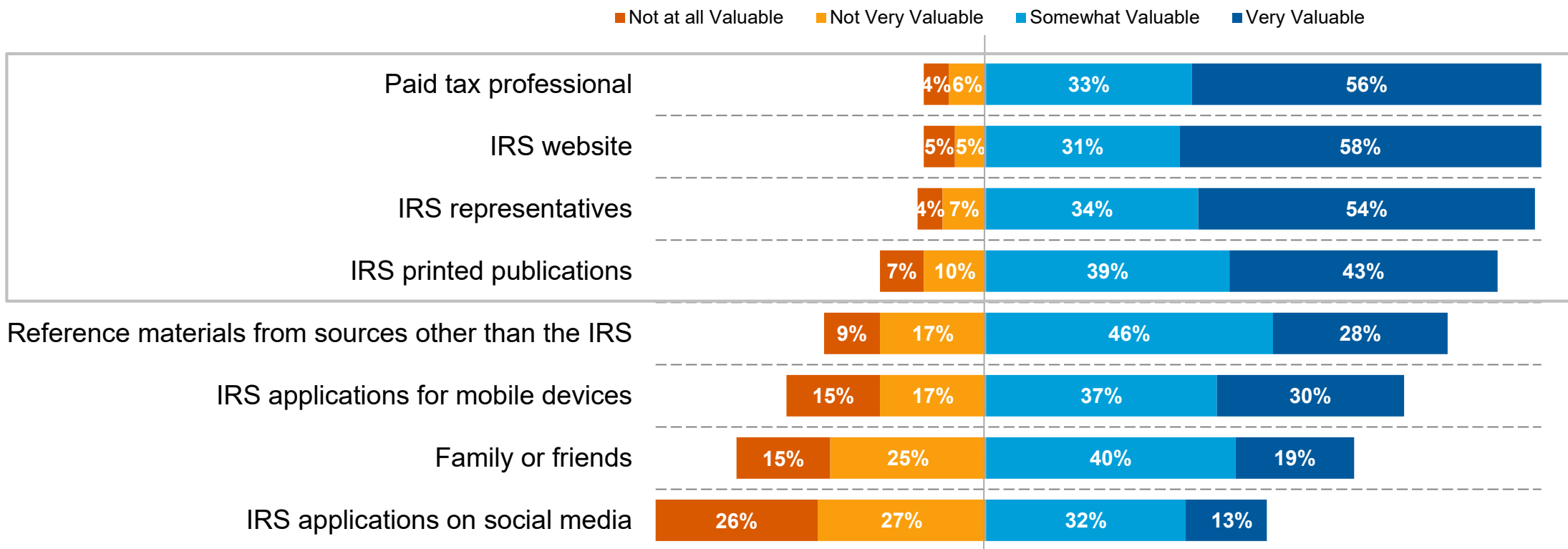
Q4: How much influence does each of the following factors have on whether you report and pay your taxes honestly? Would you say it has a great deal of influence, somewhat of an influence, very little influence, or is not at all an influence? Percentage 'a great deal of influence' plus 'somewhat of an influence' is shown.

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

Sources of Tax Information and Advice

Tax professionals continue to be the most valuable source of tax advice along with the IRS website, representatives and publications

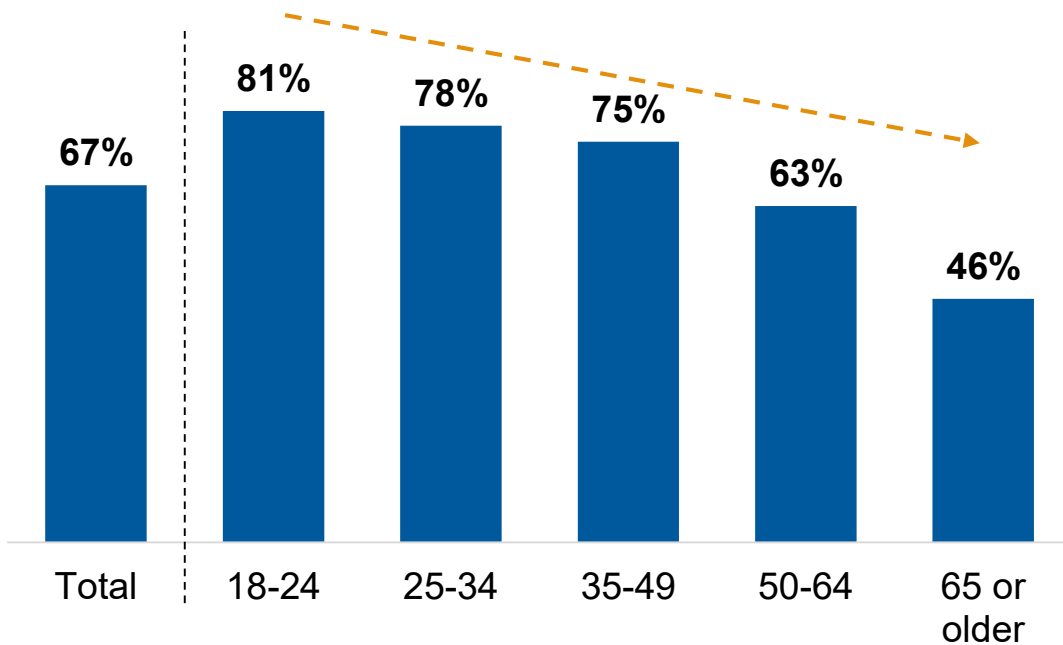
Value of Sources of Getting Tax Advice or Information



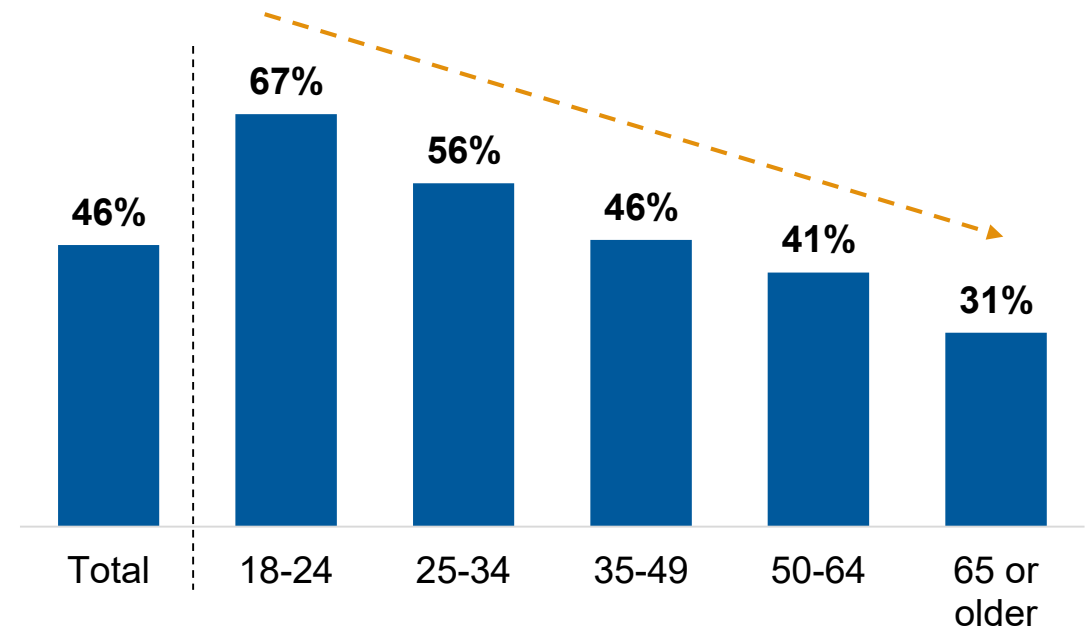
Q9: How valuable would you say each of these sources is for getting tax advice or information? Would you say it is very valuable, somewhat valuable, not very valuable, or not at all valuable? Margin of error is +/- 2.2% for blended online/phone respondents. Note: Each stacked bar may not add up to 100%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

IRS applications on mobile devices and social media are considered more valuable by millennials

% Valuable Source of Tax Advice: 'IRS applications for mobile devices' by Age



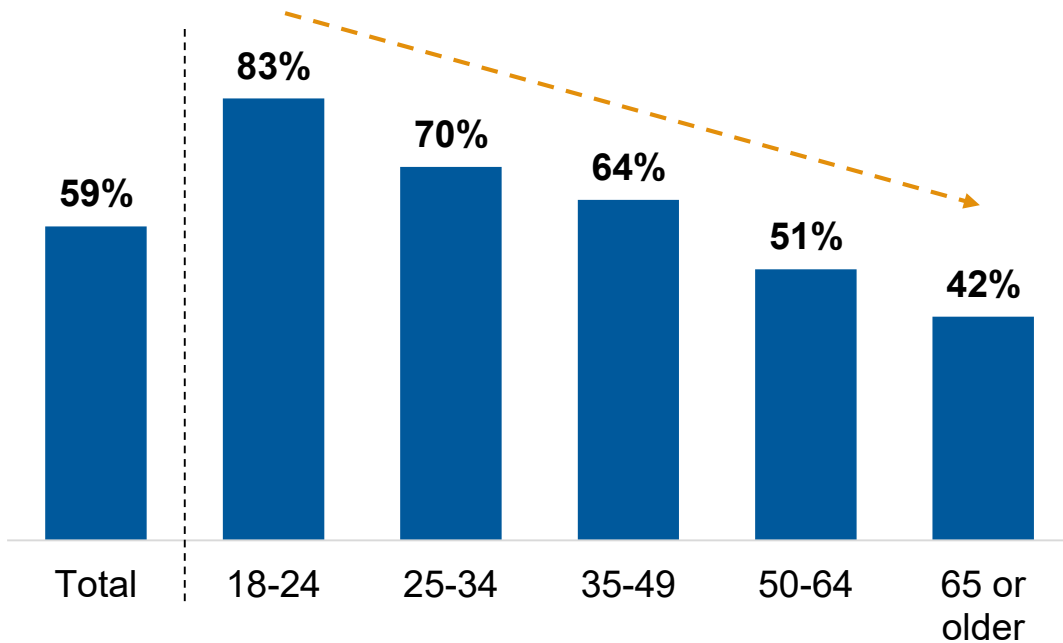
% Valuable Source of Tax Advice: 'IRS applications on social media' by Age



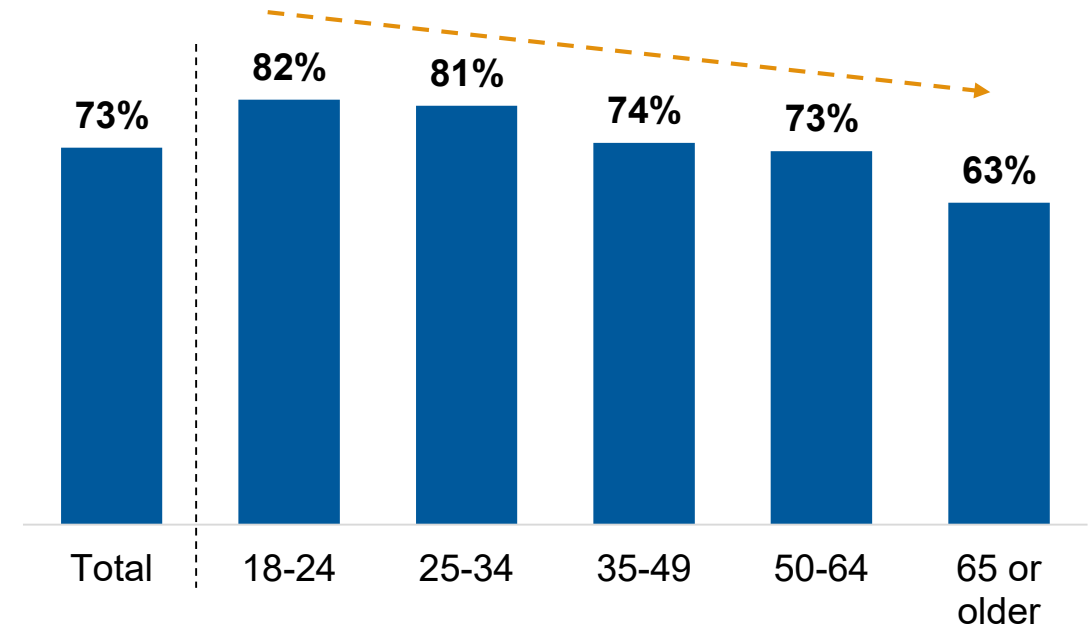
Q9: How valuable would you say each of these sources is for getting tax advice or information? Would you say it is very valuable, somewhat valuable, not very valuable, or not at all valuable? Percentage 'very valuable' plus 'somewhat valuable' is shown. Margin of error is +/- 2.2% for blended online/phone respondents.

Family or friends and reference materials from sources other than the IRS are considered more valuable by millennials

% Valuable Source of Tax Advice: 'Family or friends' by Age



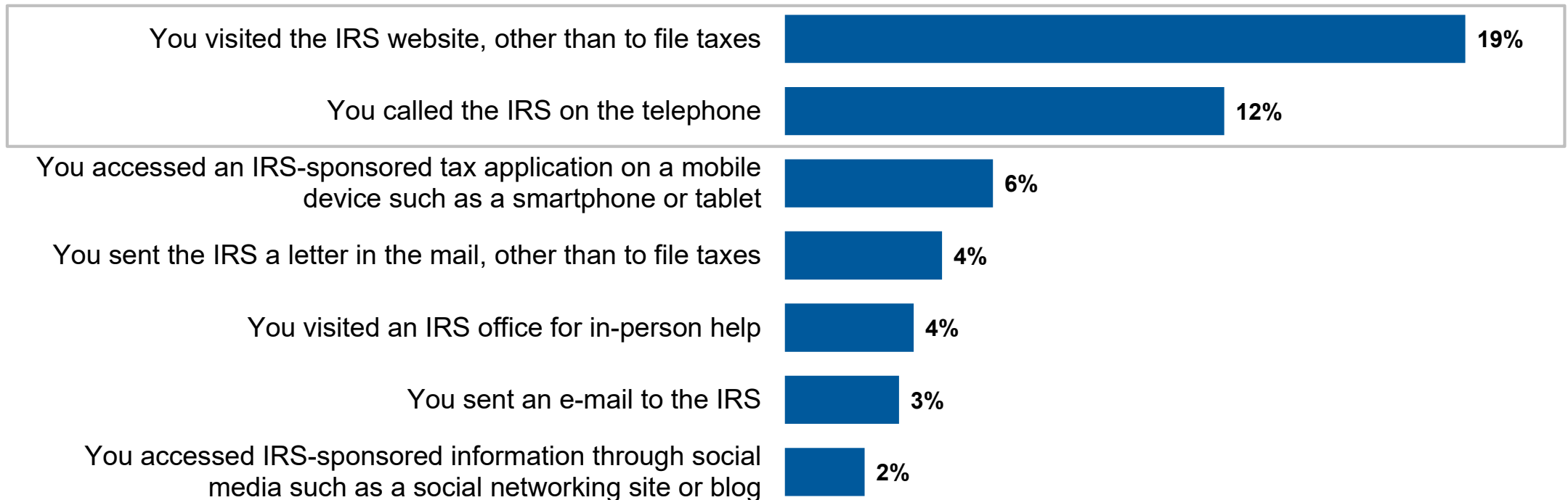
% Valuable Source of Tax Advice: 'Reference materials from sources other than the IRS' by Age



Q9: How valuable would you say each of these sources is for getting tax advice or information? Would you say it is very valuable, somewhat valuable, not very valuable, or not at all valuable? Percentage 'very valuable' plus 'somewhat valuable' is shown. Margin of error is +/- 2.2% for blended online/phone respondents.

Of the IRS services considered most valuable, the IRS website is the most used, followed by the toll-free number; usage of tax applications on mobile devices and social media is much lower

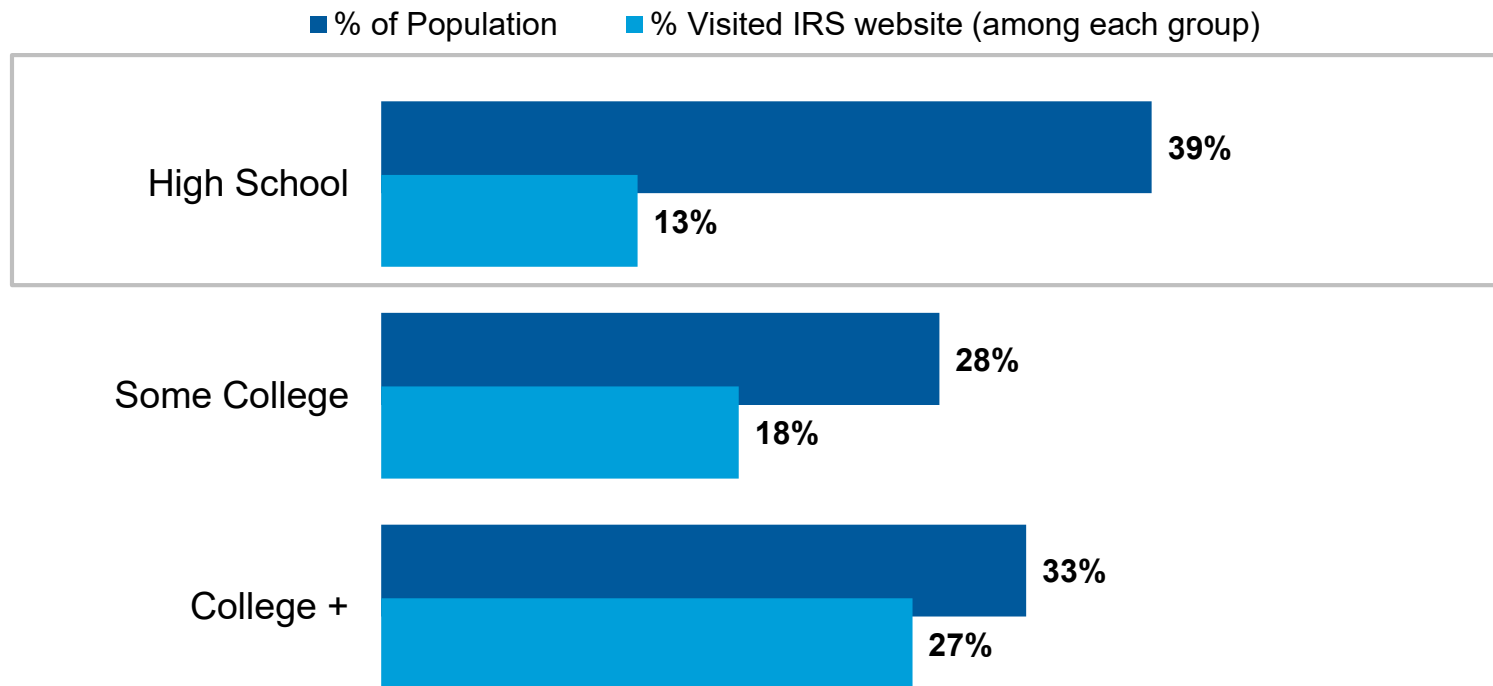
Method of contacting the IRS over the Past Year (excluding filing of a tax return)



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.

Website usage increases as education levels increase; the biggest opportunity is to encourage website usage among high school graduates

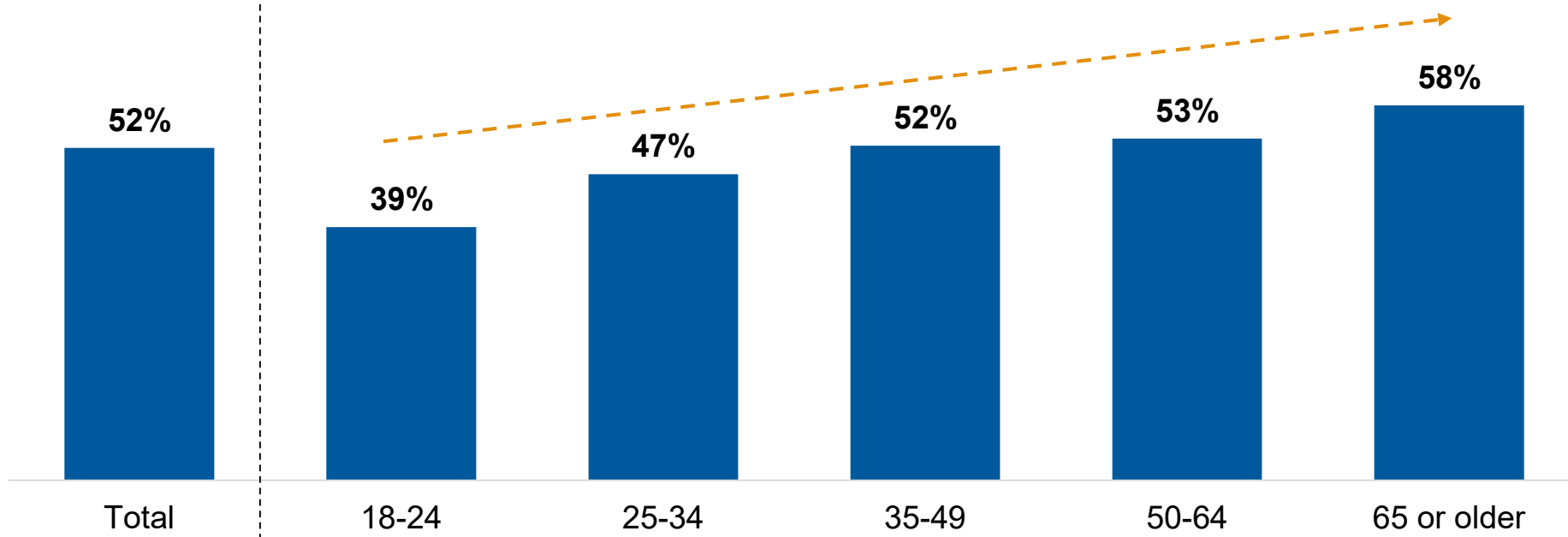
% Visited the IRS website, other than to file taxes



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.

52% of taxpayers use a professional tax preparer; use of a paid tax preparer increases with age

Use of a Paid Tax Return Preparer for Most Recent Federal Income Tax Return, by Age

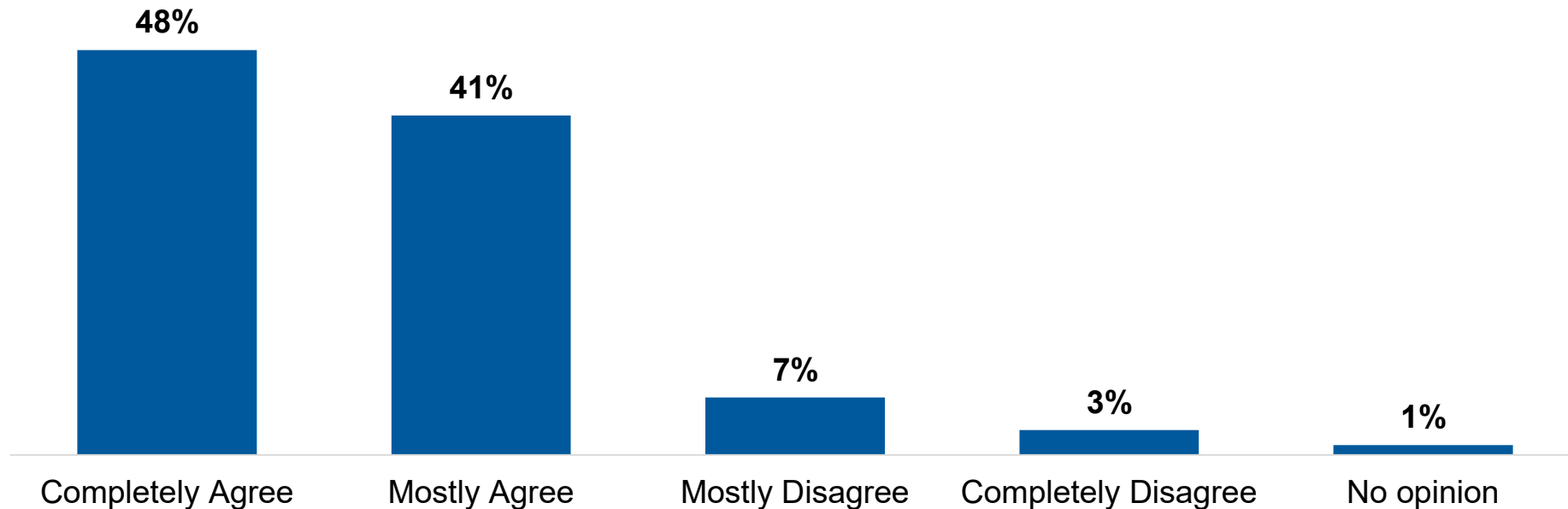


Q14: Did you use a paid tax return preparer to prepare your most recent Federal income tax return?
Margin of error is +/- 2.2% for blended online/phone respondents.

IRS Services Provided to Taxpayers

Taxpayers agree more guidance from the IRS helps people correctly file their tax returns

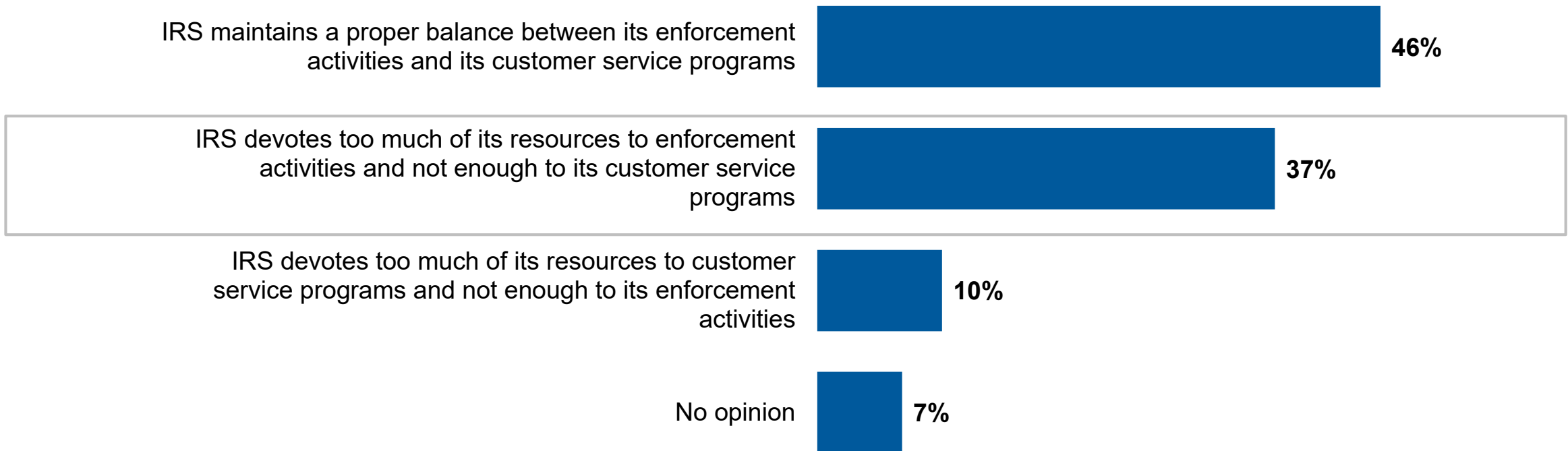
Agreement with 'The more information and guidance the IRS provides, the more likely people are to correctly file their tax returns'



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.

More than a third of taxpayers (37%) feel that the IRS devotes too much of its resources for enforcement and not as much for customer service

Statement Most Agreed With About the Resources the IRS Receives

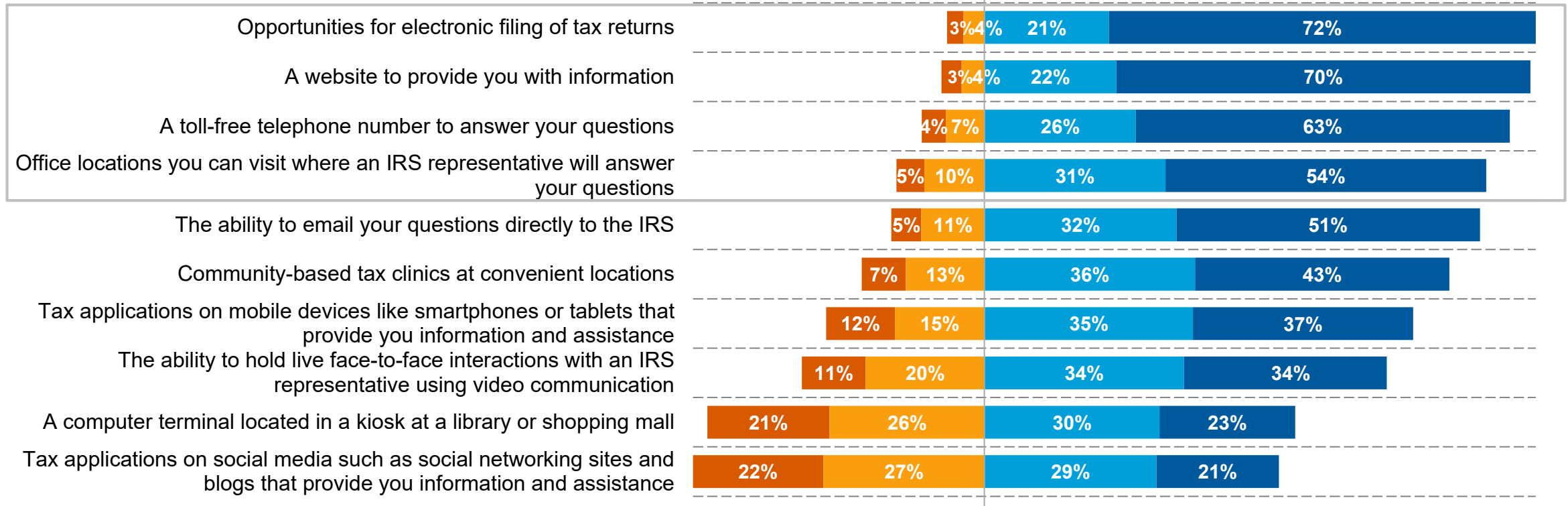


Q10a: Considering the resources the IRS receives to do its job, which of the following statements do you most agree with? Do you feel that the...
Margin of error is +/- 2.2% for blended online/phone respondents.

In particular, taxpayers feel it's most important that the IRS provides opportunities to file taxes electronically, information on their website and toll-free number/office locations to answer questions

Importance of IRS Services

■ Not at all Important
 ■ Not very Important
 ■ Somewhat Important
 ■ Very Important

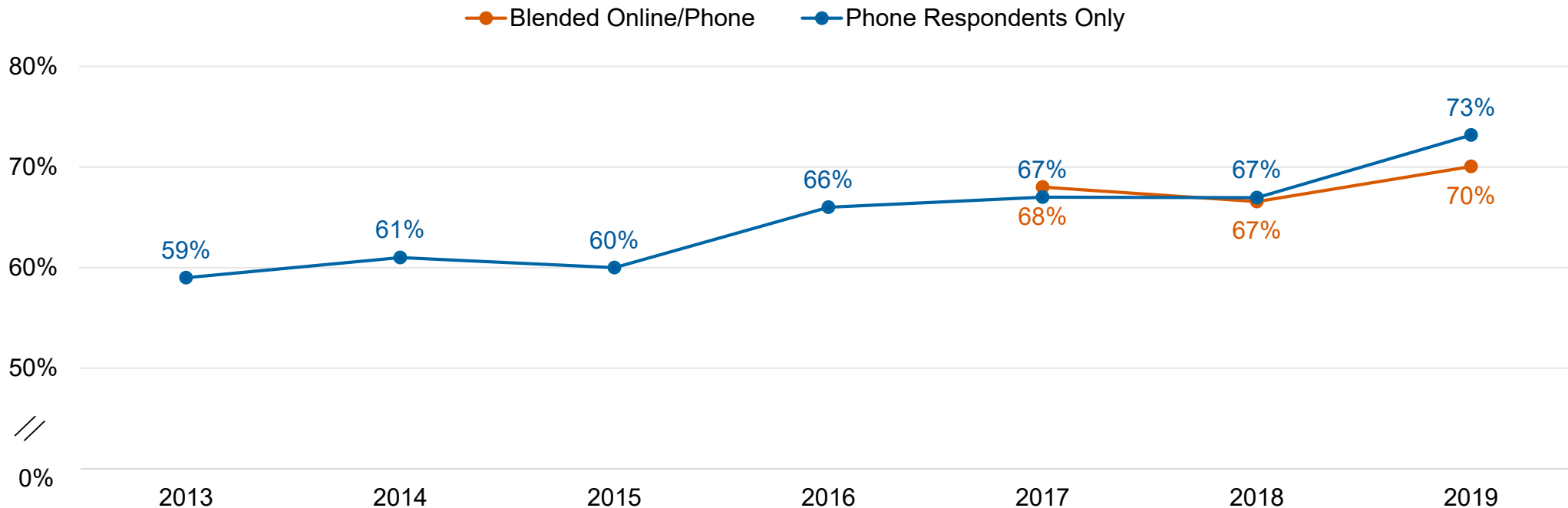


Q5: How important is it to you, as a taxpayer, that the IRS provides each of the following services to assist taxpayers? Margin of error is +/- 2.2% for blended online/phone respondents.

Note: Each stacked bar may not add up to 100% due to "don't know," "not applicable," or "no response."

The 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.