

Impact of Wording on Resolving Outliers

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**The views expressed herein are those of the authors and do not represent those of the IRS*

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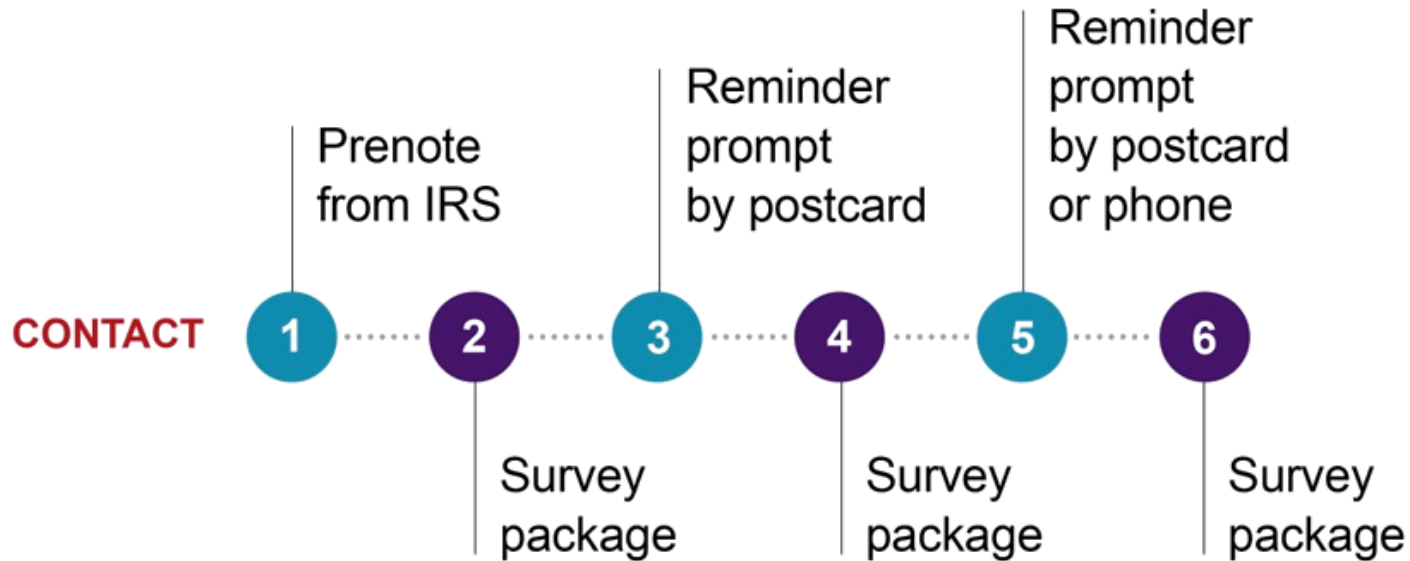
IRS Individual Taxpayer Burden Survey

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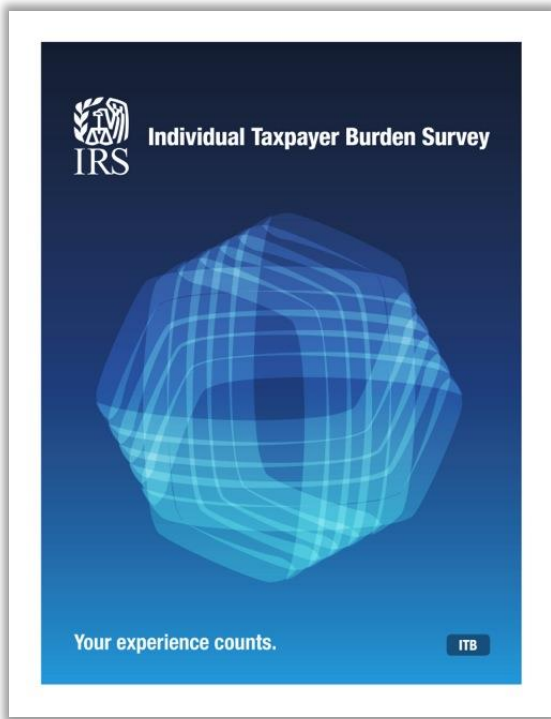
- Survey conducted annually since 2010 with sample of 20,000 taxpayers.
- Measures taxpayer burden in terms of time and money spent on:
 - Recordkeeping
 - Tax planning
 - Gathering tax materials & software
 - Professional tax help
 - Completing & submitting the tax return
- Results used as input for IRS Taxpayer Burden Model



Survey Contacts



Mail Survey with Web Survey Option



If you would prefer to complete the survey on the web, you may do so by following the instructions below. Web responses are processed more quickly and will help ensure that you don't receive follow-up contacts.

Web Survey Instructions

- 1 Go to the website.**
To take the survey online, please go to:
www.IRStaxpayerburdensurvey.org
- 2 Log in.**
You will need the following username and password to access the survey:

Username: [UID]
Password: [PWD]

Problems?

If you have any technical difficulties, including problems with the website, please call 1-888-848-0934 or send an email to IRStaxpayerburdensurvey@westat.com.

Si quiere usted tomar esta encuesta en español, por favor llame al 1-888-367-0403 o envíe un email al IRStaxpayerburdensurvey@westat.com.

Privacy and Paperwork Reduction Act Notice for Individual Taxpayer Burden Model Data Collection

The Privacy Act of 1974 states that when we ask you for information, we must first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if you do not provide it and whether or not you must respond under the law.

Our legal right to ask for this information is 5 U.S.C. 301.

The primary purpose for requesting the information is to analyze the role of taxpayer burden in tax administration. We will also use the information to fulfill the IRS' statutory obligations to the Office of Management and Budget and Congress for information required by the Paperwork Reduction Act, and to provide tax policy analysis support to the Office of Tax Analysis at the Department of the Treasury. We will also use the information provided to better understand taxpayer needs and burden reduction opportunities.

Tax information may be disclosed only as provided by 26 U.S.C. 6103. Providing the information is voluntary. Not providing all or part of the information requested may reduce our ability to address taxpayer concerns regarding paperwork reduction.

OMB No: 1545-2212. This report is authorized under the Paperwork Reduction Act. Data collected will be shared with IRS staff, but your responses will be used for research and aggregate reporting purposes only and will not be used for other non-statistical or non-research purposes such as direct enforcement activities. The information that you provide will be protected to the fullest extent allowable under the Freedom of Information Act (FOIA). Public reporting burden for this collection of information is estimated to average 15 to 20 minutes, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to IRS Tax Products Coordinating Committee, SE:WCA/EMP:T:19F, 1111 Constitution Avenue, NW, Washington, DC 20224.

2014



Time Item



22857

13. How much time did you spend on the following activities for your 2013 federal income tax return?

Recordkeeping

Include time spent throughout the tax year:

- Keeping track of tax-related information, such as records or receipts
- Collecting and organizing your tax-related records
- Making a special effort to obtain records or receipts

<input type="text"/>	:	<input type="text"/>
Hours		Minutes

No time spent

Do not include time spent on non-tax related business or personal recordkeeping.

Tax planning

Include time spent throughout the tax year:

- Calculating or changing withholding or estimated payments
- Researching strategies to reduce the taxes you owe such as making charitable donations, participating in a retirement account, or buying or selling investments
- Working with a tax professional (paid or volunteer) on tax planning
- Doing business tax planning related to your personal tax situation

<input type="text"/>	:	<input type="text"/>
Hours		Minutes

No time spent

Do not include any time spent on financial planning that was not tax related.

Gathering or purchasing materials

Include time spent:

- Gathering IRS tax forms, instructions, or publications
- Selecting, buying, and installing tax preparation software or mobile app
- Selecting a tax preparation website
- Selecting a tax professional (paid or volunteer)

<input type="text"/>	:	<input type="text"/>
Hours		Minutes

No time spent

Completing and submitting your tax return

Include time spent:

<input type="text"/>	:	<input type="text"/>
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Money Item

as the tax filing season

correspondence

- Costs associated with amending your 2013 federal income tax return
- Costs associated with partnerships (Form 1065), corporations (Form 1120 or 1120S), estates (Form 706), gifts (Form 709), trusts (Form 1041), employment tax (Form 940, 941, 943, 944, 945), or excise tax (Form 720)

16. How much did you pay for the following products or services to complete your 2013 federal income tax return?

Paid preparer services
Include tax preparation or tax planning advice
Do not include any fees for an early or immediate tax refund

\$.

Dollars Cents

No money spent

Tax preparation website or software
Include the purchase price as well as live advice fees
Do not include any fees for an early or immediate tax refund
Do not include any general purpose accounting software, such as Quicken, MSN Money, or QuickBooks

\$.

Dollars Cents

No money spent

Fees for an early or immediate tax refund
Include any fees for an early or immediate tax refund, such as a refund anticipation loan, check, or rapid refund

\$.

Dollars Cents

No money spent

Tax books, classes, or seminars

\$.

Dollars Cents

No money spent

Postage, filing fees, or travel costs
Include costs associated with submitting your return, such as electronic filing fees, fees charged for paying your taxes by credit card, postage, faxes, courier fees, or any travel costs

\$.

Dollars Cents

No money spent

Time and Money Values

Expected Values

- For each time & money category, there is an expected range of values based on data from previous administrations.

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- An outlier may be representative (correct or valid observation) or non-representative (incorrect observation due to error).

Method for Resolving Outliers

Step 1: Respondent is contacted

Paper Survey

- Respondents contacted by phone by an interviewer 3-4 weeks after completing survey*

**time lag due to mail return of surveys, scanning, and workload management*

Web Survey

- While taking survey, respondents immediately receive a follow-up screen

Step 2: Respondent is asked about outlier

- Respondent is asked to “tell us more” about outlier value, with opportunity to correct outlier if it was an error*

**For paper survey, interviewers had flexibility to deviate from script*

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**Study:
Impact of Wording in
Outlier Follow-up**

Wording of Outlier Follow-up

2013 ITB Survey*

You spent more than we expected. You answered {ANSWER}.

First, is that what you meant to put?

IF YES, Please tell us more.

2014 ITB Survey*

On the survey, you said you spent {ANSWER}. Please say more.

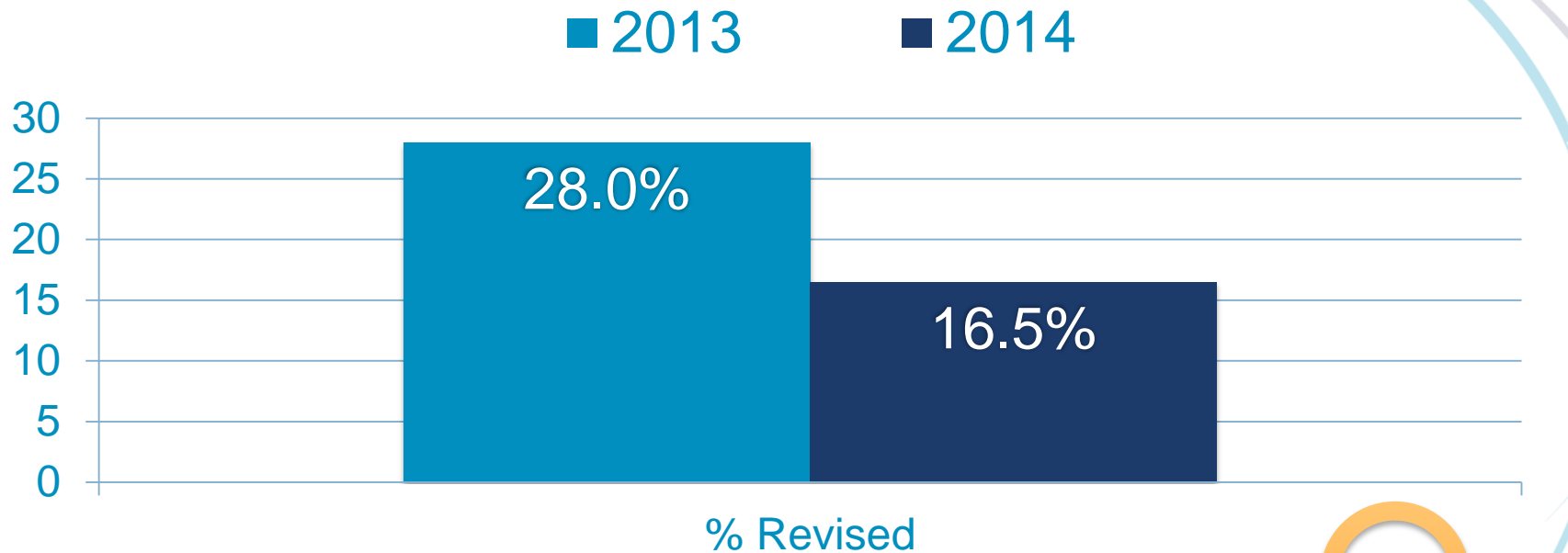
If you need to correct your answer, we can do that now as well.

Results

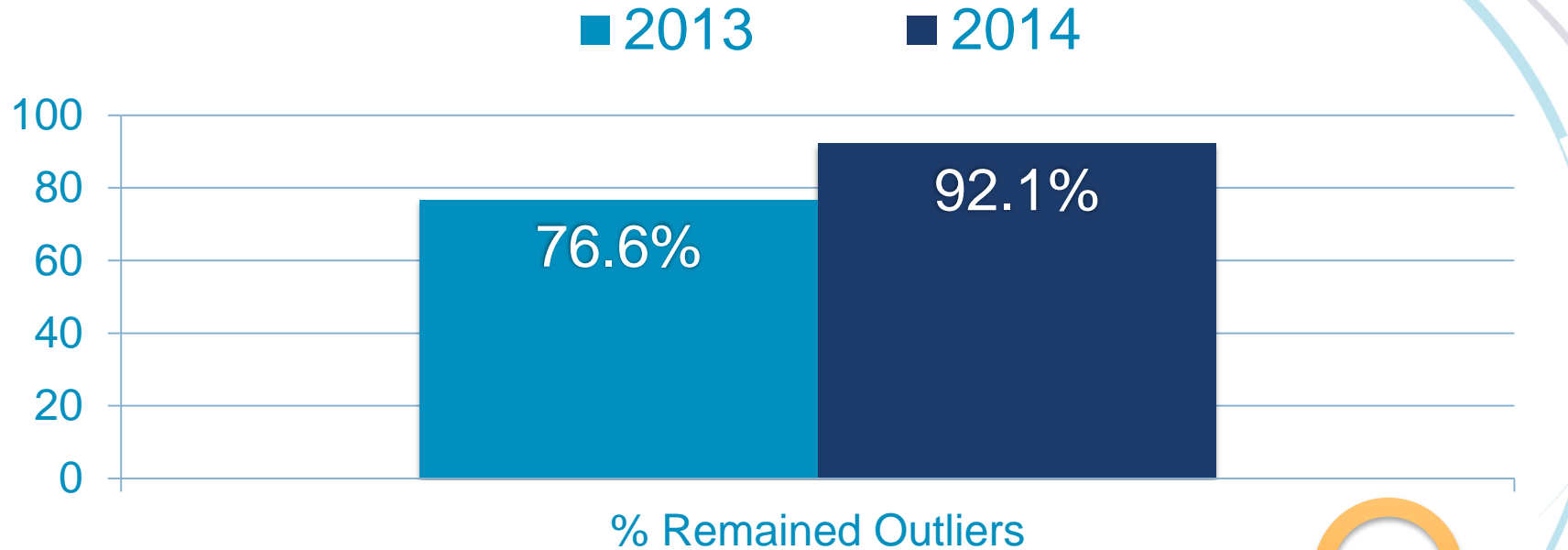
Outlier Follow-up

	2013 ITB Survey	2014 ITB Survey
Completes	7130 completes	6888 completes
# of outliers identified* <i>* note one respondent may have more than one outlier</i>	1127 outliers	1112 outliers
# of outliers that received follow-up* <i>* for paper surveys, which constitute about 95% of our outliers, follow-up was not always possible</i>	193 outliers	194 outliers

Percent of outliers revised by respondents



Percent of outliers that remained outliers*



*Includes both unrevised outliers, and revised values that still remained an outlier

Time and Money Values

Expected Values

- For each time & money category, there is an expected range of values based on data from previous administrations.

Outliers

- An outlier is a case with an extreme value relative to the majority of cases in the dataset.
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Wording of Outlier Follow-up

2013 ITB Survey

You spent more than we expected. You answered {ANSWER}.

First, is that what you meant to put?

IF YES, **Please tell us more.**

2014 ITB Survey

On the survey, you said you spent {ANSWER}. **Please say more.**

If you need to correct your answer, we can do that now as well.

Qualitative Analysis of Outlier Explanations

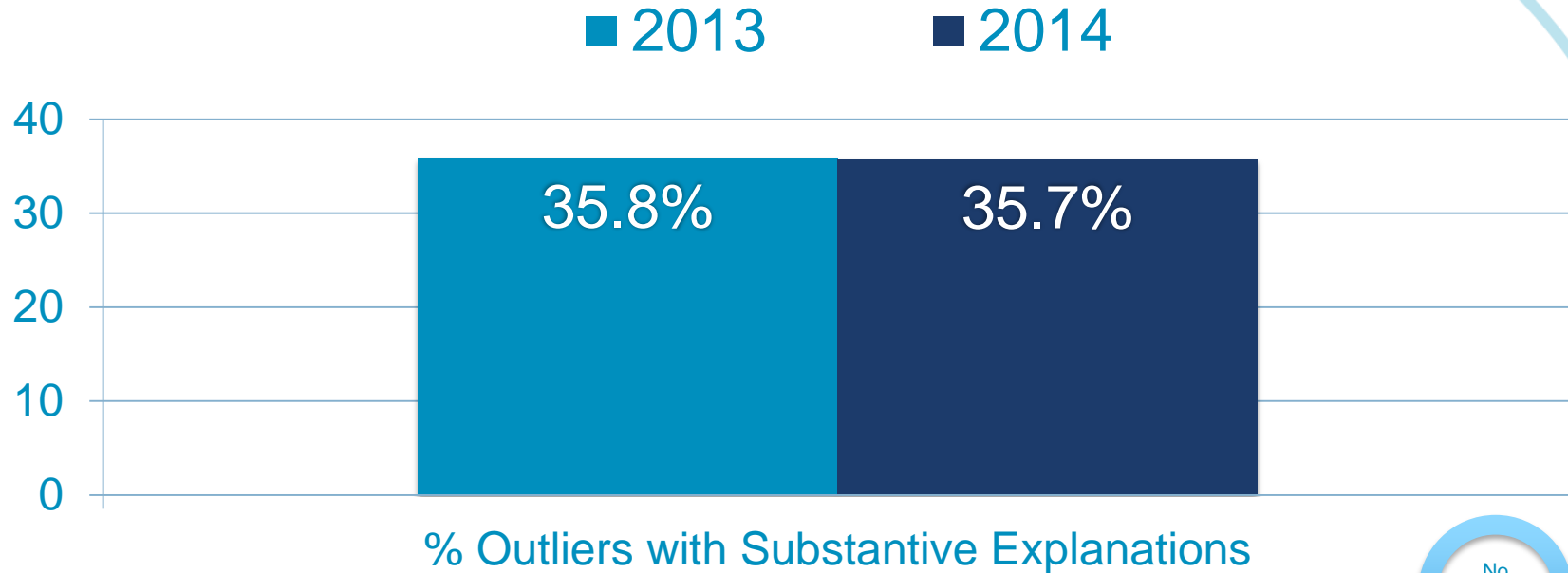
Substantive Explanation

- Barriers (e.g., unclear instructions, difficulty obtaining forms)
- Calamity (e.g., death, disability, natural disaster)
- Complex tax return due to business interests
- Complex tax return for reasons other than business
- Disability due to age
- Language barriers (e.g., English as a second language)

Minimal Explanation

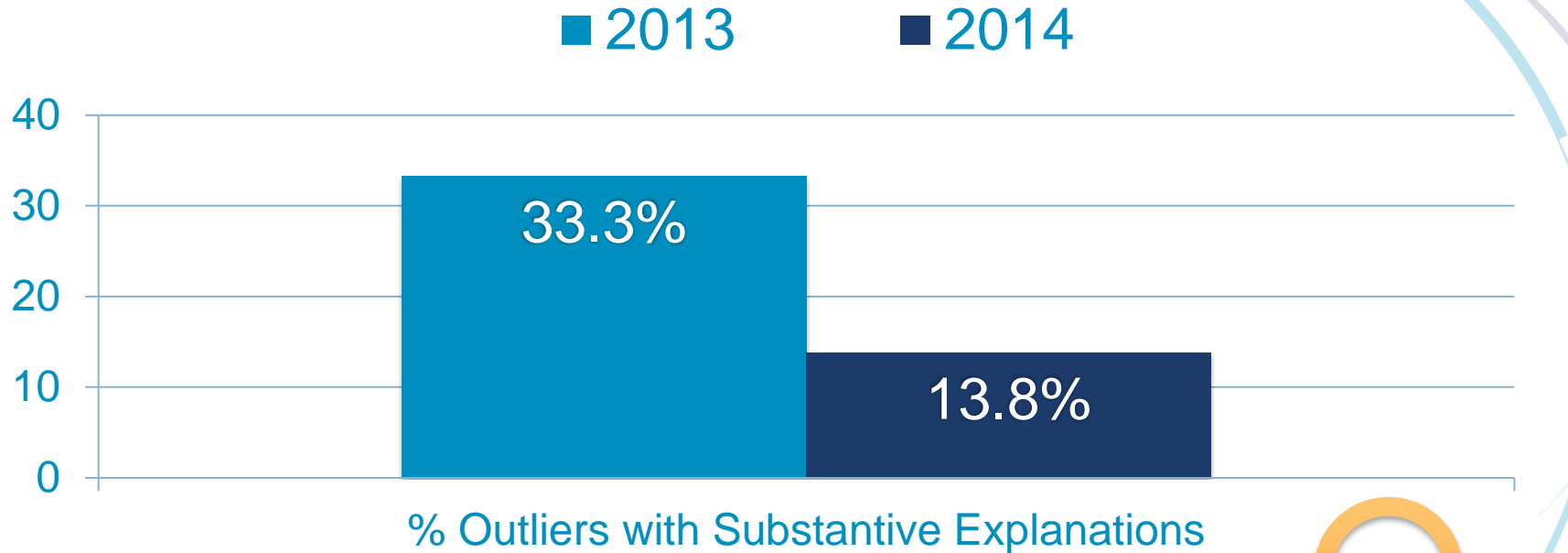
- e.g., “I had so many recordkeeping hours because I spent a lot of time keeping records”
- e.g., “That’s what I paid my paid preparer.”

Paper Survey: Percent of outliers with substantive explanation



No
significant
difference

Web Survey: Percent of outliers with substantive explanation



Significant difference • $p < .05$

Discussion

Conclusions

- Outlier follow-up provides insight into the factors that drove the reported amount and documents why the response should not be treated as an outlier.
- Wording does impact outlier follow-up.
- Telling respondents that their response is higher than expected (which may imply that the answer is wrong) makes it more likely that they will revise their response to a lower amount.
- Simply asking for an explanation of an amount makes it less likely that respondents will change their original answer. This is true even though respondents were simultaneously given the opportunity to correct the amount. As a result, more responses remain as outliers.

Next Steps

- Although we don't know which approach yields the more accurate values, there is concern that the 2013 ITB wording may have resulted in artificially low values.
- Although more responses remain as outliers with the 2014 ITB wording, there is less concern that respondents will feel pressured to lower values.
- Given this, the 2015 ITB will utilize the wording from the 2014 ITB:
On the survey, you said you spent {ANSWER}. Please say more.
If you need to correct your answer, we can do that now as well.

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