

2008 Free File Survey

Prepared For:



November 2008

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Research Background, Purpose, Method, Scope & Timing

- To maximize Taxpayer usage of e-file, IRS uses survey research to track satisfaction with e-file products, including Free File.
 - Free File tracking began in 2006, making this the 3rd year of monitoring User reaction to this product.
 - This report from the 2008 study looks at current User satisfaction with Free File and compares it to levels found last year.
 - In addition, any longer term trends in key measures have also been noted.
 - In reading results, keep in mind that all data reflect the opinions, feelings, and usage patterns of Taxpayers who have successfully completed use of Free File in the prior tax season.
- The 2008 study was conducted using the same research methods as each past survey...
 - Interviewing was conducted by telephone from Russell's national field center in Wayne NJ.
 - The sample consisted of 1,802 Users who had used the method during the previous ('08) Filing Season.
 - And all respondents were drawn from lists of Free File Users provided by the IRS.
 - Fieldwork was conducted September 5 – October 6, which, we should note, was later than the June field period of 2006 and 2007.
 - It should be also noted that the sample leans more Female and somewhat older than expected for Free File Users. However, as in past surveys, data were not weighted to any presumed level of gender and age since key results do not vary by sub-groups of either, and weighting would not have affected findings.

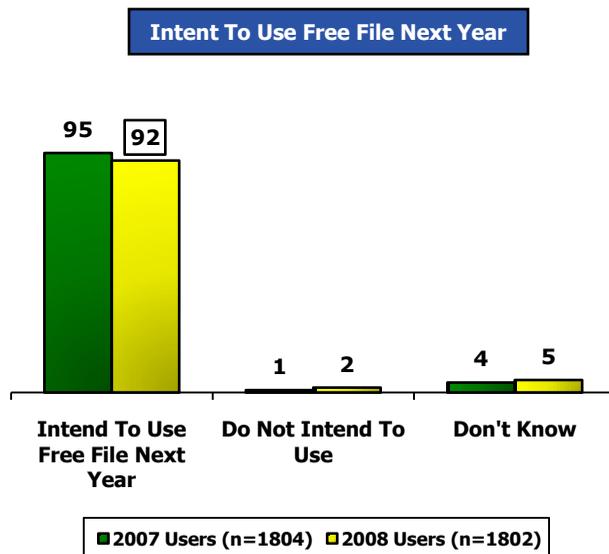
Detailed Findings

STATISTICAL NOTATION USED IN REPORT

- Circled data are significantly HIGHER than comparative data at a 95% confidence level.
- Boxed data are significantly LOWER than comparative data at a 95% confidence level.

Overall Evaluation Of Free File

- In the first key measure from the survey, 92% of Users said that they intend to use Free File next year – a level which was similar across all Users sub-groups.
- However, the 92% figure was significantly lower than the 95% found in 2007.
 - The proportion saying they do not intend to use (2%) is too small for analysis of their reasons or their demographic/other composition.

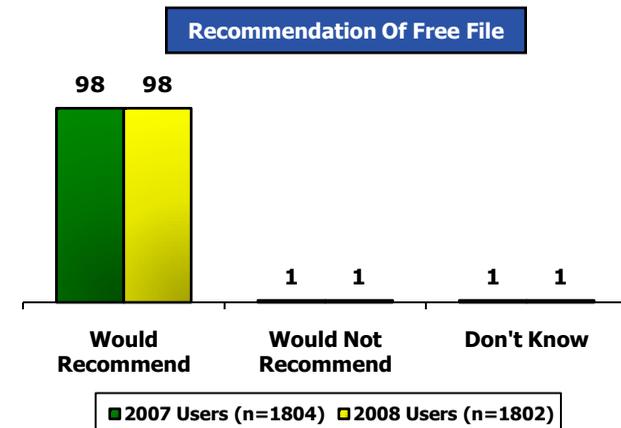


Q49: Do you intend to use Free File next year?

- In addition, there were more suggestions for improvement to Free File – mainly more mentions of “make it easier to use”.

	2007 (1804)	2008 (1802)
Total Free File Users (n=)		
Total With Suggestions For Improvement	22%	25%
Make It Easier To Use	4%	6%
Increase Awareness Of It	3%	3%
Remove The Income Criteria	3%	2%
Provide More Info On The Tax Prep Cos.	3%	2%
Provide Clearer Instructions	2%	2%

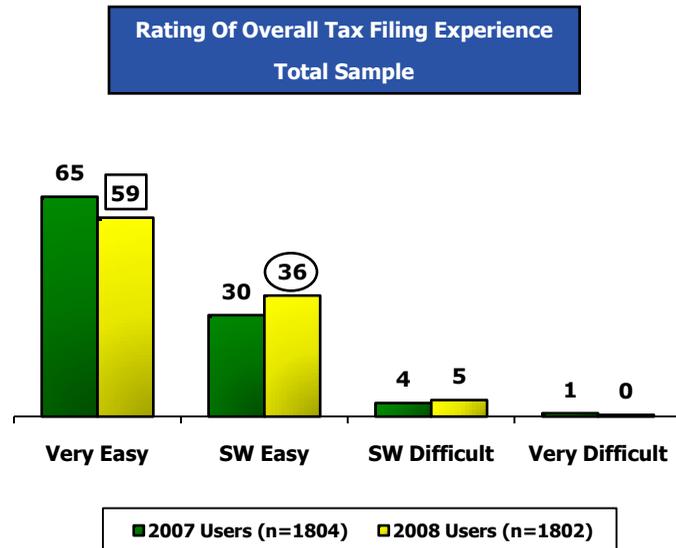
- Despite the preceding down signs, 98% again said they would recommend Free File to a friend/family member.



Q50: ...recommend Free File to a friend or family member?
Q51: ...any suggestions on how to improve Free File?

Overall Evaluation Of Free File (Cont'd.)

- To see what was driving lower intent and higher suggestions of wanting Free File to be easier to use, we looked to the diagnostic measures in the study.
- The first of these showed a lower Overall Ease Of Use rating, with 59% rating Free File "Very Easy" overall – a significant decrease from the 65% of 2007.



Q33: How would you rate your overall tax filing experience this year?

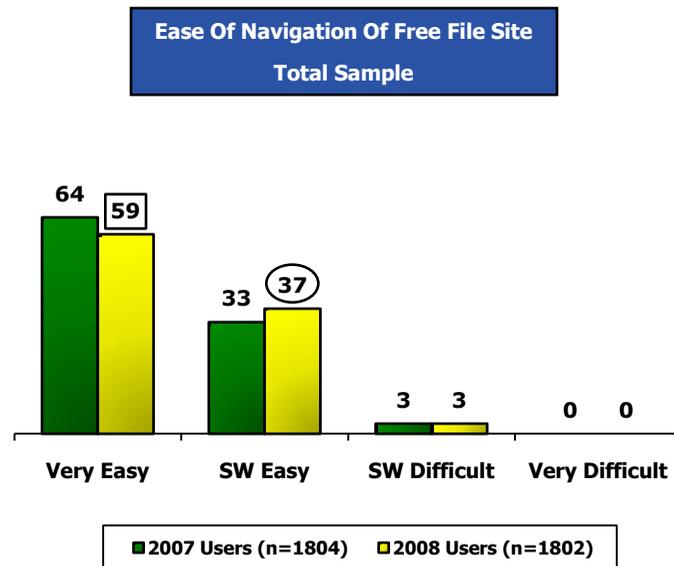
- As shown below, Overall Ease Of Use correlated to two other usage diagnostics – Ease Of Company Selection and Ease Of Site Navigation. If Users find these aspects of Free File easier, they are far more likely to rate the overall experience as easier (AND more likely to intend to re-use). As shown later, ratings of Free File on both measures dropped in 2008.
- Other sub-group analysis showed, not surprisingly, that Repeat Users rate the experience as easier (and are more likely to re-use) than New Users.

Rating Of Overall Ease Of Use
By Sub-Groups

	Total Free File Users (1802)	Very Easy To Select Company (1104)	NOT Very Easy To Select Company (698)	Very Easy To Navigate Site (1070)	NOT Very Easy To Navigate Site (732)	Repeat File Users (1076)	Non Repeat/New Users (726)
	%	%	%	%	%	%	%
OVERALL USE RATED...							
Very Easy	59	79	28	79	29	61	56
Somewhat Easy	36	20	61	19	61	35	37
Somewhat Difficult	5	2	10	2	10	4	6
Very Difficult	0	0	1	0	1	0	1
% INTEND TO USE	94	95	91	95	92	96	90

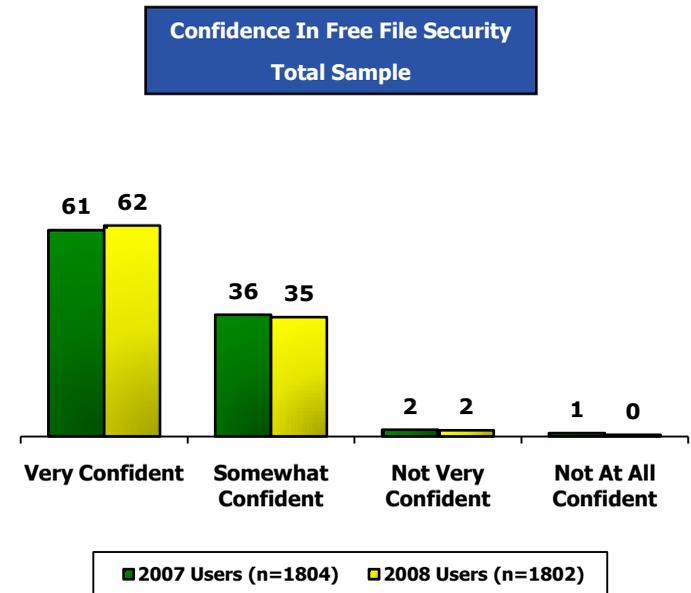
Ease Of Navigation Within The Free File Site & Confidence In Security

- As just noted, the top-box ("Very Easy") ratings of Free File on Ease Of Navigation were also down this year, from 64% in 2007 to 59% currently.



Q34: How would you rate Free File program in terms of being easy to navigate?

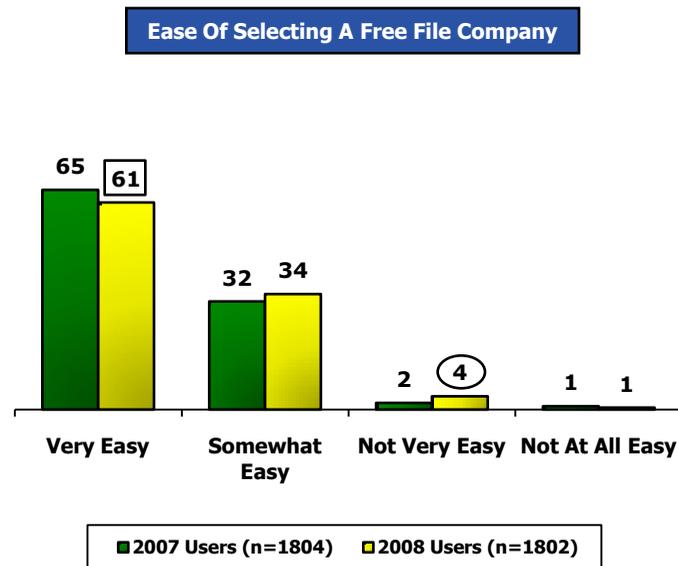
- However, Users' level of confidence in the security of their Free File information remained stable.
- Note that virtually all of those not "very" confident were at least "somewhat" confident in it.



Q36: How confident are you that the information you provided during the Free File process is secure?

Ease Of Selection & Usage Of A Free File Company/Provider

- Top-box ("Very Easy") ratings of Ease Of Selecting A Free File Company were also lower in 2008 at 61% vs. 65% a year ago.



Q27: How would you describe the overall experience of selecting a Free File company?

- Asked for their top factors in choosing a software provider to Free File their return, the #1 mention was one NOT read as a possible response but volunteered by Users – that the service was actually free.

Factors In Choosing SW Provider

BASE: Total Free File Users

Primary Factors In Choosing Software Provider

Factor	Total Free File Users
It was actually free	50
Offer met my needs	35
Used them before	28
Reputation	27
I just picked one	26
It was recommended by a relative, friend or colleague	25
Offered a faster refund (with no Refund Anticipation Loan)	22
Suggested by GMTAC	18

- In other learning about the provider...

- 91% said they were correctly linked to the provider.
- 38% said they were offered upgrades or suggestions by the provider which were not free.
- And 90% again said they would definitely or probably use the same provider next year.

Q28: Primary factors in choice of provider.

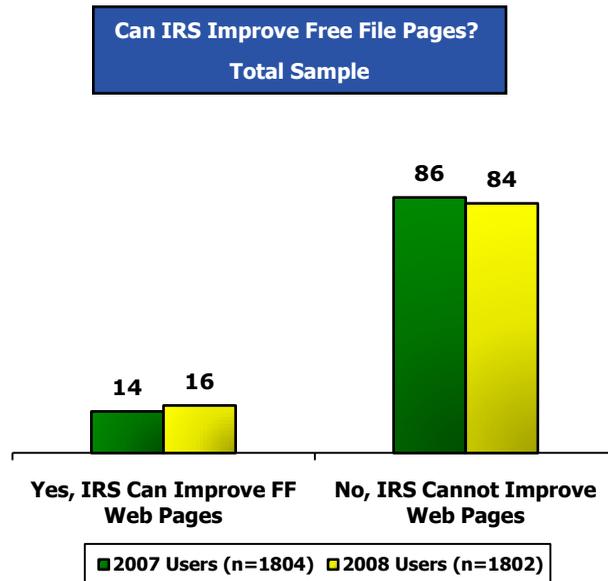
Q29: Did link take you to correct page?

Q29B: Offered upgrades/suggestions that were not free?

Q35: How likely are you to use the same provider next year?

Suggestions For Improvement Of Site Pages

- In each year's survey, Users are asked if the IRS can improve the Free File web pages. This year, only 16% indicated any need for improvement in the pages – which was slightly higher than (but statistically the same as) found in 2007.



Q30: Is there anything the IRS can do to improve the Free File pages to make them easier to use?

- Among that 16% suggesting improvement, the top mention again (and at virtually the same level as last year) was to make the Free File web pages easier to use (26%). Other suggestions are shown below.

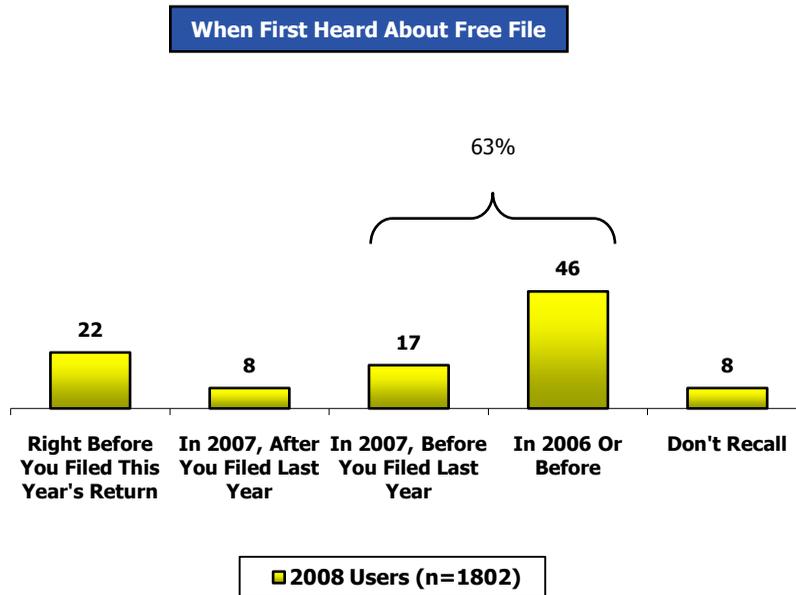
- Note: we wanted to understand more about what respondents mean when they suggest IRS "make pages easier to use". However, this study is not a good vehicle for drilling down to determine that, since Users are not in the actual usage environment and cannot be specific in their recall. To get at this issue, a Usability Study would be recommended.

Suggestions For Improvement Among Those Saying Site Can Be Improved

	Total Free File Users
BASE: Total Said IRS Can Improve FF Pages	294 %
<u>Total Suggested Improvements</u>	<u>89</u>
Make pages easier to use	26
Improve company selection process	18
Clearer/better instructions	8
Provide more information	6
Cost (i.e. was not really free, had to pay for some things)	5
Nothing – No suggestions	8
Don't Know	3

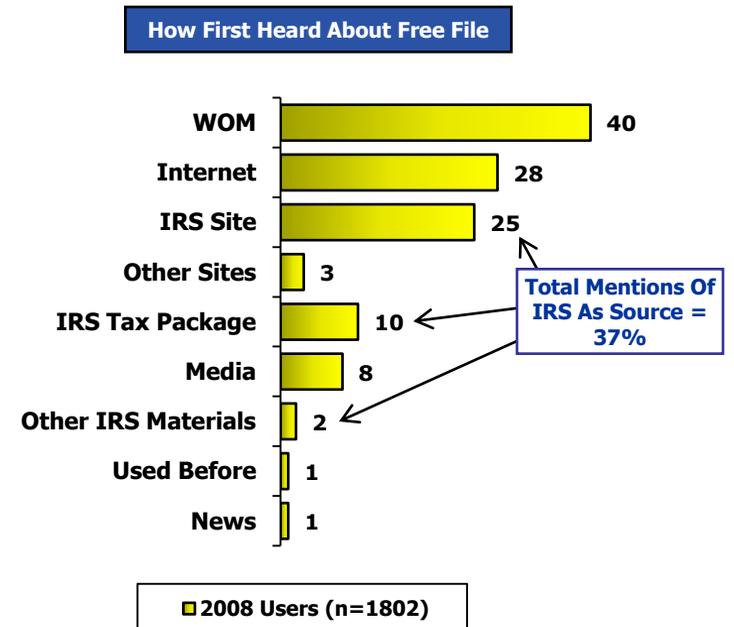
When & How First Heard About Free File

- Asked when they first heard about Free File, 63% said it was before they filed last year – or in 2007.



Q8: When did you first hear about the Free File program?

- In terms of how they first heard about Free File, results are very consistent with past years' surveys. 40% said it was through word-of-mouth (from relatives, friends or colleagues) and 28% heard about it via the Internet (mostly through irs.gov). In total, 37% attributed their learning about Free File to IRS communications vehicles.



Q9: And how did you first hear about it?

Sufficiency Of Info – Overall & At irs.gov

- Probed on their initial learning of Free File, 91% said that the information was sufficient to give them a general knowledge of the program, but only 47% recalled mention of the \$54,000 income limitation.
- Among the small base of those who thought there should have been more information (96 people), the top info needs were a website address, that it might not be free, and that you can be directed to external companies.
- Probed further on being able to find Free File info at irs.gov and the sufficiency of that information, 94% of Users said they were able to find information they needed on Free File at the site while filing.
- Virtually all (97%) said the Free File info at irs.gov was sufficient to allow them to use the program – with this high in all gender and age sub-groups.

Whether Information About Free File Was Sufficient

	Total Users (1802) %
BASE: Total Free File Users	
Initial source of information was sufficient to provide general knowledge of the program	91
Initial source of information mentioned the \$54,000 income limitation criteria	47

BASE: Total Who Thought Information Was Insufficient (96)

Information That Should Have Been Included

	Total Users
Should have given the exact website address	9
Should have said it might not be free, as it wasn't	7
Didn't know I would be directed to other companies	7
Should have mentioned the income limitation	4

Q10: Was the information you received from (source from Q9) sufficient?

Q10B: What else should have been included?

Q11: Did information received mention the \$54,000 income limitation criteria?

Information Provided For Free File From irs.gov

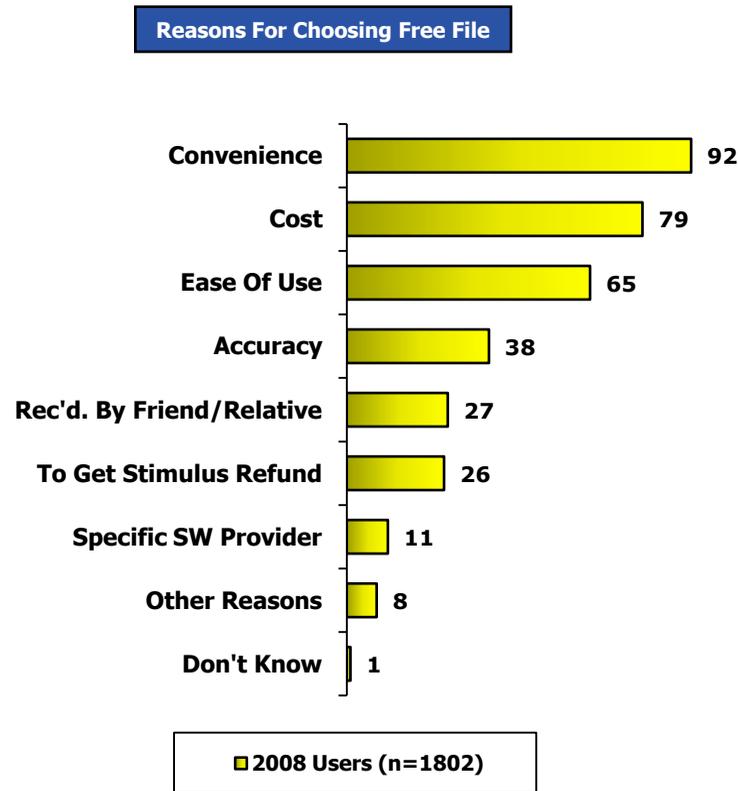
	Total Users (1802) %
BASE: Total Free File Users	
Ability to find information needed about Free File at irs.gov while filing	94
Information found at irs.gov was sufficient to allow use of Free File program	97

Q13: Were you able to find the information you needed about Free File on the website you were using?

Q14: Was the information on IRS.gov sufficient enough to allow you to use Free File?

Reasons For Choosing Free File

- When Users were asked why they chose to Free File this year, "convenience" was the top mention, followed by "cost", and "ease of use".



Q12ab: What were the reasons you chose to use Free File this year?

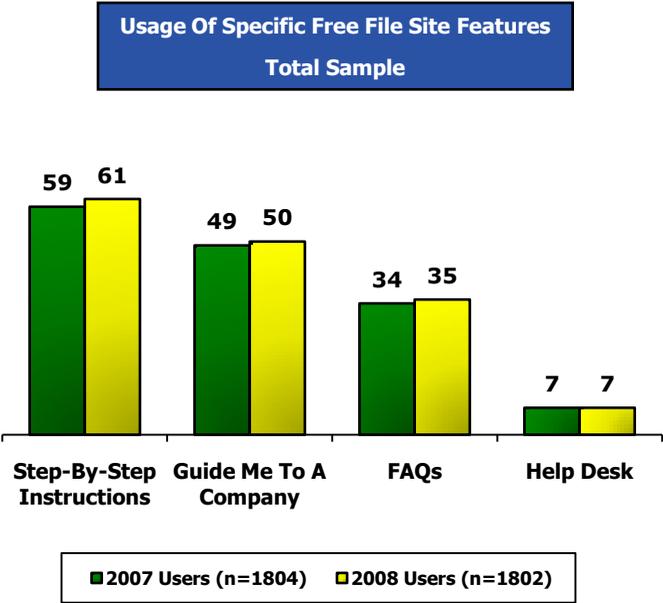
- Convenience was the #1 reason for use in every key demographic, especially among the youngest Users (among whom Word-Of-Mouth was also unusually important).

Reasons For Choosing Free File – By Age & Gender

	Total Users	Gender		Age Of Free File User					
		Male	female	Under 25	26-35	36-45	46-55	56+	
BASE: Total Free File Users	(1802)	(787)	(1015)	(397)	(359)	(308)	(358)	(380)	
	%	%	%	%	%	%	%	%	
Convenience	92	94	91	95	91	94	94	88	
Cost	79	76	81	77	82	80	79	76	
Ease of use/simple	65	65	64	68	64	65	66	62	
Accuracy	38	35	40	36	38	39	40	37	
Rec'd by a relative, friend or colleague	27	26	28	40	24	21	21	27	
To get stimulus refund	26	25	27	24	25	24	25	32	
Specific software provider	11	10	11	7	12	10	11	13	
Other reasons	5	5	6	4	5	6	6	7	
Don't know	0	1	0	1	1	0	0	1	

Usage Of Specific Free File Site Features

- Reported usage of specific features of the Free File site was very similar to that of last year – with **Step-By-Step Instructions** and **Guide Me To A Company** being the most commonly used features.



Q's 15, 16, 22 & 19: Did you use _____ for Free File?

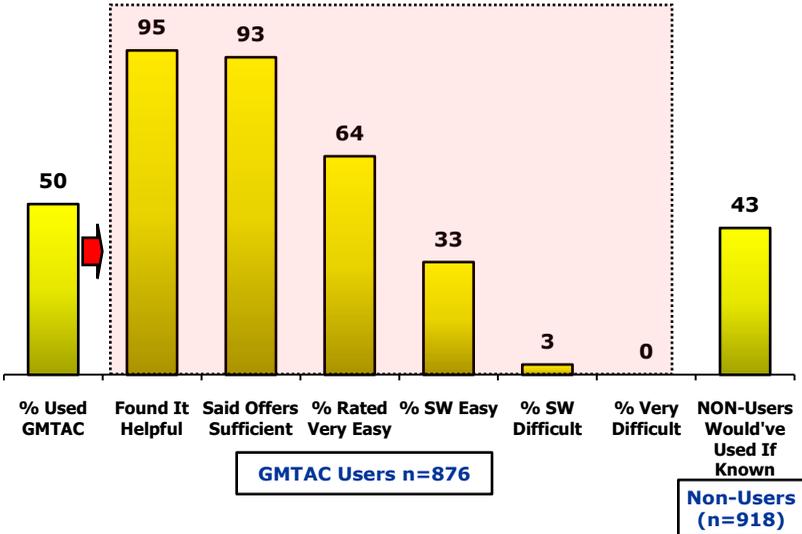
- In **usage of Site Features by Repeat Free File Users vs. Non-Repeat Users**, it is interesting to note that Repeat Users are again less likely to use Step-By-Step Instructions and more likely to use Guide Me To A Company.

	Total Free File Users (1802) %	Free File Repeat Users (1076) %	Non-Repeat Users (726) %
BASE: Total Respondents			
Step-By-Step Instructions	61	58	66
Guide Me To A Company	50	52	46
FAQs	35	34	37
Help Desk	7	6	8

Diagnosics For "Guide Me To A Company" & "FAQs"

- Diagnostic reaction to the **Guide Me To A Company** feature was virtually identical to last year. Among the 50% of Total Free File Users using it, 95% found it helpful and 93% said the offers on the provider pages were sufficient to help them make a choice. 97% said it was "very" or "somewhat" easy to use this feature.
- Among Users who did NOT use this feature, 43% said they would have used it if they had known about it.

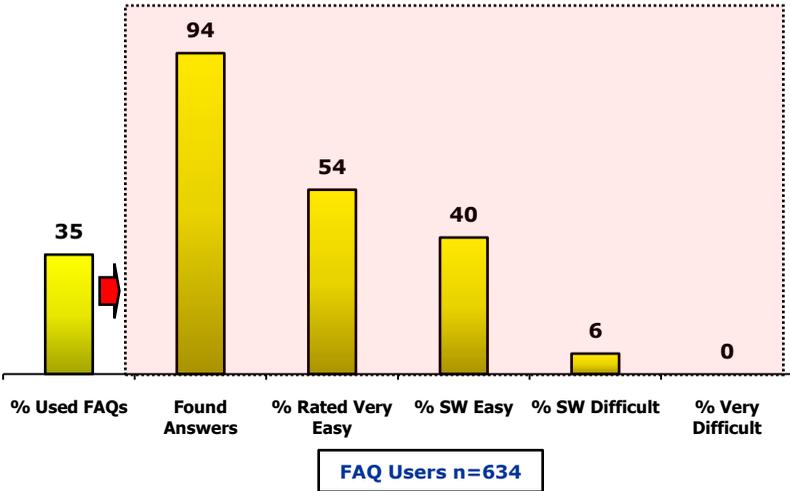
"Guide Me To A Company" Diagnostics



Q's 22-26. "Guide Me To a Company" diagnostic questions.

- Diagnostic reaction to the **FAQs** feature was also very similar to that of last year. Among the 35% of Total Free File Users who used this feature, 94% said they found the answers they were looking for in the FAQs.
- Here too, the vast majority of Users of the feature said that it was "very" or "somewhat" easy to use.

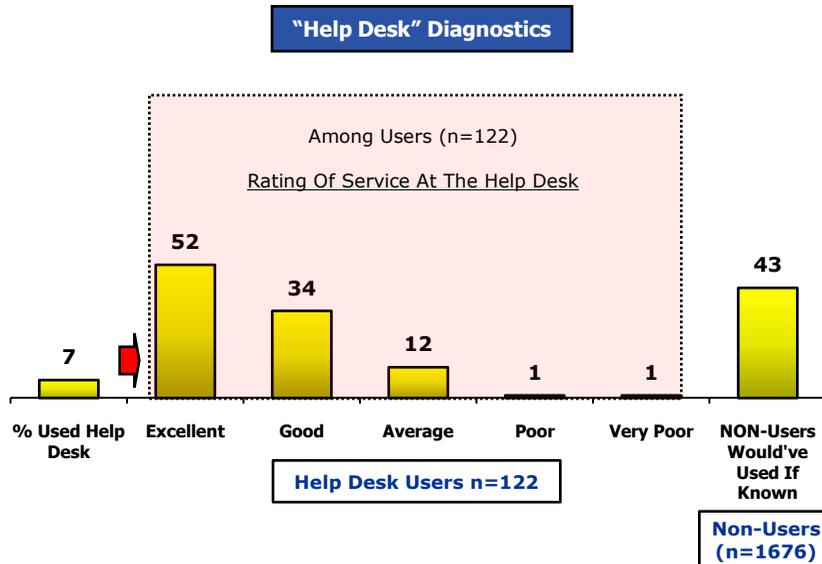
"FAQs" Diagnostics



Q's 16-18: "FAQ" diagnostic questions.

Diagnostics For "Help Desk" & Characteristics Of Usage Of Features

- Only 7% of Total Free File Users claimed usage of the **Help Desk** feature (leaving a relatively small base of only 122 people for analysis of Help Desk diagnostics).
- Among those using it, 86% rated the quality of service at the Help Desk as "excellent" or "good" (about the same as last year).
- 43% of those **not using** this feature said they would have, if they had known about it.



Q's 19-21: "Help Desk" diagnostic questions.

- There was substantial cross-usage of the 4 features, especially **cross-usage with Step-By-Step Instructions**, but relatively **few differences in the characteristics** of users of each feature (and with these occurring mainly among those who used the Help Desk).

Characteristics Of Users Of Each Feature

BASE: Total Respondents

	Total Free File Users (1802) %	Used Guide Me To A Service (892) %	Used FAQs (634) %	Used Help Desk (122) %	Used Step-By-Step Instructions (1102) %
Cross-Usage Of Features					
Used Guide Me To A Service	50	x	55	54	42
Used FAQs	35	39	x	48	46
Used Help Desk	7	7	9	x	8
Used Step-By-Step Instructions	61	64	79	75	x
Differences In Characteristics Of Users Of Each Feature					
Average Age	41.5	42.1	43.0	44.2	41.9
Repeat Users Of Free File	66	68	64	55	64
Claimed EITC	26	26	27	36	25
Filed A Simple Return	51	48	49	48	53
Filed An Intermediate Return	30	31	33	34	30
Filed A Complex Return	19	21	18	19	18
Taxpayer Owed A Refund	88	89	86	93	87
Used Self-Select PIN	70	70	69	65	68

From Demographic and List-Appended data.

Acceptance & Rejection Of Free File Returns

- In other learning, there were very similar results this year (vs. last) in terms of acceptance and rejection of Free Filed returns. Specifically...
 - **94% of all Users (vs. 93% in 2007) said their return was accepted on the first attempt...**
 - **With 59-60% each year receiving an acknowledgment letter within 24 hours and another 14% receiving the letter within 36 hours.**
 - **Among those whose return was not accepted on the first attempt this year, 83% said they received a reject notice in a timely manner – and that is slightly (but not significantly) lower than found in 2007.**
 - **In addition, 80% of those receiving a reject notice (just 90 people) said the notice was clear enough to allow them to make the necessary corrections – and this figure is significantly lower than reported by Free File Users in the 2007 survey.**

Other Feedback On Free File Experience

	Free File Users 2007 (1804) %	Free File Users 2008 (1802) %
BASE: Total Respondents		
% With Return Accepted On 1st Attempt	93	94
<u>How Soon After Submitting Return Received Acknowledgment Letter</u>		
Within 24 Hours	60	59
Within 36 Hours	16	14
Within 48 Hours	16	12
(Total Within 48 Hours)	(92)	(85)
(New Base: Total w/Return Not Accepted On 1 st Attempt)	(120)	(109)
% Of Rejects Receiving A Return Rejection Notice In Timely Manner	88	83
(New Base: Total Who Rec'd Return Rejection Notice)	(106)	(90)
% Whose Notice Was Easy Enough To Understand & Make Necessary Corrections	93	80

Q44 – Was your return accepted on the first attempt?
 Q47 – How soon did you receive an acknowledgment?
 Q45 – Did you receive the rejection in a timely manner?
 Q46 – Was the rejection easy enough to understand?

Other Learning About The Free File Usage Experience

• **In other feedback on the Free File usage experience...**

- **There was a drop in the proportion of Free File Users who said they read the licensing agreement (57% vs. 64% last year).**
- **The proportion who said they printed a copy of their completed return off of the website stayed the same (at 90% each year).**
- **69% reported that they signed their return using an online PIN number – which is very close to the data on this behavior shown in the Appends to the IRS List used in screening respondents (See Appendix, Page 22).**
- **89% said they received a refund (vs. 94% in 2007) and this too was very close to the data from List Appends.**
- **There was a drop in claimed Refund Receipt via Direct Deposit, though again this year, virtually all said their refund arrived within an expected time frame.**
- **And while bases are very small, there were indications of possible change in how Bal-Dues were paid, with fewer “Check/Money Order” and more “Automatic Withdrawal” and “Credit Card”.**

Other Feedback On Free File Experiences

	Free File Users 2007 (1804) %	Free File Users 2008 (1802) %
BASE: Total Respondents		
% Who Read Licensing Agreement	64	57
% Who Printed Copy Of Return Off Website	90	90
<u>Method Used To Sign Return</u>		
Online PIN Number	72	69
<i>(Compared To IRS Data From List Appends)</i>	<i>(74)</i>	<i>(70)</i>
<u>Refund/Bal-Due</u>		
% Who Rec'd A Refund	94	89
<i>(Compared To IRS Data From List Appends)</i>	<i>(99)</i>	<i>(88)</i>
<u>How Received Refund</u>		
<i>(New Base: Total Who Rec'd Refund)</i>	<i>(1703)</i>	<i>(1604)</i>
% Rec'd Refund via Direct Deposit	85	80
<i>(Comparative Data Not In List Appends)</i>		
% Rec'd. Refund Within Expected Time Frame	97	97
<u>How Paid Bal-Dues</u>		
<i>(New Base: Total Who Owe Taxes – Caution: SMALL BASES)</i>	<i>(39)</i>	<i>(79)</i>
% Paid via Check or Money Order	54	34
% Paid via Automatic Withdrawal	15	30
% Paid via Credit Card	13	20

Q's 37 - 43: Other Free File experience questions.

Longer-Term Trends In Survey Data

- **Finally, looking at key measures from the tracking study over all three years...**
 - **While it is clear there has been some '07 to '08 decline in Intent To Use, a bump up in % Suggest Improvements, and decreases in ratings as "Very Easy" Overall and in terms of Navigation and Company Selection...**
 - **Free File's scores on each measure are only slightly different from those of 2006, the first year of tracking.**
 - **This makes it difficult to tell whether the declines noted for 2008 are:**
 - **Real and reflective of some change in Free File that are not known here.**
 - **Reflective of differences in the time of year in which each year's survey was conducted – this year's study was conducted in September-October, which places it farther away from the actual Free File experience than the first two surveys (which were conducted in June).**
 - **Or perhaps due to changes in the type of Taxpayer using Free File each year. The summary of sample characteristics in the Appendix shows a number of differences in type of User in 2008 vs. 2007.**

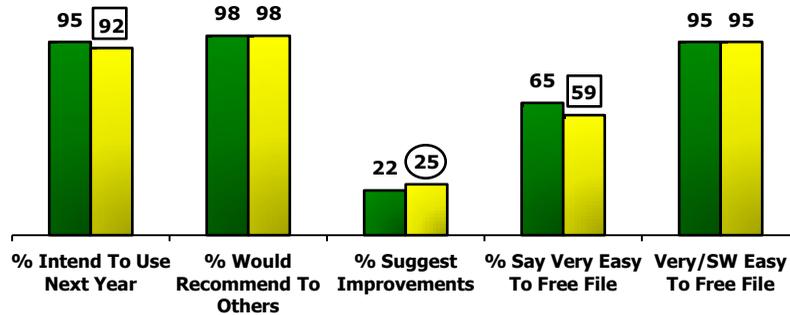
Free File Survey Key Measures Trends, 2006-2008

	Free File Users 2006 (1800) %	Free File Users 2007 (1804) %	Free File Users 2008 (1802) %
BASE: Total Respondents			
% Who Intend To Use Free File Next Year	94	95	92
% Would Recommend Free File to Others	97	98	98
% Who Suggest Improvements	30	22	25
% Who Say It's "Very Easy" To Free File	60	65	59
% Who Say Free File Site Is "Very Easy" To Navigate	61	64	59
% Who Say Company Selection Is "Very Easy"	59	65	61
WHEN SURVEY WAS CONDUCTED	May 30- June 25, 2006	May 30- June 25, 2007	Sept 5- Oct. 6, 2008

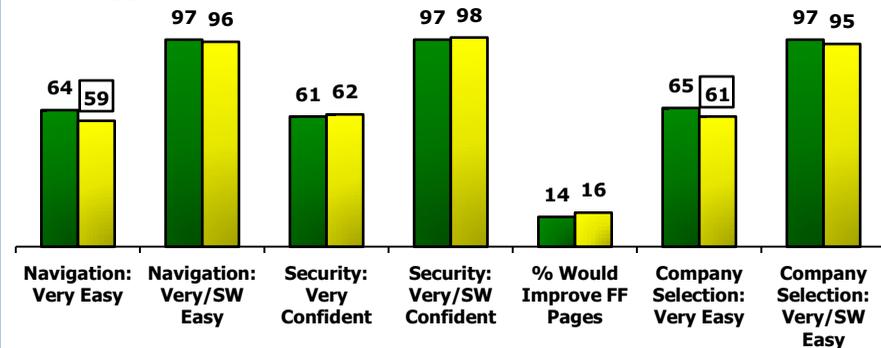
Key Findings

Key Findings

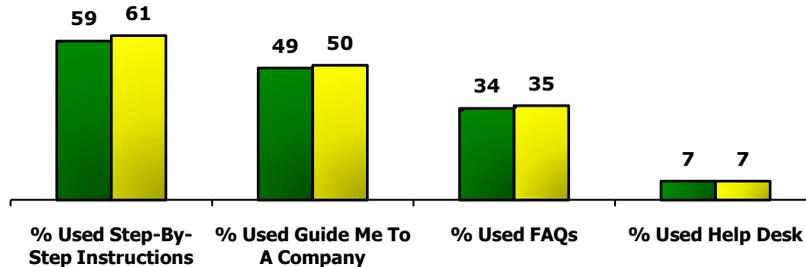
2008 results show decreases in Future Usage Intent and ratings of Free File as Very Easy To Use, along with increases in Suggested Improvements...



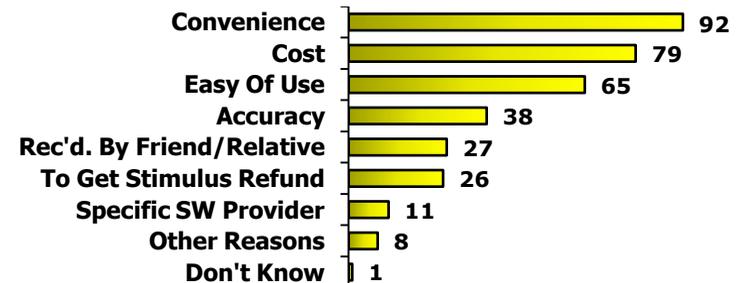
The lower Ease Of Use rating correlates with lower ratings on Ease of Site Navigation and Ease of Company Selection – though we cannot pinpoint whether these declines are reflective of product performance, study timing, or changes in User types.



Finally, the levels of claimed usage of specific site features were at parity with those of last year, with substantial cross-usage of the 4 features (especially with Step-By-Step instructions.)



Overall, this year's drivers of Free File Usage align very closely with those of 2006 and 2007 – still mainly Convenience and Cost.



Appendix

Characteristics Of The Free File User Survey Sample

Characteristics From Self-Reported Data

	Free File Users 2007 (1804) %	Free File Users 2008 (1802) %
BASE: Total Respondents		
Average Age	39	41
% Females	59	56
% Males	41	44
% First-Time Filers	0.28	0.22
<u>Who Prepared Previous Year Return (Self-Reported)</u>		
Self	72	72
Relative	13	14
Paid Tax Preparer	11	9
Friend	3	4
<u>Where Previous Year Return Was Prepared</u>		
In Own Home	77	78
At Relative Or Friend's Home	8	9
Tax Preparer's Office/Home	10	8
Other Locations	5	5
<u>Type Of Return Filed THIS YEAR Using Free File</u>		
Both Federal & State	54	53
Federal Only	45	46
% Knew There Would Be A Charge To File State Return	na	39
(BASE: Total Who Filed Their Federal Return Using Free File)	(na)	(1792)
% Expected To Be Able To File State Return At Same Time	na	58
(BASE: Total Respondents)	(1804)	(1802)
<u>% REPEAT USERS (Used FF For Previous Year Return)</u>	60	60
<u>% NOT Repeat Users (Used Some Other Method)</u>	40	40
<u>Where Did Not-Repeaters Come From?</u>		
(BASE: Filed A Return Previous Year But Not A Repeat User)	(710)	(557)
Electronically Using Tax Prep Software & Not At A Website	42	39
Online Using A Website, But Not Using Free File	27	30
By Mail And Did Not Use Tax Prep Software It	20	21
By Mail After Using Tax Prep Software To Prepare It	11	9

Characteristics From List-Appended Data

	Free File Users 2007 (1804) %	Free File Users 2008 (1802) %
BASE: Total Respondents		
<u>Return Type:</u>		
Simple	48	51
Intermediate	34	30
Complex	18	19
<u>% Claimed EITC</u>		
Average EITC Amount Claimed	30 \$1865	26 \$1548
<u>% Claimed CTC</u>		
Average CTC Amount Claimed	20 \$937	15 \$985
<u>Filing Status:</u>		
Single	57	60
Married Filing Jointly	24	25
Married Filing Separately	1	1
Head Of Household	18	13
Widower With Children	0	0.11
Married Filing Separately, Spouse Not Required	0.06	0
<u>Refund/Bal Due:</u>		
% With Refund	99	88
Avg. Amount Of Refund	1820	\$1617
% With Even Return	0	7
% Bal Due	1	5
Avg. Bal Due	\$313	\$465
% Used Direct Debit	1	2
<u>Signature Method:</u>		
Used Self-Select PIN	74	70
Filed Form 8453-OL	26	30

Reasons For Choosing Free File – Repeat Users vs. Non-Repeat Users

Reasons For Choosing Free File – Repeat Users vs. Non-Repeat Users

	Total Users (1802) %	Repeat FF Users (1076) %	Non-Repeat FF Users (726) %
BASE: Total Free File Users			
Convenience	92	93	92
Cost	79	80	77
Ease of use/simple	65	63	68
Accuracy	38	37	39
Rec'd by a relative, friend or colleague	27	23	33
To get stimulus refund	26	21	33
Specific software provider	11	9	13
Other reasons	5	5	7
Don't know	0	0	1

Q12ab: What were the reasons you chose to use Free File this year?