

2012 Taxpayer Experience of Individuals Living Abroad: Service Awareness, Use, Preferences, and Filing Behaviors

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The U.S. Department of State estimates that approximately 6.32 million American civilians (excluding overseas military) live abroad in over 160 countries, each with 13 countries acting as the temporary or primary residence to 100,000 or more of these individuals.² With the continuing trend of globalization, tax planning has become increasingly more focused on minimizing the worldwide effective tax rate. Additionally, globalization has expanded the taxpayer base to which the Internal Revenue Service (IRS) is responsible for providing service and monitoring for compliance. To address these challenges, the IRS is committed to proactively enforcing international tax law by expanding IRS approaches, tools, and workforce skills on international issues, ensuring adherence to professional standards by tax practitioners, increasing cooperation and outreach efforts with foreign governments, and using a data-driven approach to target new and emerging issues with differentiated enforcement and service treatments. In this context, international/U.S. territory noncompliance, as well as service to individuals living abroad, continue to remain significant areas of concern and focus for the IRS.³

Wage and Investment Research & Analysis (WIRA) has devoted significant resources to research the needs of individual taxpayers living abroad in support of the IRS initiative to study the effect of service delivery on compliance. Over a period of nearly four years, WIRA has engaged in a systematic and multi-source program of research to identify and define this taxpayer segment's tax preparation and filing habits, service channel preferences, potential barriers to service, and opportunities for service improvement. Specifically, in an effort to develop a current and accurate baseline of international taxpayer needs, preferences, and behaviors, WIRA implemented a multi-tiered international research program with each project grounding as well as informing the next project.⁴ Highlights of this systematic and multi-source program of international taxpayer research include:

- Focus groups with tax practitioners who serve international taxpayers
- Demographic and tax filing profiles of international taxpayers over various tax years⁵
- Multiple interviews with tax attachés working with taxpayers overseas
- Interviews with multinational companies based in the U.S. employing U.S. citizens overseas
- *2009 IRS Survey of International Taxpayers*
- Collaboration with gatekeepers of U.S. Department of State Passport Data and Certificate of Loss Nationality Data
- Effect of IRS Printing and Postage Budget Reduction (PPBR) on direct mailings to embassies and taxpayers living abroad
- *2011 IRS Survey of Individuals Living Abroad*

The result of this research is a picture of a taxpayer segment that is underserved, relatively young in age, has a high awareness and use of IRS.gov, expresses a desire for self-service channels, and may experience a higher rate of post-filing problems than the general taxpayer population.

The current report will begin by first providing a summary of international taxpayers' service needs, a description of services currently available to these taxpayers, and key service issues this population faces. The report will then discuss the background of and responses to the *2011 IRS Survey of Individuals Abroad*.

Summary of International Taxpayers' Service Needs

Survey data and interviews with tax attachés working overseas revealed that the most frequently asked questions by international taxpayers deal with the Individual Taxpayer Identification Number (ITIN) application process and requests for forms and publications. Other common topics on which international taxpayers seek assistance, in no particular order, include:

- Tax law questions
- Filing obligations
- Nonfiler questions
- Accounts and notices
- Form 8938, *Statement of Specified Foreign Financial Assets*
- FBAR, *Report of Foreign Bank and Financial Accounts*
- Foreign earned income exclusion
- Tax treaties
- Tax preparation

Availability of IRS Service to International Taxpayers

Telephone Services

International taxpayers in Puerto Rico, Guam, the Bahamas, and U.S. Virgin Islands have access to the IRS Toll-Free Telephone line (1-800-829-1040). The IRS also operates an International Telephone Line (1-267-941-1000), which taxpayers outside the U.S. can use; however, this service channel is not free, and taxpayers incur the associated telephone costs. For Fiscal Year (FY) 2011, 334,742 phone calls were answered at the International Telephone Line,⁶ with a 38 percent abandonment rate.⁷ For the same period, 19,186,679 calls were answered at the IRS Toll-Free Telephone Line, with a significantly higher abandonment rate at 49 percent. Further, the average handle time (AHT) at the International Telephone Line for FY 2011 was 9.4 minutes, whereas the AHT at the Toll-Free Telephone Line was 6.8 minutes during the same period.⁸

In addition to the IRS Toll-Free and International Telephone Lines, taxpayers living abroad have the option of calling one of four international IRS posts located in U.S. embassies or consulates in London, Paris, Frankfurt, and Beijing. The posts track the volume of calls answered by month; for the first half of FY 2012 (October 2011 through March 2012), the London post had answered 1,730 phone calls.⁹

Face-to-Face Assistance

In Guaynabo, Puerto Rico, the IRS operates a Taxpayer Assistance Center (TAC), which provides taxpayers with face-to-face assistance.¹⁰ Examples of services provided include account inquiries (help with letters, notices, and levies on wages or bank accounts), adjustments (changes to tax account information or payments), tax return preparation, payments and/or payment arrangements, and tax law assistance. For the 2012 filing season, the IRS provided taxpayer assistance at the Ponce, Puerto Rico, post of duty (POD) one Wednesday a month in February, March, and April 2012.¹¹ The Ponce POD is located approximately 115 kilometers from the Guaynabo TAC, or slightly over 70 miles. An IRS employee from the Guaynabo TAC drove to the Ponce POD to provide walk-in assistance to taxpayers on a first-come, first-served basis,¹² and services provided were similar to those provided at the Guaynabo TAC. Because the building at which the Ponce POD is located will no longer be occupied by the IRS next year, taxpayers in Puerto Rico will not have the option of visiting this POD for assistance during the 2013 filing season.¹³

Outside of Puerto Rico, in-person service is available at the four international IRS posts in London, Paris, Frankfurt, and Beijing. Notably, no more than ten IRS employees from the Large Business and International (LB&I) business operating division (BOD) are stationed at any of the four posts. In addition to responding to phone calls, IRS staff at these posts provide in-person service and respond to correspondence from taxpayers of all ages and income ranges, including civilian filers, nonresident aliens, expatriates, and Nonfilers. Staff at these posts also conduct town hall meetings and outreach events to individual taxpayers in their respective countries, as well as in neighboring countries within their jurisdiction. The events cover topics of interest to international taxpayers, such as filing obligations, ITIN applications, foreign earned income exclusion, foreign bank and financial accounts (FBAR), and avoiding double-taxation. Attendance at the events is in most cases filled to capacity.¹⁴

Online Services

International taxpayers have access to U.S. embassy Web sites, which include relevant tax information and hyperlinks to IRS.gov. On IRS.gov, the *International Taxpayer* page provides a wealth of information for international taxpayers. Specifically, the “Frequently Asked Questions” (FAQ) link directs web users to the top eight frequently asked questions and question subcategories for resident/nonresident aliens and U.S. Citizens living abroad.¹⁵ Figure 1 provides a screenshot of the IRS.gov *International Taxpayer* Web page.

Additionally, on IRS.gov, the Interactive Tax Assistance (ITA) tool provides accurate, consistent answers on tax law questions based on customers’ responses to a series of questions. However, international tax topics have not yet been launched on the ITA portal. The absence of an effective, self-service online tool requires international customers to use more expensive service channels, such as the International Telephone Line and the Electronic Tax Law Assistance (ETLA) tool on IRS.gov.

ETLA, a tool that allows taxpayers to submit tax law questions by e-mail to the IRS, is available to all taxpayers; however, this channel is being used overwhelmingly by resident/nonresident aliens and U.S. citizens living outside of the United States. As seen in Table 1, some 37 percent of all ETLA inquiries in FY 2011 were related to international tax topics. International inquiries on ETLA have grown 147 percent over the past five years, despite ETLA being the most expensive service channel for the IRS¹⁶ and taxpayers’ inability to ask account-specific questions through this channel.

TABLE 1. International Inquiries via Electronic Tax Law Assistance (ETLA)


Fiscal Year	International Inquiries			All ETLA Inquiries	
	Total Inquiries Received	Percent of all Inquiries	Average Response Time (days)	Total Inquiries Received	Average Response Time (days)
2007	3,375	22%	2.6	15,357	3.4
2008	3,483	21%	3.2	16,383	2.8
2009	7,092	37%	6.9	19,139	4.6
2010	7,920	36%	7.3	21,738	5.5
2011	8,333	37%	4.3	22,743	7.2

Source: ETLA Access to Historical Reports, accessed March 22, 2012.

NOTE: Deletes were excluded from Total Inquiries Received and from the calculation of Average Response Time.

Two of the four international IRS posts, Paris and Beijing, also offer e-mail services to international taxpayers; individuals with a routine tax question may send an e-mail to irs.paris@irs.gov or irs.beijing@irs.gov. Although IRS posts in London and Frankfurt initially offered e-mail as a service channel when it became available, the two posts have since discontinued offering the service.¹⁷

FIGURE 1. International Taxpayer Page on IRS.gov



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- [International Taxpayers](#)
- [Self-Employed](#)

International Taxpayers Topics

- [Taxpayers Living Abroad](#)
- [Nonresident Aliens](#)
- [Resident Aliens](#)
- [Foreign Students/Scholars](#)
- [Withhold Foreign Persons](#)
- [Tax Treaties](#)
- [Alien Tax Status](#)
- [Tax Id Numbers](#)
- [More Topics...](#)

IRS Resources

- [Compliance & Enforcement](#)
- [Contact My Local Office](#)
- [e-file](#)
- [Forms and Publications](#)
- [Newsroom](#)
- [Frequently Asked Questions](#)
- [Taxpayer Advocate Service](#)
- [Where To File](#)

International Taxpayer

[Foreign Account Tax Compliance Act \(FATCA\)](#)
The Foreign Account Tax Compliance Act (FATCA) improves tax compliance involving foreign financial assets and offshore accounts. Under FATCA, certain U.S. taxpayers with specified foreign financial assets must report those assets to the IRS on Form 8938. FATCA will require foreign financial institutions to report directly to the IRS information about financial accounts held by U.S. taxpayers.

[Information for U.S. Citizens or Dual Citizens Residing Outside the U.S.](#)
U.S. citizens or dual citizens who reside outside the U.S. may have failed to timely file United States federal income tax returns or Reports of Foreign Bank and Financial Accounts (FBARs), despite being required to do so. This fact sheet summarizes information about federal income tax return and FBAR filing requirements, how to file a federal income tax return or FBAR, and potential penalties.

[Offshore Voluntary Disclosure Program Reopens](#)
The IRS has reopened the Offshore Voluntary Disclosure Program (OVDP) following continued strong interest from taxpayers and tax practitioners after the closure of the 2011 and 2009 programs. This program will be open for an indefinite period until otherwise announced.

[Help With Tax Questions - International Taxpayers](#)
If you've looked around our site and still didn't find the answer to your general tax question for International Taxpayers, we'd like to help.

[Income from Abroad is Taxable](#)
There have been recent reports about the interest of the Internal Revenue Service (IRS) in taxpayers with bank accounts in Liechtenstein. The IRS' interest, however, extends beyond bank accounts in Liechtenstein to financial accounts anywhere in the world. The IRS reminds you to report your worldwide income on your U.S. tax return and lists the possible consequences of hiding income overseas.

[U.S. Citizens by Birth or through a U.S. Citizen Parent](#)
All persons born in the United States are U.S. citizens. This is the case regardless of the tax or immigration status of a persons parents. Furthermore, a person born outside the United States may also be a U.S. citizen at birth if at least one parent is a U.S. citizen and has lived in the United States for a period of time.

[U.S. Citizens and Resident Aliens Abroad](#)
This section covers tax topics for U.S. citizens or resident aliens living overseas.

[Taxation of Nonresident Aliens](#)
The U.S. source income of nonresident aliens is subject to U.S. taxation.

[Taxation of Resident Aliens](#)
A resident alien's income is generally subject to tax in the same manner as a U.S. citizen.

[Foreign Students and Scholars](#)
Aliens temporarily present in the United States as students, trainees, teachers, researchers, exchange visitors, and cultural exchange visitors are subject to special rules with respect to the taxation of their income.

[Tax Withholding on Foreign Persons](#)
This section covers tax withholding topics for payments made to U.S. citizens abroad or aliens employed both in the United States and abroad. This section also covers tax withholding and reporting rules on payments of U.S. source income made to foreign persons.

[Tax Treaties](#)
Tax treaties may allow residents of foreign countries to be taxed at a reduced rate, or to be exempt from U.S. income taxes on certain items of income they receive from sources within the United States.

[Taxpayer Identification Numbers \(TIN\)](#)
A Taxpayer Identification Number (TIN) is an identification number used by the Internal Revenue Service (IRS) in the administration of tax laws.

[Taxation of Foreign Athletes and Entertainers](#)
This section describes the special rules which affect the taxation of foreign athletes and entertainers who have income sourced in the United States.

[Alien Taxation - Certain Essential Concepts](#)
This section describes certain essential concepts involved in the taxation of aliens.

[Classification of Taxpayers for U.S. Tax Purposes](#)
This section will help you determine if you are a "Foreign Person" or a "United States person" for U.S. tax purposes.

[Determining Alien Tax Status](#)
If you are an alien (not a U.S. citizen), you are considered a nonresident alien unless you meet the Green Card test or the Substantial Presence test.

[Taxation of Dual-Status Aliens](#)
You are a dual-status alien when you have been both a resident alien and a nonresident alien in the same tax year.

[Special Categories of Alien Workers](#)
For U.S. tax purposes, Au Pairs and Farm Workers may be treated differently than others.

[Employees of Foreign Governments or International Organizations](#)
The wages paid to employees of foreign governments and international organizations are not usually taxable, but may be taxable in the case of U.S. citizens and resident aliens.

[New Developments in International Taxation](#)
This section provides the latest news on international taxes.

[Miscellaneous International Tax Issues](#)
This section covers subjects not previously discussed.

[Frequently Asked Questions](#)
Frequently Asked Questions for Aliens and U.S. Citizens Living Abroad

Page Last Reviewed or Updated: January 11, 2012

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Key Service Issues Facing International Taxpayers

Based on international taxpayers' responses to the 2009 IRS Survey of International Taxpayers, the primary reasons these taxpayers¹⁸ were unable to obtain information they sought from the IRS fell into three major categories:

- Burden—Difficulty finding information.
 - “The Web site is very difficult to use. You almost need to be a tax specialist to find anything. I spent more than an hour looking for the information I needed and finally gave up in frustration.”
- Availability of response—Difficulty reaching the IRS and/or receiving a response.
 - “No one has ever responded by e-mail or letter.”
- Clarity—Difficulty understanding information.
 - “The information and forms are very confusing.”

IRS language on forms, publications, notices, and IRS.gov as a whole has historically been difficult for native English speakers within the U.S. to understand. Survey responses and interviews with tax attachés at the international IRS offices revealed that IRS verbiage is especially difficult to understand for taxpayers living abroad whose primary language is not English. Further, tax attachés often receive complaints from taxpayers living abroad who have received notices from the IRS that penalties began accruing on their accounts before the taxpayers had even received the notices, due to the extensive length of time taken to ship mail outside of the U.S.¹⁹

Tax attachés at the international posts also reported that W&I's decision to discontinue mailing tax forms and instructions to individuals worldwide created an unprecedented number of walk-ins, calls, and e-mails requesting forms, instructions, and publications at the posts. Faced with tight budgetary constraints and continued growth in electronic filing, the IRS eliminated the mailing of selective forms and publications in FY 2010 under the Printing and Postage Budget Reduction (PPBR) plan. Specific to international taxpayers, direct shipments of Package 7²⁰ were discontinued in 2011 to international taxpayers and to embassies in foreign countries.²¹ Table 2 documents the number of international shipments of selected items that had been included in Package 7.

TABLE 2. International Shipments for Selected Items Contained in Package 7

Product	Quantity Shipped Internationally		
	TY 2008	TY 2009	TY 2010
Form 1040	16,906	7,954	7,362
Form 1040, Schedule A	N/A	1,867	1,786
Form 1040, Schedule B	N/A	1,942	2,176
Form 1040, Schedule C	3,269	1,213	1,442
Form 1040, Schedule D	5,263	1,941	2,061
Form 1040, Schedule E	4,525	1,431	1,841
Form 1040, Schedule M	N/A	781	1,502
Form 1040, Schedule SE	1,439	812	719
Form 1040-V	1,299	1,026	941
Form 1116	5,938	2,462	2,171
Form 2441	1,281	634	439
Form 2555	6,867	3,342	3,051
Form 2555-EZ	7,890	2,944	3,062
Form 6251	1,761	665	546
G TDF 90-22.1	1,369	2,314	2,401
Publication 54	6,634	3,647	3,341

Source: E-mail contact with Program Manager, Customer Assistance, Relationships, & Education (CARE), Media & Publications (M&P). September 20, 2011.

The institution of PPBR was especially difficult on elderly taxpayers with dial-up or no access to the Internet; those with slow connection speeds were unable to download large forms and publications from the Internet.²² Additionally, international taxpayers remained uninformed regarding new laws and reporting requirements for taxpayers with foreign financial assets. New to the 2012 filing season, the IRS mandated that international taxpayers with foreign assets equal to or over \$100,000 file Form 8938, *Statement of Specified Foreign Financial Assets*, in addition to FBAR, *Foreign Bank and Financial Accounts Form TD F 90-22.1*.²³ Due to PPBR, however, many international taxpayers who relied on the IRS to mail them necessary forms and publications were unaware of these requirements.²⁴

One exception to the excessive number of requests for forms and publications at the posts was in Beijing. Due to the general unreliability of postal systems in Asia, many international taxpayers located there had been downloading IRS forms and publications online even prior to the institution of PPBR.²⁵

2011 IRS Survey of Individuals Living Abroad

Building on the success and heightened awareness of the first phase of international taxpayer research, WIRA kicked off a second phase of research to further develop and refine the IRS's understanding of international taxpayer service needs, issues, and preferences. The focal point of this second phase of research was the *2011 IRS Survey of Individuals Living Abroad*, which focused on the experiences, expectations, and perceptions of individuals living abroad with the current IRS international telephone line. The survey also delved into questions regarding a proposed toll-free IRS international telephone line as well as alternative service delivery channels such as e-mail with the IRS, online, interactive (i.e., probe and response) tools, and IRS.gov content.

Survey Methodology

The IRS contracted with ICF Macro to conduct the *2011 Survey of Individuals Living Abroad*. WIRA and ICF Macro used a hybrid mail/web methodology (i.e., mixed mode study) to survey individuals living abroad. ICF Macro contacted respondents by mail to participate in the survey either by completing a paper copy of the survey or by accessing an online, Web-based version of the survey. The survey administration period started on May 10, 2011 with completed surveys accepted by mail or via the web survey through July 29, 2011.

Mail Survey Administration

The following four-wave survey methodology and timeline was used:

1. **May 10, 2011** Pre-notification letter (printed on IRS letterhead) alerted participants to the upcoming survey, and also notified them that they could immediately complete the survey online by using the web address and unique password provided.
2. **May 24, 2011** Initial survey instrument mailed along with a cover letter and international postage-paid return envelope to all individuals sampled. Letter again alerted recipients of the online survey and included the web address and unique password
3. **June 10, 2011** Brief reminder letter mailed, thanking those who already participated in the survey and urging others to complete the survey online using the included web address and unique password or via a replacement paper copy of the survey, which would be mailed in a couple of weeks
4. **June 24, 2011** Second copy of survey instrument along with a cover letter and international postage-paid return envelope mailed to non-respondents only. Web address and unique password included in the mailing for online survey access

Web Survey Administration

Respondents who did not want to complete the pencil-and-paper version were given the option of completing the survey online by typing in the Web address and unique password to the survey. These were provided in each of the four survey mailings. The password feature:

- Permitted participants to begin the survey, suspend it, and re-enter where they left off, with their data saved up to that point;
- Protected participants' data against power or network interruption;
- Provided safeguards for the survey process by preventing a respondent from completing multiple surveys;
- Ensured that only targeted participants could complete the survey; and
- Linked to an individual so that if a respondent completed both a web and mail survey, only the first one completed/received was used.

Respondent Sampling, Response Rate, and Survey Mode

The sampling plan for the *2011 IRS Survey of Individuals Living Abroad* consisted of three distinct populations²⁶ including International Filers, Nonfilers, and Expatriates.²⁷ The sample of 4,700 International Filers was stratified into three groups including Civilians, Military personnel stationed abroad, and Nonresident Aliens. The sample of 300 Nonfilers was segmented into two groups including Nonfilers with a perceived filing obligation and Nonfilers with no perceived filing obligation. Nonfilers with no perceived filing obligation were assumed to be those who did not have a filing requirement but filed a TY 2008 return to receive the economic stimulus payment. Nonfilers with a perceived filing obligation were identified through their information on the IRS nonfiler database and matched to passport data from the U.S. Department of State. Lastly, the sample of 1,000 Expatriates was identified through the LB&I Expatriate Database, which is comprised of data from the IRS²⁸ as well as the Bureau of Consular Affairs.²⁹ At the request of LB&I, Expatriates were stratified by net worth, either above or below \$2 million as reported on IRS Form 8854, Initial and Annual Expatriation Statement.³⁰ Of the entire sample, 84 percent were Filers, 12 percent were Expatriates, and 5 percent were Nonfilers.

In all, the *2011 IRS Survey of Individuals Living Abroad* received 1,753 unique responses from individuals in 81 countries constituting a 32 percent response rate (up from a 24 percent response rate on the prior international survey). The top ten countries represented in the responses were Canada, the United Kingdom, Germany, China, Japan, France, Switzerland, Israel, Australia, and Italy. The Philippines, Mexico, and Spain were also in the top 20 countries based on number of respondents. Approximately 62 percent of respondents completed the survey via the Web, while 38 percent of respondents completed the paper survey via mail. Table 3 outlines survey instruments sent, surveys completed, and the response rate for each of the survey populations and sub-groups.

TABLE 3. Response Rates and Survey Mode by Survey Population

	Surveys Sent	Undeliverable Surveys	Completed by Mail	Completed by Web	Total Completed Surveys	Response Rate ¹
Filers	4,700	424	546	925	1,471	34%
Civilian	2,316	64	331	576	907	40%
Military	1,500	344	92	180	272	24%
Nonresident Aliens	884	16	123	169	292	34%
Nonfilers	300	29	51	28	79	29%
With a Filing Obligation	100	18	2	11	13	16%
With No Filing Obligation	200	11	49	17	66	35%
Expatriates²	1,000	42	73	130	203	21%
Net Worth Above \$2M	93	0	8	11	19	21%
Net Worth Below \$2M ³	907	42	65	119	184	21%
Total	6,000	495	670	1,083	1,753	32%

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

¹ Response Rate does not include surveys that were undeliverable.

² The Expatriate sample was limited to individuals with an expatriation date of January 1, 2009 through February 10, 2011.

³ Four cases in the Expatriate sample did not include Net Worth information.

Due to the high number of Filers in the sample, combining the data for all respondents would heavily skew the results toward Filers' responses. For that reason, and also because these three groups were compiled from different sources, their results are primarily reported separately. Additionally, whenever fewer than 50 individuals answered a question, their data are shown as ratios (e.g., "6/10") or numbers (e.g., "6") instead of percentages to indicate that these results should be viewed as qualitative or directional in nature. This is often the case with Nonfilers, as there are fewer of these respondents in the data. It is also important to note that the demographics of individuals who responded to this survey generally did not differ greatly from those of the entire sample.

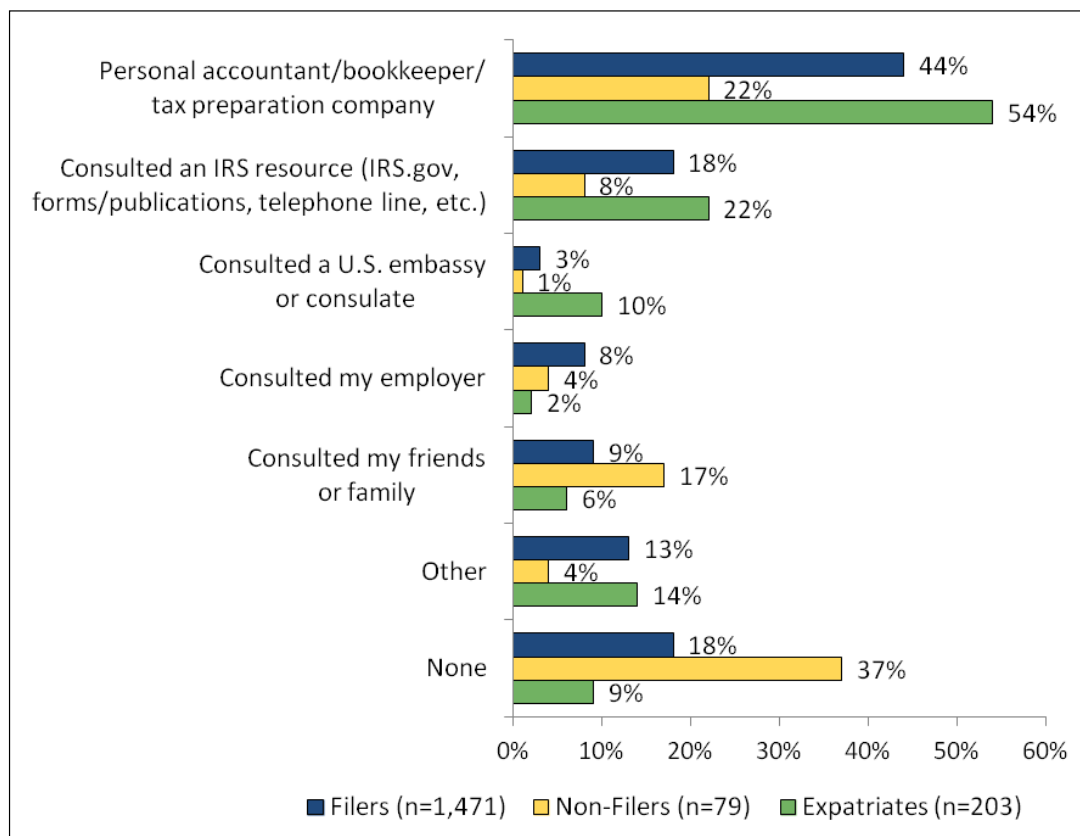
Tax Preparation and Filing Among International Taxpayers

Determination of Filing Requirement

When asked if they had a Federal U.S. tax filing requirement in the most recent tax year, 81 percent of Filers indicated that they had a TY 2010 filing requirement, while 11 percent were unsure. Expatriates were closely split, with 52 percent stating that they had a filing requirement and 47 percent stating they did not. Interestingly, while the majority of Nonfilers (67 percent) stated that they did not have a filing requirement, 21 percent stated they did and 12 percent were unsure.

Filers and Expatriates were most likely to report consulting a personal accountant/bookkeeper/tax preparation company to determine whether they had a filing requirement (44 percent and 54 percent, respectively). In contrast, Nonfilers were most likely to report not consulting anyone to determine whether they had a filing requirement (37 percent). See Figure 2 for a detailed breakdown of the resources respondents used to determine their filing requirement.

FIGURE 2. Resources Used To Determine Filing Requirements



Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

Preparation of Most Recent U.S. Federal Tax Return

In reporting the preparer of their most recent U.S. Federal tax return, 46 percent of Filers reported that they or their spouse prepared their return, and 39 percent of these respondents reported using tax software.³¹ Forty-three percent reported using a paid personal accountant/bookkeeper/tax preparation company to prepare their return, with 58 percent of these Filers reporting that their preparer was located within the U.S.

In comparison, 31 percent of Expatriates reported that they or their spouse prepared their most recent U.S. Federal tax return, and only 25 percent of these Expatriates used tax software. Sixty-four percent of Expatriates reported that a paid personal accountant/bookkeeper/tax preparation company prepared their most recent return, and of these Expatriates, 55 percent reported that their preparer was located within the U.S.

Filing of Most Recent U.S. Federal Tax Return

Regarding filing activities, Filers spent on average 11.7 hours and \$413 on activities and expenses related to their most recent U.S. Federal tax return (see Table 4).³² Nearly two-thirds of Filers (64 percent) reported filing their return by regular or express mail, and over a quarter (26 percent) reported filing electronically. In comparison, 71 percent of all U.S. TY 2010 tax returns were filed electronically.³³

TABLE 4. International Filers' Time and Money Spent Related to Most Recent U.S. Federal Tax Return

	Amount of Time/Money	Percent of Respondents
Time Spent on Most Recent Return (n = 1,276)	2 hours or less	30%
	3 to 4 hours	19%
	5 to 10 hours	30%
	11 to 25 hours	14%
	More than 25 hours	8%
	Average:	11.7 hours
Money Spent on Most Recent Return (n = 1,237)	\$0	13%
	\$1 to \$50	34%
	\$51 to \$200	18%
	\$201 to \$500	17%
	More than \$500	17%
	Average:	\$413

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

International Taxpayers' Reported Use of Resources for Obtaining U.S. Federal Tax Information

Regarding their U.S. Federal tax returns while living outside of the United States, survey respondents were asked to indicate which sources they had used to obtain information for four tax issues:

- Tax Treaties
- Resolving Notice/Letter from the IRS
- Making a Payment
- Obtaining an ITIN

Ten to 20 percent of Filers reported they had used a personal account/bookkeeper/tax preparation company to receive information on the four issues listed above. A lower percent range of Filers (9 to 13 percent) reported using IRS.gov as a resource to obtain information on the four issues.

Of Expatriates, a higher percent range than Filers (11 to 35 percent) reported receiving information from a personal accountant/bookkeeper/tax preparation company. Expatriates were also more likely than Filers to obtain tax treaty information from an IRS resource. See Table 5 for a full breakdown of resources that Filers and Expatriates used while living abroad by tax issue.

TABLE 5. U.S. Federal Tax Information Sources Used While Living Abroad by Tax Issue

Tax Information Source	Filers (n = 1,471)				Expatriates (n = 203)			
	Tax Treaties	Resolving Notice/Letter from the IRS	Making a Payment	Obtaining an ITIN	Tax Treaties	Resolving Notice/Letter from the IRS	Making a Payment	Obtaining an ITIN
IRS.gov	12%	11%	13%	9%	22%	7%	10%	2%
IRS Telephone Line	1%	7%	2%	2%	3%	7%	2%	1%
IRS publications	8%	5%	8%	3%	15%	8%	7%	1%
Personal accountant/bookkeeper/tax preparation company	15%	12%	20%	10%	35%	23%	28%	11%
U.S. embassy or consulate	2%	1%	1%	1%	4%	4%	1%	1%
Employer/Union/Trade Organization	2%	1%	1%	1%	0%	1%	1%	1%
Family/Friend	4%	3%	2%	2%	4%	2%	1%	0%
American Citizens Abroad (ACA)	1%	<1%	<1%	<1%	0%	1%	2%	0%
Association of Americans Residing Overseas (AARO)	<1%	<1%	<1%	<1%	0%	0%	1%	0%
Federation of American Women's Clubs Overseas (FAWCO)	0%	<1%	<1%	<1%	1%	0%	1%	0%
Other	2%	2%	2%	1%	3%	3%	2%	2%
Not applicable/Did not receive information on the issue	49%	50%	42%	54%	30%	37%	33%	51%

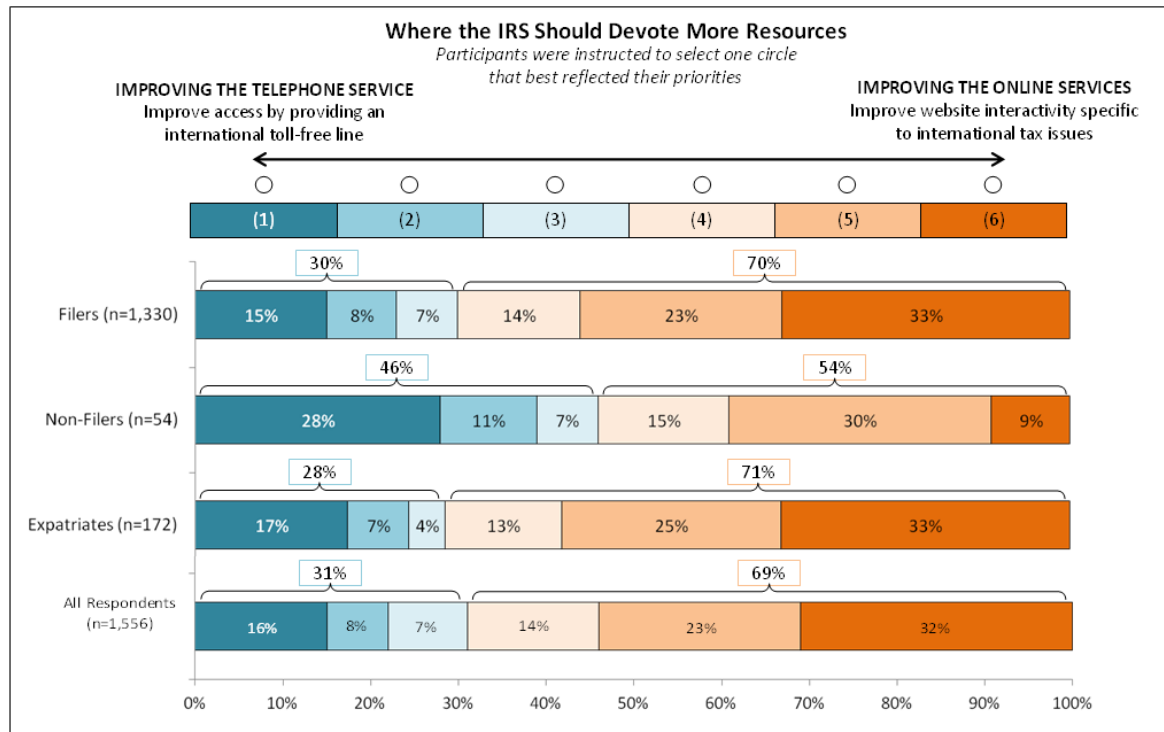
Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

International Taxpayers' Reported Preferences for IRS Services

In reporting their preferences for using the IRS Telephone Line and IRS.gov, the majority of Filers and Expatriates (66 and 62 percent, respectively) indicated a preference for obtaining the information they need on IRS.gov rather than calling the IRS. Additionally, over three-quarters (76 percent) of both Filers and Expatriates reported that if they had a tax question, they would look for information on IRS.gov before calling the IRS.

With respect to preferences for potential services the IRS may offer, Filers and Expatriates (61 and 60 percent, respectively) were likely to report a willingness to use an IRS-provided international toll-free telephone line for tax-related inquiries. A slightly lower percentage of Filers and Expatriates (55 and 53 percent, respectively) reported a preference for using an interactive tool on IRS.gov that would ask a series of tax-related questions and provide information based on taxpayers' answers. However, only 19 percent of Filers reported they would be more confident with the information they receive from the IRS Telephone Line than information they view on the IRS.gov Web site. Additionally, Military Filers were less likely to report a preference for an IRS-provided international toll-free line (53 percent) and were more likely to report a preference for an interactive web tool on IRS.gov (60 percent).

When asked where the IRS should devote more resources to improve the support it provides to U.S. taxpayers living abroad, 70 percent of Filers and 71 percent of Expatriates leaned more heavily toward supporting improving online services rather than improving the telephone service (see Figure 3). Of Filers, more Military respondents leaned towards improving online services (79 percent) than did Civilian respondents (67 percent) and Nonresident Alien respondents (69 percent).

FIGURE 3. Where the IRS Should Devote More Resources

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.





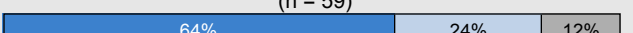
International Taxpayers' Reported Awareness, Use, and Satisfaction with IRS Services

Survey respondents were asked to indicate their awareness, use, and satisfaction with the following IRS resources:

- IRS International Telephone Line (1-267-941-1000)
- IRS website (IRS.gov)
- International section of IRS.gov
- E-mail to the IRS through IRS.gov
- IRS Brochure Publication 4732: *Federal Tax Information for U.S. Taxpayers Living Abroad*
- Other

Filers were most likely to be aware of (78 percent), to have used (39 percent), and to be satisfied with (66 percent) the IRS Web site (see Table 6). Filers' awareness of the IRS International Telephone Line, the International section of IRS.gov, e-mail to the IRS via IRS.gov, and Publication 4732 ranged from 29 percent to 39 percent. Further, apart from the Web site as a whole, the resources Filers reported using most often were the International section of IRS.gov (12 percent) and Publication 4732 (11 percent). Only 5 percent reported using the IRS Telephone Line, and two percent e-mailed the IRS via IRS.gov. Although the majority of Filers reported being satisfied with the resources they used, dissatisfaction was highest among Filers who used the IRS Telephone Line (24 percent).

TABLE 6. Filers' Reported Awareness, Use, and Satisfaction with IRS Resources

IRS Resource	Aware of Resource (n = 1,471)	Used Resource (n = 1,471)	Satisfaction with Resource among those who used resource ¹	Mean
IRS Telephone Line	39%	5%	(n = 75) 	3.48
IRS website	78%	39%	(n = 572) 	3.81
International section of IRS.gov	32%	12%	(n = 167) 	3.60
E-mail to the IRS via IRS.gov	33%	2%	(n = 34) 17 Satisfied, 8 Neutral, 9 Dissatisfied	*
IRS Brochure Publication 4732	29%	11%	(n = 156) 	3.70
Other	4%	4%	(n = 59) 	3.75

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

Mean is derived from a five point scale with "1" representing very dissatisfied and "5" representing very satisfied.

 Satisfied Neutral Dissatisfied

* Means not shown for bases under 50.

Of Expatriates, approximately three-quarters (74 percent) reported being aware of the IRS Web site. Similar to Filers, reported use for Expatriates was highest for the IRS Web site (43 percent), although 50 percent of Expatriates reported being satisfied with the Web site, compared to 66 percent of Filers. For other resources, Expatriates' awareness ranged from 29 percent (e-mail to the IRS via IRS.gov) to 37 percent (IRS Telephone Line), and use ranged from three percent (e-mail to the IRS via IRS.gov) to 18 percent (Publication 4732).

Nonfilers had significantly lower awareness of IRS resources when compared to Filers and Expatriates (see Table 7). While 78 percent of Filers and 74 percent of Expatriates were aware of the IRS Web site, only 35 percent of Nonfilers reported being aware of this resource. Also, only 28 percent of Nonfilers were aware of the IRS Telephone Line, whereas 39 percent and 37 percent of Filers and Expatriates, respectively, were aware of this resource. Eight or fewer Nonfilers reported using the listed IRS resources to prepare their most recent U.S. tax return.

TABLE 7. Segmentation of Respondents' Awareness of IRS Resources

IRS Resource	Percent of Filers Aware (n = 1,471)	Percent of Expatriates Aware (n = 203)	Percent of Nonfilers Aware (n = 79)
IRS Telephone Line	39%	37%	28%
IRS Web site	78%	74%	35%
International section of IRS.gov	32%	37%	17%
E-mail to the IRS via IRS.gov	33%	29%	13%
IRS Brochure Publication 4732	29%	32%	19%
Other	4%	3%	3%

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

Contact with the IRS by Telephone

When asked where they first found the telephone number for the IRS, all respondents³⁴ who reported calling the IRS Telephone Line about their most recent tax return were most likely to state that they found the number

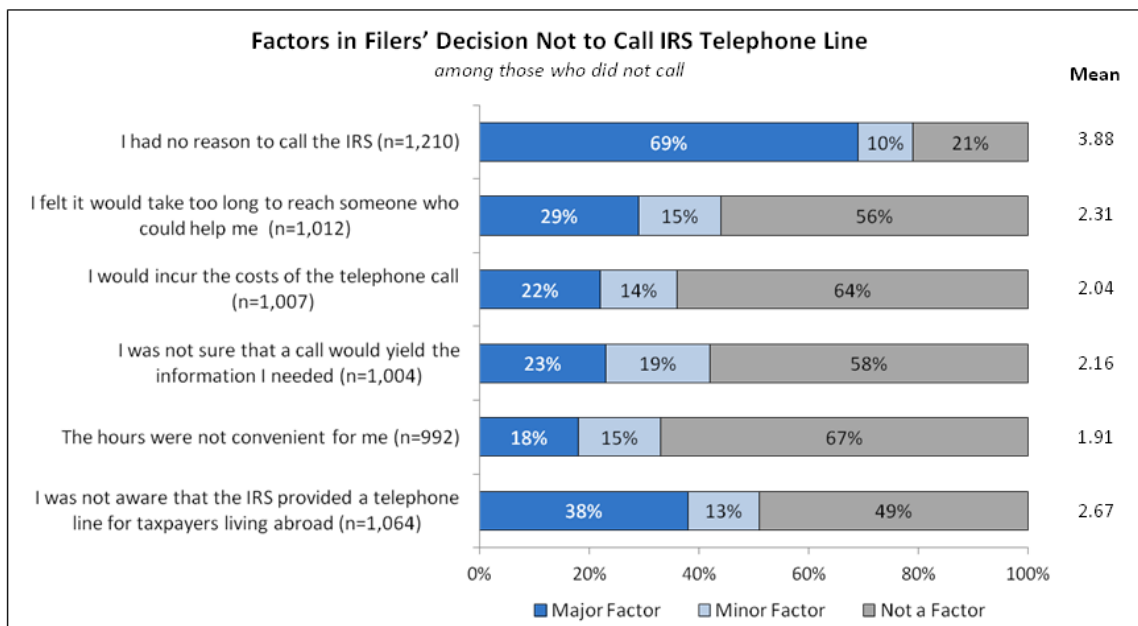
on IRS.gov (42 percent) followed by a notice or letter from the IRS (33 percent). Further, 67 percent of respondents who called the IRS Telephone Line about their most recent tax return reported visiting IRS.gov prior to calling the IRS. These respondents are comprised of the 41 percent who stated they visited IRS.gov but could not find the information they needed, and the 26 percent who stated they found the information on IRS.gov but wanted to confirm or clarify the information with someone by phone. Lastly, 28 percent of survey respondents who called the IRS Telephone Line stated they did not visit IRS.gov prior to calling.

The majority of Filers who called the IRS Telephone Line (87 percent) spoke to an IRS representative. Twelve Filers who called the IRS Telephone Line (13 percent) were unable to reach a representative, and 6 of these 12 reported their reason for not speaking to an IRS representative was that the hold time was too long. Three of the 12 Filers stated that the automated information was sufficient, and another 3 reported that their reason for not speaking to an IRS representative was because they called outside of the stated business hours.³⁵

Regarding method of payment for their call to the IRS Telephone Line, 60 percent of Filers who called the IRS (67 out of 112) stated that they personally paid for the international phone call, and 69 percent of these Filers (46 out of 67) felt the usefulness of the information they received was worth the monetary cost of the call. Sixteen percent of Filers who called the IRS Telephone Line stated that they used a free Internet-based phone service (e.g., Skype, Live Messenger), and 13 percent stated that they used a landline or mobile phone that did not incur charges. Lastly, 4 percent of Filers who called the IRS Telephone Line stated that the cost of their phone call was paid by their employer or another person.

Among Filers who did not call the IRS Telephone Line, 69 percent stated that lack of a reason to call was a major factor in their decision to not call the IRS Telephone Line. Over two-thirds (67 percent) stated that the hours of operation were not a factor in their decision to not call (i.e., they were unconcerned with the hours of operation), and 64 percent stated that the cost of the telephone call was also not a factor in their decision to not call (see Figure 4).

FIGURE 4. Factors in Filers' Decision Not To Call IRS Telephone Line



Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.
Mean is derived from a five point scale with "1" representing not a factor at all and "5" representing major factor.

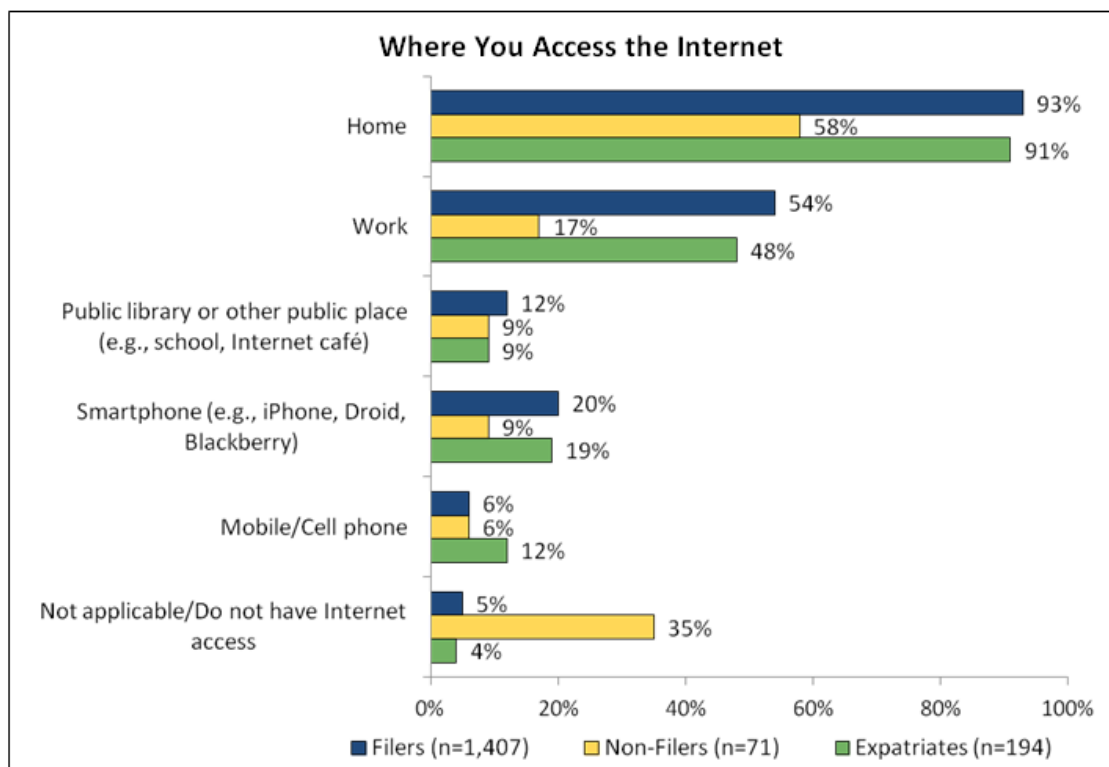
Notably, Expatriates who did not call the IRS Telephone Line were more likely (38 percent) than Filers (23 percent) to list one of their major factors as not being sure that a call to the IRS would yield the information they needed. Expatriates were also more likely (43 percent) than Filers (29 percent) to list one of their major factors in not calling as feeling that it would take too long to reach someone who could help them.

Use of IRS.gov

With respect to international taxpayers' use of online services, survey respondents were asked to rate their agreement with a series of questions related to their use of online resources, including their use of IRS.gov for their most recent tax return and their experiences with contacting the IRS by e-mail.

With respect to their Internet use, the vast majority of Filers and Expatriates (93 percent and 91 percent, respectively) reported accessing the Internet from home. Further, 54 percent and 48 percent of Filers and Expatriates, respectively, reported also accessing the Internet from work. In contrast, only 58 percent of Nonfilers reported accessing the Internet from home, and 17 percent reported accessing the Internet from work. Over a third of Nonfilers (35 percent) answered as "Not applicable/Do not have Internet access." For a full breakdown of where respondents access the Internet, refer to Figure 5.

FIGURE 5. Where Respondents Access the Internet



Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

Among those who used IRS.gov regarding their most recent tax return, Filers were more likely than Expatriates to agree with the four statements in Table 8. Very few Nonfilers provided responses to statements describing their use of IRS.gov.

TABLE 8: Agreement with Statements about IRS.gov¹

Statement	Filers (n = 367-567) ²	Expatriates (n = 69-82)	Nonfilers (n = 9-10)
Going to IRS.gov was a more convenient option for me than calling the IRS	84%	69%	5/9
It was easy to find the specific tax-related information I needed on IRS.gov (e.g., capital gains/losses, tax exemptions)	59%	42%	5/10
It was easy to understand the information about international tax topics on IRS.gov	41%	27%	4/9
The Frequently Asked Questions (FAQs) in the International Taxpayers section of IRS.gov provided the information I needed	33%	17%	3/9

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

¹ Among those who used IRS.gov regarding their most recent tax return

² The bases (n) are shown as ranges because the number of respondents who answered by item varies.

Expatriates who used IRS.gov regarding their most recent tax return were more likely to disagree with the positively-oriented statements regarding IRS.gov than Filers. While 28 percent of Filers disagreed that it was easy to understand the information about international tax topics on IRS.gov, 49 percent of Expatriates disagreed with the same statement. Additionally, 33 percent of Filers disagreed that the FAQs on the International Taxpayer page of IRS.gov provided the information they needed, whereas 55 percent of Expatriates disagreed with this statement.

Among Filers, between 81 and 85 percent of the three sub-groups (Civilian, Military, and Nonresident Aliens) agreed that going to IRS.gov was a more convenient option for them than calling the IRS. However, Military Filers were significantly more likely to agree with the remaining three statements about the ease and effectiveness of finding information on the Web site than Civilian and Nonresident Alien Filers, as shown in Table 9.

TABLE 9: Filers' Agreement with Statements about IRS.gov¹

Statement	Civilians (n = 249-370) ²	Military (n = 58-110)	Nonresident Aliens (n = 60-87)
Going to IRS.gov was a more convenient option for me than calling the IRS	85%	84%	81%
It was easy to find the specific tax-related information I needed on IRS.gov (e.g., capital gains/losses, tax exemptions)	56%	72%	58%
It was easy to understand the information about international tax topics on IRS.gov	35%	62%	49%
The Frequently Asked Questions (FAQs) in the International Taxpayers section of IRS.gov provided the information I needed	29%	48%	35%

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

¹ Among those who used IRS.gov regarding their most recent tax return

² The bases (n) are shown as ranges because the number of respondents who answered by item varies.

Contact with the IRS by E-mail

Of the few Filers who had e-mailed the IRS,³⁶ 60 percent agreed that the e-mail address for contacting the IRS was easy to find online. Additionally, 54 percent agreed that corresponding through e-mail was a more convenient option than calling the IRS.

Barriers to Using IRS Resources

The last question of the survey was open-ended and asked respondents to describe the barriers they had experienced when using IRS resources while living outside of the U.S. Most often, respondents discussed the complexity of and confusion over international tax law; dissatisfaction with not receiving international tax filing materials; excessive use of jargon or unclear language in IRS letters, publications, and forms; and difficulty finding needed information on IRS.gov. Additionally, respondents conveyed several problems with return preparation and filing and with calling the IRS Telephone Line.

With respect to the complexity of international tax law, respondents often discussed the situation of taxpayers who reside in a foreign country covered by a tax treaty with the U.S. that has a higher average income tax rate than in the U.S. Accordingly, these individuals' tax liability to the U.S. is generally small or zero. Two respondents stated the following:

- "I spend more money each year preparing taxes than I owe the government in liability."
- "One often has to spend an inordinate amount of time reading instructions and filling out forms just in order to show that one doesn't actually owe any U.S. taxes."

Additionally, consistent with the tax attachés' comments regarding dissatisfaction over not receiving international tax filing materials, one elderly respondent provided the following comment:

- "Something must be done to ensure that taxpayers without computers promptly get their paper forms and instructions and that telephone numbers of IRS reps at consulates and embassies are correct. I am 89 and have no intention of purchasing a computer. People in my category are also taxpayers and should be considered."

One respondent offered the following insight on the use of unclear language in IRS letters, publications, and forms:

- "I think your question on where to spend more effort misses the point. I do not need a toll-free phone number or an interactive web site. I need more understandable material."

Regarding return preparation and filing, respondents often discussed their inability to e-file, their problems with using tax software that does not accept foreign addresses³⁷ and/or does not include necessary forms, and their need to use expensive tax preparers because filing is too difficult.

Further, regarding barriers when calling the IRS, respondents commented on the long wait times, inconvenient hours of operation, high cost of calling the International Telephone Line, and the telephone line staff not being knowledgeable about international tax issues or giving inconsistent answers.

Not to be overlooked, many respondents also provided positive comments about using IRS resources. As two respondents stated:

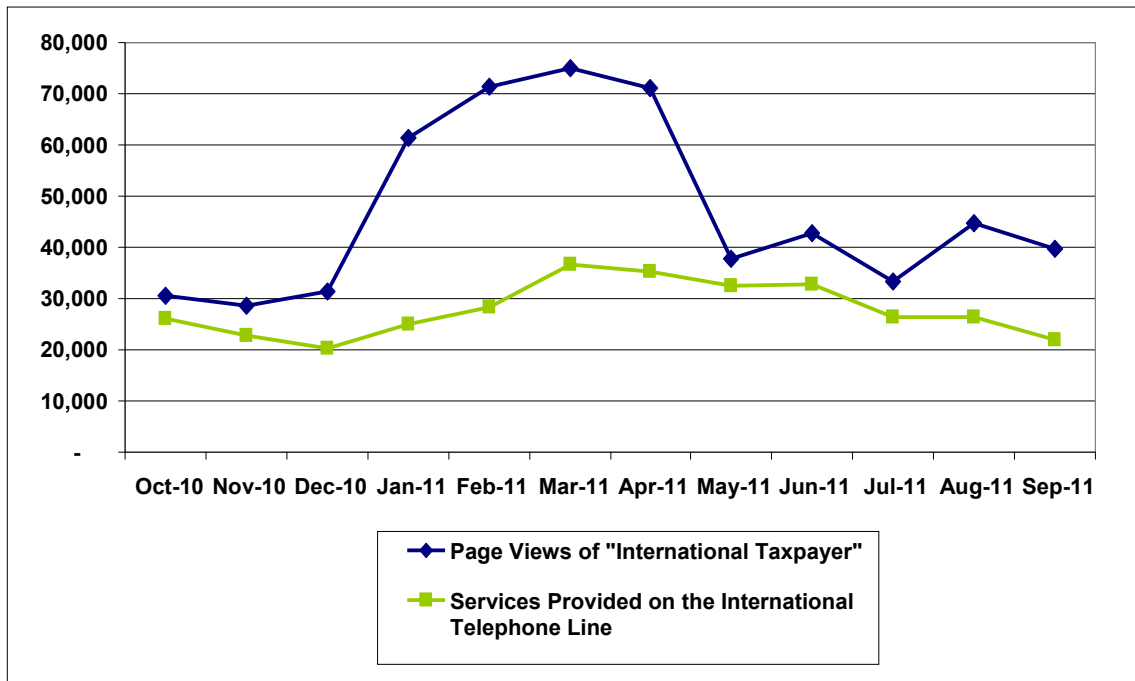
- "My personal experience with the IRS while living overseas has been encouraging. I have only called a couple of times in my years overseas, but the representatives I have spoken with have been cordial and helpful, guiding me to the information I needed."
- "Overall, I am pleased with the service of the IRS where my requirements and needs are concerned."

International Taxpayers' Actual Use of IRS Services

Analysis of FY 2011 IRS operations data supports international taxpayers' higher reported preferences and use of online services over phone services. As shown in Figure 6, there were consistently greater numbers of page

views of the International Taxpayer page on IRS.gov when compared to the number of services provided at the International Telephone Line. Additionally, the significant increase in number of page views during the filing season was not mirrored in the trend of services provided.

FIGURE 6. Fiscal Year 2011 Comparison of International Taxpayer Page Views and Services Provided at the International Telephone Line



Sources:

"IRS.gov Site Usage Reports (Monthly)," Online Services SharePoint, accessed January 5, 2012.

Aspect Application Activity, Joint Operations Center (JOC) ETD Quick Links, accessed January 5, 2012.

Although few survey respondents reported contacting the IRS by e-mail, the Electronic Tax Law Assistant (ETLA) tool is nevertheless being used overwhelmingly by resident/nonresident aliens and U.S. citizens living outside the United States, as stated earlier. Of all ETLA inquiries in FY 2011, 37 percent were related to international tax topics. Further, international inquiries via ETLA have grown 147 percent from FY 2007 to FY 2011 (see Table 1).


International Taxpayers' Reported Awareness, Use, and Satisfaction with Other U.S. Federal Resources

In addition to the IRS resources previously mentioned, survey respondents were asked to indicate their awareness, use, and satisfaction with other U.S. federal resources, including:

- Onsite IRS assistance at the U.S. embassy or consulate in Frankfurt, London, Paris, or Beijing
- Telephone assistance from IRS staff at the U.S. embassy or consulate
- U.S. embassy Web site for tax information
- E-mail to the IRS through the U.S. embassy or consulate

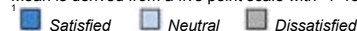
Filers were most aware of the U.S. embassy Web site for tax information (21 percent) and least aware of e-mail to the IRS through the U.S. embassy or consulate (9 percent). Fewer than five percent of Filers reported using the federal resources listed above (see Table 10).

TABLE 10. Filers' Awareness, Use, and Satisfaction with Other Federal Resources

Federal Resource	Aware of Resource (n = 1,471)	Used Resource (n = 1,471)	Satisfaction with Resource among those who used resource ¹	Mean
Onsite IRS assistance at U.S. embassy or consulate	16%	1%	(n = 17) 11 Satisfied, 2 Neutral, 4 Dissatisfied	*
Telephone assistance from IRS staff at U.S. embassy or consulate	18%	2%	(n = 29) 17 Satisfied, 9 Neutral, 3 Dissatisfied	*
U.S. embassy Web site	21%	4%	(n = 57) 	3.44
E-mail to the IRS via U.S. embassy or consulate	9%	<1%	(n = 6) 2 Satisfied, 2 Neutral, 2 Dissatisfied	*

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

Mean is derived from a five point scale with "1" representing very dissatisfied and "5" representing very satisfied.

 Satisfied Neutral Dissatisfied

* Means not shown for bases under 50.

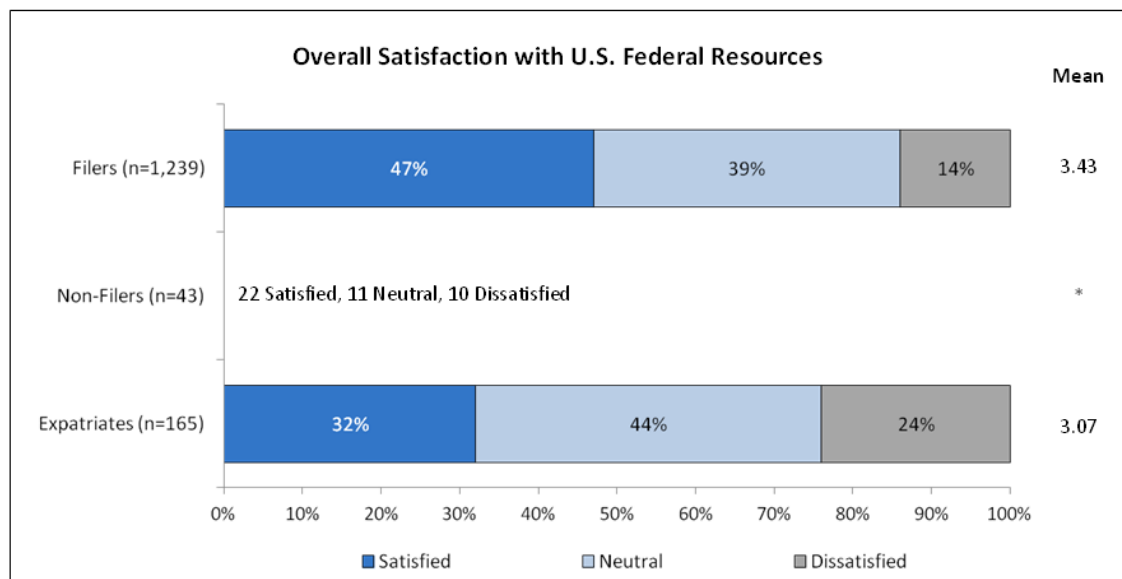
Expatriates were more likely than Filers to be aware of every federal resource for tax information listed in Table 10: onsite IRS assistance at the U.S. embassy or consulate (23 percent), telephone assistance from IRS staff at the U.S. embassy or consulate (23 percent), U.S. embassy Web site (30 percent), and e-mail to the IRS via the U.S. embassy or consulate (18 percent). However, no more than seven percent of Expatriates reported using any of the aforementioned Federal resources.³⁸

Of Nonfilers, awareness of the other Federal resources was highest for telephone assistance from IRS staff at the U.S. embassy or consulate (19 percent) and lowest for e-mail to the IRS via the U.S. embassy or consulate (six percent). Six or fewer Nonfilers reported using the additional Federal resources listed in Table 10.³⁹

International Taxpayers' Reported Overall Satisfaction with All U.S. Federal Resources

In addition to indicating their satisfaction with individual tax resources, survey respondents were asked to indicate their overall satisfaction with all U.S. Federal tax resources, including IRS and non-IRS resources, which were available to them when they completed their most recent tax return. Less than half of Filers (47 percent) reported being satisfied with U.S. Federal resources available to them, and 14 percent reported being dissatisfied. Expatriates were less satisfied with the resources overall, with 32 percent stating they were satisfied and 24 percent stating they were dissatisfied (see Figure 7).

Of Filers, Military respondents were more likely (62 percent) than Civilian or Nonresident Alien respondents (41 and 47 percent, respectively) to be satisfied with U.S. Federal resources. Civilian Filers were most likely to be dissatisfied with U.S. Federal resources (18 percent), when compared to Military Filers (6 percent) and Nonresident Alien Filers (12 percent).

Figure 7. Overall Satisfaction with U.S. Federal Resources¹

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

Mean is derived from a five point scale with "1" representing very dissatisfied and "5" representing very satisfied.

¹ U.S. Federal Resources refers to IRS resources as well as non-IRS federal resources, such as those from a U.S. embassy or consulate.

Segmentation of Filers Based on Latent Class Analysis

Latent class analysis (LCA) is a probability-based model used to estimate membership in an underlying and unknown ("latent") population segment based on observed characteristics. Five unique segments of Filers were identified through conducting LCA based on the following observed characteristics:

- Use of tax software to prepare most recent U.S. Federal tax return
- Self-prepared most recent U.S. Federal tax return
- Electronically filed most recent U.S. Federal tax return
- Not sure how filed/someone else filed most recent U.S. Federal tax return
- Had no reason to call the IRS Telephone Line
- IRS Telephone Line and IRS.gov affinity factors
- IRS Telephone Line and IRS.gov usage factors
- Awareness of IRS, non-IRS Federal, and non-Federal tax resources

Based on the above behavioral and attitudinal measures of telephone and electronic support, the five segments of Filers detailed in Table 11 were derived.

TABLE 11. Segmentation of Filers Based on Latent Class Analysis

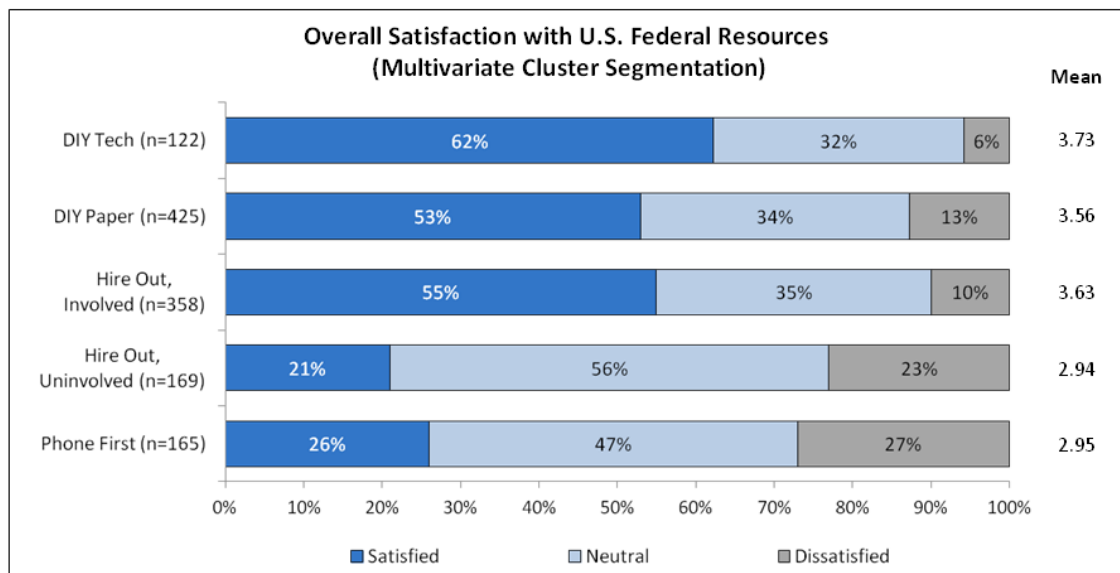
Segment	Percent of All Filers	Defining Characteristics	Who They Are
Do-It-Yourself (DIY) Tech	9% (n = 130)	Self-prepares taxes; uses tax software, files electronically, prefers web	Median age 40 (youngest segment); 71% have lived outside the U.S. for five years or less; highest Internet access (99% at home, 82% at work), including access via smartphone (29%); high full-time employment (91%)
Do-It-Yourself (DIY) Paper	30% (n = 439)	Self-prepares taxes, files by paper, prefers web, considers phone a barrier, moderate to high awareness of federal resources	Median age 52; 57% have lived outside the U.S. for more than five years, 53% have advanced degrees; median spent on tax preparation \$10 (lowest)
Hires Out, Involved	27% (n = 394)	Does not prepare own taxes, moderate to high awareness of all tax resources (IRS, non-IRS federal, and non-federal)	Median age 48; 50% have lived outside the U.S. for more than five years; median spent on tax preparation \$300; 13% used Volunteer Income Tax Assistance (VITA) and 75% used a paid preparer in or outside of the U.S.
Hires Out, Uninvolved	16% (n = 231)	Does not prepare own taxes, does not have reason to contact the IRS, generally less aware of IRS services, but is aware of personal accountant/bookkeeper	Median age 54; median spent on tax preparation \$400 (highest); 22% have never lived in the U.S.; 86% used a paid preparer in or outside of the U.S.
Phone First	19% (n = 277)	Prefers improvement of phone service, web not convenient, low awareness of IRS website and IRS Telephone Line	Median age 64 (oldest segment); 21% have never lived in the U.S. and 53% have lived outside the U.S. for 10 years or more; 17% do not have Internet access; high retirement

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

Notably, Military Filers were most likely to be DIY Tech (38 percent), whereas Civilian and Nonresident Alien Filers were least likely to be DIY Tech (three and less than one percent, respectively). Additionally, 13 percent of the Hires Out, Involved group reported using Volunteer Income Tax Assistance (VITA) to prepare their most recent U.S. tax return, indicating that these respondents were part of the Military Filer sample. Civilian Filers were most likely to be DIY Paper (36 percent), and Nonresident Aliens were most likely to be Phone First (28 percent).

Of the DIY Paper group, 16 percent reported that problems with tax software or an inability to e-file was a barrier for them, potentially leading some of these taxpayers to file paper returns when they would prefer to e-file. Also, the DIY Paper group was much less likely (26 percent) than the DIY Tech group (68 percent) to state that they did not encounter any barriers while using IRS resources. Interestingly, the DIY Paper group was as likely as the DIY Tech group (72 percent) to complete the web version of the *2011 IRS Survey of Individuals Abroad* and slightly more likely than the Hires Out groups to complete the survey online.⁴⁰ Again, this suggests that DIY Paper respondents may prefer to e-file but may be prevented from doing so due to barriers with accessing online services, or due to their view of tax filing as an inherently different activity compared to, for example, responding to a Web survey or researching tax topics online.

With respect to overall satisfaction with U.S. Federal resources available to the five segments of Filers when they completed their most recent tax return, the DIY Tech segment reported the highest satisfaction (62 percent), whereas the Phone First segment reported the highest dissatisfaction (27 percent). Refer to Figure 8.

FIGURE 8. Segmentation of Filers' Overall Satisfaction with U.S. Federal Resources Based on Latent Class Analysis¹

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

Mean is derived from a five point scale with "1" representing very dissatisfied and "5" representing very satisfied.

¹ U.S. Federal Resources refers to IRS resources as well as non-IRS federal resources, such as those from a U.S. embassy or consulate.

International Taxpayers' Reported Awareness, Use, and Satisfaction with Non-Federal Resources

Lastly, survey respondents were asked to indicate their awareness, use, and satisfaction with the following non-Federal resources on tax information:

- Tax preparation company
- Personal accountant/bookkeeper
- Tax preparation software

Filers reported higher awareness and use of non-Federal resources compared with Federal resources, with the exception of the IRS Web site (see Table 12). Additionally, Filers who used non-Federal tax resources were significantly more likely to be satisfied with the resource, when compared with Filers who rated their satisfaction with Federal tax resources.

TABLE 12. Filers' Awareness, Use, and Satisfaction with Non-Federal Resources

Non-Federal Resource	Aware of Resource (n = 1,471)	Used Resource (n = 1,471)	Satisfaction with Resource among those who used resource ¹	Mean
Tax preparation company	62%	23%	(n = 340) 80% Satisfied, 12% Neutral, 8% Dissatisfied	4.16
Personal accountant/bookkeeper	62%	27%	(n = 389) 84% Satisfied, 10% Neutral, 6% Dissatisfied	4.28
Tax preparation software	57%	19%	(n = 282) 76% Satisfied, 15% Neutral, 9% Dissatisfied	4.03

Source: 2011 Survey of Individuals Living Abroad: Top Line Report. ICF Macro, September 16, 2011.

Mean is derived from a five point scale with "1" representing very dissatisfied and "5" representing very satisfied.

■ Satisfied ■ Neutral ■ Dissatisfied

Expatriates' awareness of non-Federal tax resources was similar to that of Filers: 66 percent were aware of a tax preparation company, 64 percent were aware of a personal accountant/bookkeeper, and 55 percent were aware of tax preparation software. Additionally, Expatriates were more likely to have used a tax preparation company (32 percent) and a personal accountant/bookkeeper (30 percent) than Filers, while they were less likely to have used tax preparation software (12 percent) than Filers. Regarding their satisfaction, Expatriates were less likely to be satisfied with the tax preparation company (77 percent) and with the personal accountant/bookkeeper (75 percent) than Filers.⁴²

Nonfilers were much less aware of the three non-Federal tax resources than Filers and Expatriates; 29 percent were aware of a tax preparation company, 27 percent were aware of a personal accountant/bookkeeper, and 19 percent were aware of tax preparation software. Only ten or fewer Nonfilers reported using any of the three non-Federal resources.⁴³

Key Highlights From WIRA's Portfolio of International Research

For nearly 4 years, WIRA has engaged in a systematic and multi-source program of research to capture and define the service needs of international taxpayers through a portfolio of research designed to identify the demographic profile as well as the tax preparation and filing habits of international taxpayers, service channel preferences, potential barriers to service, and opportunities for service improvement. WIRA's portfolio of international taxpayer research reveals a taxpayer segment that is underserved, expresses a desire for self-service channels, and may experience higher post-filing problems than the general taxpayer population.

Specifically, for TY 2010, international returns were less likely to be filed electronically when compared to non-international returns (30 percent compared to 81 percent). With 7 percent of Puerto Rican returns as well as 7 percent of international (excluding Puerto Rico) returns having at least one math error, compared to only 4 percent of non-international returns, filing method may be a contributing factor to these high error rates. Additionally, 91 percent of total international returns with at least one math error were committed by paper filers.

For TY 2010, approximately 44 percent of all international filers were between the ages of 25 and 44. International taxpayers were more concentrated in the 25 to 44 age categories and there were fewer total international taxpayers age 65 and over (12 percent) compared to non-international taxpayers (15 percent). These findings indicate that retirees are not a large segment of international filers. These findings also have potential relevance regarding the ability, preference, and/or willingness of international filers to use certain service delivery channels, such as the web or telephone.

Highlights of WIRA's International Interview and Survey Research indicate that international taxpayers may best be served through investment and improvements in IRS.gov and online services. For example, U.S. based multinational companies employing U.S. citizens working abroad expressed a need for the IRS to accept faxed signatures as opposed to only accepting original signatures for tax returns to help lower the costs and time associated with international mail. Respondents to the *2009 IRS Survey of International Taxpayers* reported an Internet access rate of 91 percent with 95 percent of these individuals accessing the Internet at home. IRS.gov was consistently ranked among the top resources respondents used in the past and would be willing to use again in future for questions about filing requirements/taxable income, tax treaties, resolving notice/letter from IRS, making a payment, and/or obtaining an individual taxpayer identification number (ITIN).

Survey analysis from the *2011 IRS Survey of Individuals Living Abroad* reveals striking differences in the awareness of the IRS Web site among international taxpayers. Specifically, 78 percent of Filers and 74 percent of Expatriates reported an awareness of IRS.gov compared to an only 35 percent awareness of IRS.gov among Nonfilers. Additionally, 39 percent of Filers used the IRS Web site, which is more than three times the number who used any other IRS resource listed. Among those Filers who visited IRS.gov regarding their most recent tax return, the majority (84 percent) indicated that it was a more convenient option for them than calling the IRS telephone line. Lastly, nearly 70 percent of survey respondents reported a preference for improving online services (i.e., improve Web site interactivity specific to international tax issues) over improving the telephone service (i.e., improve access by providing an international toll-free line).

Conclusions

Over the past three decades, several unique trends in the international tax arena have posed service and enforcement challenges for the IRS including significant increases in cross-border transactions, transfer pricing and foreign tax credit filings, and the growth in not only U.S. citizens and small businesses abroad but also non-citizens working in the U.S. In response to these trends, the IRS has strengthened its focus on international tax administration with the main focus of improving voluntary compliance with international tax provisions and reducing the tax gap attributable to international transactions.

While international taxpayers as a whole may best be served through investment and improvements to IRS.gov and/or online services, the challenge of providing service to facilitate compliance cannot be overlooked. Although the vast majority of Filers and Expatriates reported that they have Internet access at home (93 percent and 91 percent, respectively), only 58 percent of Nonfilers reported having Internet access at home. Additionally, 35 percent of Nonfilers reported not having Internet access. Nonfilers were also less likely to agree that they would look for information on IRS.gov before calling the IRS (55 percent) or that they would prefer to get the information on IRS.gov (52 percent) compared to Filers and Expatriates.⁴³

Lastly, in comparing international taxpayers' reported preferences to their reported use of service, there is consistency with each in terms of international taxpayers' confidence in the information received from the phone versus the website, their opinions of visiting IRS.gov prior to calling the IRS, and also in their opinions on the IRS Telephone Line's hours of operation. As for reported use versus actual use of service, a comparison of Services Provided via the International Telephone Line to Page Views of the International Taxpayer page on IRS.gov as well as ETLA data reveals that international taxpayers' actual use of Web service over phone service support their reported preferences and reported use. In summary, there is a consistent alignment in what international taxpayers say they want, say they use, and actually use.

Endnotes

- ¹ The authors would like to thank the WIRA directors and management (Frederick T. McElligott, Mark E. Pursley, Elizabeth L. Blair, Karen D. Truss, Javier A. Framiñan, Gwen M. Garren, and Kathleen P. Holland) and researchers (Julie Thompson-Evans, Maria Celina Iglesia, Robert P. Thomas, and Jennifer D. Turner) who contributed to this study. We would also like to acknowledge the support of Pacific Consulting Group and ICF Macro.
- ² U.S. Department of State, <http://state.gov/>.
- ³ "Servicewide Approach to International Tax Administration—Strategic Initiatives and FY 2009 Priorities," Large and Mid-Size Business (LMSB), April 10, 2009.
- ⁴ For the *2009 IRS Survey of International Taxpayers*, the focus groups and interviews were used in the development and refinement of the survey instrument while the demographic and tax filing profile was used to define the sample. For the *2011 IRS Survey of Individuals Living Abroad*, lessons learned and survey responses from the 2009 Survey were used to develop the survey instrument with the sampling plan being informed by WIRA research into alternative data sources including the IRS nonfiler database, U.S. Department of State Passport data, and Certificate of Loss of Nationality data.
- ⁵ Source: Tax return data from Individual Returns Transaction File (IRTF) and Individual Master File (IMF) Tables housed on the Compliance Data Warehouse (CDW). The demographic and filing profiles of international taxpayers were analyzed for tax years 2006, 2008, and 2010.
- ⁶ The number of phone calls answered includes Services Provided at 1-267-941-1000 and at 1-215-516-2000. The latter number (ext. 2000) was the former International Telephone Line, and this number was discontinued in October 2010.
- ⁷ Abandoned calls are those that are put into queue; however, the taxpayer hangs up before speaking with an IRS assistor.
- ⁸ Source: Aspect Application Activity, Joint Operations Center (JOC) ETD Quick Links, accessed May 10, 2012.

- ⁹ During the same period, the London post provided services to 1,939 walk-in taxpayers and responded to 1,349 letters/faxes. Source: Monthly Activity Report, London Post, March 2012, prepared by Lynn Marsland, London Deputy Tax Attaché, Team 1, Assistant Deputy Commissioner International, LB&I. April 10, 2012.
- ¹⁰ The TAC in Guaynabo, Puerto has walk-in assistance service hours on Monday through Friday from 8:30 AM to 4:30 PM.
- ¹¹ Taxpayer assistance at the Ponce, Puerto Rico POD was provided only on Wednesdays February 29, March 14, and April 4, 2012 from 8:30 AM to 3:30 PM.
- ¹² Source: Telephone interview with Ricardo M. Perez, Individual Taxpayer Advisor Specialist, Customer Assistance, Relationships, & Education (CARE) Field Assistance (FA) Area 3. May 14, 2012.
- ¹³ Source: Telephone interview with Ricardo M. Perez, Individual Taxpayer Advisor Specialist, Customer Assistance, Relationships, & Education (CARE) Field Assistance (FA) Area 3. May 14, 2012.
- ¹⁴ Source: Interviews with Tax Attachés in International IRS Posts, W&I Research & Analysis (WIRA) Group 4, April 2012. Project #4-12-09-A-040.
- ¹⁵ The frequently asked question subcategories for resident/nonresident aliens and U.S. Citizens living abroad include Canadian & U.S. Tax Issues, Exchange Rate, Foreign Income & Foreign Income Exclusion, Nonresident Alien—General, Nonresident Alien—Tax Withholding, Nonresident Alien—Students, U.S. Citizens Overseas, and Other.
- ¹⁶ W&I Finance estimates the unit cost of e-mail to be approximately \$116.66 (May 10, 2012).
- ¹⁷ Source: Interviews with Tax Attachés in International IRS Posts, W&I Research & Analysis (WIRA) Group 4, April 2012. Project #4-12-09-A-040.
- ¹⁸ Excluding survey respondents who had no need to obtain information because they used a paid practitioner.
- ¹⁹ Source: Interviews with Tax Attachés in International IRS Posts, W&I Research & Analysis (WIRA) Group 4, April 2012. Project #4-12-09-A-040.
- ²⁰ Package 7 contained Forms 1040, 1040-V, 1116, 2106, 2555, 2555EZ, 3903, 6251, TD F 90-22, Schedules A, B, C, D, E, L, M, and SE, and Publication 54.
- ²¹ Direct mailings of Package 7 to embassies in U.S. territories *were* not discontinued.
- ²² Source: Interviews with Tax Attachés in International IRS Posts, W&I Research & Analysis (WIRA) Group 4, April 2012. Project #4-12-09-A-040.
- ²³ The Foreign Account Tax Compliance Act (FATCA) was enacted in 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act. FATCA was an important development in U.S. efforts to combat tax evasion by U.S. taxpayers with investments in offshore accounts, and the Act required the new Form 8938 to be filed by taxpayers who met certain criteria regarding foreign assets beginning in January 2012.
- ²⁴ Source: Interviews with Tax Attachés in International IRS Posts, W&I Research & Analysis (WIRA) Group 4, April 2012. Project #4-12-09-A-040.
- ²⁵ Source: Interviews with Tax Attachés in International IRS Posts, W&I Research & Analysis (WIRA) Group 4, April 2012. Project #4-12-09-A-040.
- ²⁶ Capitalized instances of Filers (Civilian, Military, and Nonresident Alien), Nonfilers, and Expatriates refer to groups of survey respondents. Where not capitalized, the terms refer to overall populations of filers, nonfilers, and expatriates.
- ²⁷ Although Americans living abroad are commonly known as expatriates, an “expatriate” for the purposes of the survey is defined as “a U.S. citizen who relinquished citizenship or a long-term resident who ceased to be a lawful permanent resident.”
- ²⁸ U.S. Department of the Treasury, Internal Revenue Service, Form 8854, *Initial and Annual Expatriation Statement*.

- ²⁹ U.S. Department of State, Bureau of Consular Affairs, DS-4083, *Certificate of Loss of Nationality of the United States*.
- ³⁰ Individuals who expatriated on or after June 16, 2008 and had a net worth of \$2 million or more at the date of expatriation are classified as “covered expatriates” under Internal Revenue Code (IRC) sections 877 and 877A and are subject to a one time mark-to-market tax on their net unrealized gain on property as of the day before the expatriation date (i.e., treated as if they sold (deemed sale) all of their property for fair market value on the day prior to the expatriation date).
- ³¹ Of all TY 2009 taxpayers, 42 percent reported self-preparing their tax returns, with 69 percent of these taxpayers using tax software. Source: 2010 W&I Taxpayer Experience Survey National Report—Tax Year 2009, Filing Season 2010. W&I Research & Analysis Group 1.
- ³² The Web version of the survey required setting upper limits on the time and dollar amounts entered for these questions. The limits were 500 hours and \$5,000, respectively. However, some open-ended comments and communications to the survey helpdesk indicated that some respondents to the web survey spent in excess of \$5,000. Therefore, the true dollar average is actually greater than \$413.
- ³³ Source: IRS Compliance Data Warehouse (CDW), for data through cycle 8 of processing year (PY) 2011.
- ³⁴ Includes Filers, Expatriates, and Nonfilers.
- ³⁵ Question 7D of the survey asked respondents to rate their agreement with the statement “The IRS Telephone Line’s hours of operation (6:00 am to 11:00 pm (ET) M-F) are convenient for me.” Of Filers who responded to this question, 50 percent agreed with the statement.
- ³⁶ Among Filers who contacted the IRS by e-mail, between 45 and 60 respondents rated their agreement with statements about e-mailing the IRS.
- ³⁷ WIRA acknowledges that many leading tax preparation software companies currently support foreign addresses; however, from the *2011 IRS Survey of Individuals Living Abroad*, it appears the perception that tax preparation software does not support foreign addresses still exists among some international taxpayers.
- ³⁸ Of Expatriates, 203 responded to the questions regarding awareness and use of IRS resources.
- ³⁹ Of Nonfilers, 79 responded to the questions regarding awareness and use of IRS resources.
- ⁴⁰ Sixty-eight percent and 63 percent of Hires Out, Involved and Hires Out, Uninvolved, respectively, completed the survey online.
- ⁴¹ Of Expatriates, 203 responded to the questions regarding awareness and use of IRS resources.
- ⁴² Of Nonfilers, 79 responded to the questions regarding awareness and use of IRS resources.
- ⁴³ Approximately 76 percent of both Filers and Expatriates agreed that if they had a tax question they would consult IRS.gov before calling the IRS. Additionally, 66 percent of Filers and 62 percent of Expatriates indicated they preferred to get information on IRS.gov rather than calling the IRS.